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 September 30, 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 September 30, 2006 was 29,176,241.

Table of Contents

EQUINIX, INC.

INDEX

		Page No.
Part I - Financial Information		
Item 1.	Financial Statements:	
	Condensed Consolidated Balance Sheets as of September 30, 2006 and December 31, 2005	3
	Condensed Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2006 and 2005	4
	Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2006 and 2005	5
	Notes to Condensed Consolidated Financial Statements	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	33
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	57
Item 4.	Controls and Procedures	58
Part II - Other Information		
Item 1.	Legal Proceedings	58
Item 1A.	Risk Factors	60
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	72
Item 3.	Defaults Upon Senior Securities	72
Item 4.	Submission of Matters to a Vote of Security Holders	72
Item 5.	Other Information	72
Item 6.	Exhibits	73
Signatures		80
Index to Exhibits		81

Table of Contents

PART I - FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

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

	September 30, 2006	December 31, 2005
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 84,639	$ 119,267
Short-term investments	61,322	52,105
Accounts receivable, net	24,129	17,237
Prepaids and other current assets	5,990	3,103
Total current assets	176,080	191,712
Long-term investments	20,385	17,483
Property and equipment, net	499,917	438,790
Goodwill	22,710	21,654
Debt issuance costs, net	2,685	3,075
Other assets	8,843	8,283
Total assets	$ 730,620	$ 680,997
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 23,007	$ 22,557
Accrued property and equipment	18,597	15,783
Borrowings from credit line	40,000	30,000
Current portion of accrued restructuring charges	13,848	12,400
Current portion of capital lease and other financing obligations	1,855	1,552
Current portion of mortgage payable	1,337	1,159
Other current liabilities	8,517	7,972
Total current liabilities	107,161	91,423
Accrued restructuring charges, less current portion	30,698	37,431
Capital lease and other financing obligations, less current portion	93,220	94,653
Mortgage payable, less current portion	57,828	58,841
Convertible subordinated debentures	86,250	86,250
Deferred rent and other liabilities	27,879	23,726
Total liabilities	403,036	392,324
Stockholders' equity:		
Common stock	29	27
Additional paid-in capital	887,319	839,497
Deferred stock-based compensation	—	(4,930)
Accumulated other comprehensive income	2,791	1,126
Accumulated deficit	(562,555)	(547,047)
Total stockholders' equity	327,584	288,673
Total liabilities and stockholders' equity	$ 730,620	$ 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 September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
	(unaudited)			
Revenues	$73,726	$58,096	$207,143	$159,259
Costs and operating expenses:				
Cost of revenues	49,137	40,955	138,045	116,639
Sales and marketing	7,502	4,829	23,180	14,793
General and administrative	18,631	12,078	53,486	33,594
Restructuring charges	1,527	—	1,527	—
Total costs and operating expenses	76,797	57,862	216,238	165,026
(Loss) income from operations	(3,071)	234	(9,095)	(5,767)
Interest income	1,724	1,075	5,065	2,644
Interest expense	(3,551)	(1,928)	(10,984)	(6,332)
Loss before income taxes and cumulative effect of a change in accounting principle	(4,898)	(619)	(15,014)	(9,455)
Income taxes	(270)	(164)	(870)	(553)
Net loss before cumulative effect of a change in accounting principle	(5,168)	(783)	(15,884)	(10,008)
Cumulative effect of a change in accounting principle for stock-based compensation (net of income taxes of $0)	—	—	376	—
Net loss	$ (5,168)	$ (783)	$ (15,508)	$ (10,008)
Net loss per share:				
Basic and diluted net loss per share before cumulative effect of a change in accounting principle	$ (0.18)	$ (0.03)	$ (0.56)	$ (0.43)
Cumulative effect of a change in accounting principle	—	—	0.01	—
Basic and diluted net loss per share	$ (0.18)	$ (0.03)	$ (0.55)	$ (0.43)
Weighted-average shares	28,743	24,076	28,356	23,335

See accompanying notes to condensed consolidated financial statements

Table of Contents

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

	Nine months ended September 30, 2006	Nine months ended September 30, 2005
	(unaudited)	
Cash flows from operating activities:		
Net loss	$ (15,508)	$ (10,008)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	52,200	46,504
Stock-based compensation	23,540	6,291
Accretion of asset retirement obligation and accrued restructuring charges	2,795	1,043
Amortization of intangible assets and non-cash prepaid rent	833	240
Non-cash interest expense	643	1,451
Allowance for (recovery of) doubtful accounts	16	(457)
Loss on disposal of assets	6	4
Cumulative effect of a change in accounting principle	(376)	—
Restructuring charges	1,527	—
Changes in operating assets and liabilities:		
Accounts receivable	(6,908)	(3,823)
Prepaids and other assets	(2,305)	647
Accounts payable and accrued expenses	470	3,602
Accrued restructuring charges	(9,213)	(1,448)
Other liabilities	1,833	4,990
Net cash provided by operating activities	49,553	49,036
Cash flows from investing activities:		
Purchases of investments	(68,619)	(100,693)
Sale of investments	—	13,360
Maturities of investments	56,789	103,344
Purchase of Chicago IBX property	(9,766)	—
Purchases of other property and equipment	(102,904)	(57,219)
Accrued property and equipment	2,814	2,245
Proceeds from sale of property and equipment	8	—
Net cash used in investing activities	(121,678)	(38,963)
Cash flows from financing activities:		
Proceeds from exercise of warrants, stock options and employee stock purchase plans	28,756	11,217
Proceeds from borrowings under credit line	40,000	—
Repayment of borrowings from credit line	(30,000)	—
Repayment of capital lease and other financing obligations	(1,130)	(4,213)
Repayment of mortgage payable	(835)	—
Debt issuance costs	(253)	(342)
Excess tax benefits from stock-based compensation	814	—
Net cash provided by financing activities	37,352	6,662
Effect of foreign currency exchange rates on cash and cash equivalents	145	(100)
Net increase (decrease) in cash and cash equivalents	(34,628)	16,635
Cash and cash equivalents at beginning of period	119,267	25,938
Cash and cash equivalents at end of period	$ 84,639	$ 42,573
Supplemental cash flow information:		
Cash paid for taxes	$ 545	$ —
Cash paid for interest	$ 11,352	$ 5,277

See accompanying notes to condensed consolidated financial statements

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation and Significant Accounting Policies

The accompanying unaudited condensed consolidated financial statements have been prepared by Equinix, Inc. ("Equinix" or the "Company") and reflect all adjustments, consisting only of normal recurring adjustments, which in the opinion of management are necessary to fairly state the financial position and the results of operations for the interim periods presented. The balance sheet at December 31, 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.

The Company believes it has sufficient cash, coupled with anticipated cash generated from operating activities and anticipated cash from financings expected to close in the fourth quarter of 2006 as described below, to meet its currently identified business objectives for at least the next twelve months. As of September 30, 2006, the Company had $166,346,000 of cash, cash equivalents and short-term and long-term investments. Since the quarter ended September 30, 2003, the Company has generated positive operating cash flow in each quarter and expects this trend to continue throughout the remainder of 2006 and beyond. In addition, as of September 30, 2006, the Company had $28,300,000 of additional liquidity available to it under the Company's Silicon Valley Bank Credit Line Amendment, which was amended in August 2006 (see Note 9), in the event the Company needs additional cash to fund expansion activities, fund working capital requirements or pursue attractive strategic opportunities that may become available in the future. In September 2006, the Company received loan commitments, subject to customary closing conditions, for a total of $150,000,000 to finance its Washington, D.C. Metro Area IBX Expansion Project (see Note 2) and Chicago Metro Area IBX Expansion Project (see Note 2) in long-term financing arrangements at anticipated rates of approximately 8%, which the Company expects to close during the fourth quarter of 2006. While the Company expects that its cash flow from operations will continue to increase, 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 (see Note 12, "Other Purchase Commitments") and the Company expects them to be greater than its cash flows generated from operating activities. As a result, while the Company believes it has sufficient cash, coupled with anticipated cash generated from operating activities and anticipated cash from financings expected to close in the fourth quarter of 2006, to meet its currently identified business objectives for at least the next twelve months, the Company will investigate additional financing opportunities in connection with the Company's current and future expansion plans, in order to continue to meet its cash requirements to fund its other capital expenditures, debt service and corporate operating requirements and maintain its cash and working capital position.

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.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

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, which is for when a customer wishes to terminate their contract early, 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 and nine months ended September 30, 2006. During the three and nine months ended September 30, 2005, the Company recorded a total of $247,000 and $607,000, respectively, in service level credits to various customers associated with two separate power outages that affected the Company's Chicago and Washington, D.C. metro area IBX centers.

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.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

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 September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
Numerator:				
Net loss	$ (5,168)	$ (783)	$(15,508)	$(10,008)
Denominator:				
Weighted-average shares	28,991	24,076	28,606	23,335
Weighted-average unvested restricted shares issued subject to forfeiture	(248)	—	(250)	—
Total weighted average shares	28,743	24,076	28,356	23,335
Net loss per share:				
Basic and diluted	$ (0.18)	$ (0.03)	$ (0.55)	$ (0.43)

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

	September 30,	
	2006	2005
Series A preferred stock	—	1,868,667
Series A preferred stock warrant	—	965,674
Shares reserved for conversion of convertible secured notes	—	224,229
Shares reserved for conversion of convertible subordinated debentures	2,183,548	2,183,548
Unvested restricted shares issued subject to forfeiture	247,750	—
Common stock warrants	9,490	152,359
Common stock related to stock-based compensation plans	3,935,819	4,482,973

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 and nine months ended September 30, 2006, the Company recorded a tax provision of $270,000 and $870,000, respectively. For the three and nine months ended September 30, 2005, the Company recorded a tax provision of $164,000

and $553,000, 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 September 30, 2006 and December 31, 2005, along with other taxes, such as personal and real property taxes (see Note 6). During the nine months ended September 30, 2006, the Company reduced $825,000 of this income tax payable within accounts payable and accrued expenses, and increased additional paid-in capital as a result of excess tax benefits associated with the stock options exercised by employees during the periods.

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, 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 September 30, 2006, was $3,905,000 and $354,000, respectively. During the nine months ended September 30, 2006, total interest cost incurred and total interest capitalized was $12,026,000 and $1,042,000, respectively. There was no interest capitalized during the three and nine months ended September 30, 2005.

Asset Retirement Obligations

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 most of them have renewal options available to the Company.

During the three and nine months ended September 30, 2006, the Company recorded accretion expense related to its asset retirement obligations of $138,000 and $394,000, respectively. During the three and nine months ended September 30, 2005, the Company recorded accretion expense related to its asset retirement obligations of $135,000 and $382,000, respectively. The Company records its asset retirement obligations liability within other liabilities on the accompanying balance sheets (see Note 8).

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Stock-Based Compensation

On January 1, 2006, 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)"). 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).

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 the Company's 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.

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.

As a result of the Company's adoption of SFAS 123(R), the Company recorded stock-based compensation expense of $6,885,000 or $0.24 per share and $23,540,000 or $0.83 per share for the three and nine months ended September 30, 2006, respectively; however, had the Company continued to record its stock-based compensation expense under the provisions of APB 25, the recorded stock-based compensation expense would have been approximately $2,049,000 or $0.07 per share and approximately $7,332,000 or $0.26 per share for the three and nine months ended September 30, 2006, respectively. For the three and nine months ended September 30, 2005, the Company recorded stock-based compensation expense in accordance with APB 25 of $1,358,000 and $6,291,000, respectively.

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 and nine months ended September 30, 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 straight-line single-option method (except for restricted stock as discussed above). Stock-based compensation expense recognized in the Company's results for the three and nine months ended September 30, 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 recorded 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 best represents 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.

Table of Contents

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Goodwill and Other Intangible Assets

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

	September 30, 2006 (unaudited)	December 31, 2005
Goodwill	$ 22,710	$ 21,654
Other intangibles:		
Intangible asset – customer contracts	4,234	4,051
Intangible asset – leases	1,017	—
Intangible asset – tradename	328	313
Intangible asset – workforce	160	160
Intangible asset – lease expenses	111	—
	5,850	4,524
Accumulated amortization	(5,185)	(4,349)
	665	175
	$ 23,375	$ 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 13).

During the three months 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, reduced property and equipment by $1,128,000, 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 September 30, 2006 and December 31, 2005.

For the three and nine months ended September 30, 2006, the Company recorded amortization expense of $160,000 and $638,000, respectively. For the three and nine months ended September 30, 2005, the Company recorded amortization expense of $15,000 and $45,000, respectively. The Company expects to record the following amortization expense during 2006 and beyond (in thousands) (unaudited):

Year ending:	
2006 (three months remaining)	$143
2007	237
2008	180
2009	67
2010	38
Total	$665

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 "Washington, D.C. Metro Area IBX Expansion Project"). In May 2006, the Company began new construction to build out one of the undeveloped buildings located on the Ashburn Campus for a cost of approximately $60,000,000, of which approximately $56,000,000 is expected to be incurred in 2006. The

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

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 during the three months ending March 31, 2007. The Washington, D.C. Metro Area IBX Expansion Project will fulfill the Company's obligation 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 on its Ashburn Campus. In September 2006, the Company received loan commitments, subject to customary closing conditions, for $40,000,000 to finance this Washington, D.C. Metro Area IBX Expansion Project in a long-term financing arrangement at anticipated rates of approximately 8%, which the Company expects to close during the fourth quarter of 2006. In September 2006, the Company elected to borrow $40,000,000 from the Silicon Valley Bank Credit Line Amendment to partially finance this project (see Note 9).

Chicago Metro Area IBX Expansion Project

In June 2006, the Company purchased a 228,000 square foot stand-alone office/warehouse complex for $9,766,000, including closing costs in a cash transaction in June 2006. The Company intends to build an IBX center, which will be the company's second IBX center location in the Chicago Metro Area, in multiple phases (the "Chicago Metro Area IBX Expansion Project"). This new IBX center will be interconnected to the Company's existing downtown Chicago IBX centers through redundant dark fiber links managed by the Company. The Company plans to invest approximately $165,000,000 to build out the first phase, of which approximately $40,000,000 is expected to be incurred in 2006. This includes an investment of approximately $40,000,000 to construct a specially built 250,000 square foot shell, acquire access to power and provision fiber for interconnection to the Company's downtown Chicago IBX center location. The site development plan allows a second expansion phase at an incremental investment of $30,000,000. The Company intends to open the new center for customers during the three months ended September 30, 2007. In September 2006, the Company received loan commitments, subject to customary closing conditions, for $110,000,000 to finance at least 60% of the construction costs or a maximum of $110,000,000 in a long-term financing arrangement at anticipated rates of approximately 8%, which the Company expects to close during the fourth quarter of 2006. In September 2006, the Company elected to borrow $40,000,000 from the Silicon Valley Bank Credit Line Amendment to partially finance this project (see Note 9).

New York Metro Area IBX Expansion Project

In September 2006, the Company entered into a long-term lease for a 340,000 square foot building in the New York metro area. The Company intends to build an IBX center, which will be the Company's fourth IBX center in the New York metro area, and this new center will be interconnected to the Company's existing IBX centers in the New York metro area through redundant dark fiber links managed by the Company (the "New York Metro Area IBX Expansion Project"). Payments under this lease total $59,410,000, which will be paid in monthly installments through September 2021. The lease, which commenced in October 2006, contains a three-year option to purchase the building for $39,000,000. The Company intends to build out the new center in multiple phases and expects to open the first phase for customers during the three months ended September 30, 2007. As previously announced, the Company intends to invest approximately $80,000,000 to $90,000,000 to build out the first phase of the new center, of which approximately $4,000,000 is expected to be incurred in 2006. The Company expects to finance at least 60% of the capital expenditures required to complete the New York Metro Area IBX Expansion Project in the form of short and long-term financing arrangements, which it expects to obtain in 2007.

3. Related Party Transactions

A significant amount of the Company's Asia-Pacific revenues are generated in Singapore and a significant portion of the business in Singapore is transacted with entities affiliated with STT Communications, which is the Company's single largest stockholder. For the three and nine months ended September 30, 2006, revenues recognized with related parties, primarily entities affiliated with STT Communications, were $1,279,000 and $4,117,000, respectively, and as of September 30, 2006, accounts receivable with these related parties was $1,062,000. For the three and nine months ended September 30,

Table of Contents

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

2006, costs and services procured with related parties, primarily entities affiliated with STT Communications, were $864,000 and $2,883,000, respectively, and as of September 30, 2006, accounts payable with these related parties was $283,000. For the three and nine months ended September 30, 2005, revenues recognized with related parties, primarily entities affiliated with STT Communications, were $1,344,000 and $4,625,000, respectively, and as of September 30, 2005, accounts receivable with these related parties was $875,000. For the three and nine months ended September 30, 2005, costs and services procured with related parties, primarily entities affiliated with STT Communications, were $744,000 and $2,240,000, respectively, and as of September 30, 2005, accounts payable with these related parties was $354,000.

4. Accounts Receivable

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

	September 30, 2006 (unaudited)	December 31, 2005
Accounts receivable	$ 48,631	$ 36,430
Unearned revenue	(24,222)	(19,048)
Allowance for doubtful accounts	(280)	(145)
	$ 24,129	$ 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 in advance in accordance with the terms of their contract.

5. Property and Equipment

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

	September 30, 2006 (unaudited)	December 31, 2005
Leasehold improvements	$ 416,729	$ 395,698
IBX plant and machinery	178,540	146,896
IBX equipment	81,775	63,786
Computer equipment and software	40,283	26,253
Buildings	50,526	51,280
Land	24,967	15,415
Furniture and fixtures	2,544	2,218
Construction in progress	47,435	17,271
	842,799	718,817
Less accumulated depreciation	(342,882)	(280,027)
	$ 499,917	$ 438,790

Leasehold improvements, IBX plant and machinery, computer equipment and software and buildings recorded under capital leases aggregated $35,309,000 at both September 30, 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 $4,119,000 and $2,354,000 as of September 30, 2006 and December 31, 2005, respectively.

As of September 30, 2006 and December 31, 2005, the Company had accrued property and equipment of $18,597,000 and $15,783,000, respectively. The Company’s planned capital expenditures during the remainder of 2006 and 2007 in connection with recently acquired IBX properties and expansion efforts are substantial. For further information, refer to “Other Purchase Commitments” in Note 12.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

6. Accounts Payable and Accrued Expenses

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

	September 30, 2006 (unaudited)	December 31, 2005
Accounts payable	$ 2,420	$ 3,337
Accrued compensation and benefits	8,855	8,632
Accrued taxes	3,100	3,571
Accrued utility and security	3,958	3,420
Accrued professional fees	2,039	1,303
Accrued interest	682	873
Accrued other	1,953	1,421
	$ 23,007	$ 22,557

7. Other Current Liabilities

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

	September 30, 2006 (unaudited)	December 31, 2005
Deferred installation revenue, current	$ 6,843	$ 6,324
Customer deposits	825	868
Deferred rent, current	408	399
Other current liabilities	441	381
	$ 8,517	$ 7,972

8. Deferred Rent and Other Liabilities

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

	September 30, 2006 (unaudited)	December 31, 2005
Deferred rent, non-current	$ 20,710	$ 18,392
Asset retirement obligations	4,043	3,649
Deferred installation revenue, non-current	2,835	1,334
Other liabilities	291	351
	$ 27,879	$ 23,726

The Company currently leases the majority of its IBX centers and certain equipment under non-cancelable 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 Borrowing from the Silicon Valley Bank Credit Line. In August 2006, the Company amended the Silicon Valley Bank Credit Line to increase the line

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

to $75,000,000, replacing the previously outstanding $50,000,000 line of credit arrangement with the same bank, and added General Electric Capital Corporation (GE) as a lender (the "Silicon Valley Bank Credit Line Amendment"). The Silicon Valley Bank Credit Line Amendment allows for issuance of letters of credit (in addition to revolving borrowings). The Silicon Valley Bank Credit Line Amendment also has an option for the Company to increase the amount of the line to $100,000,000 at a later date, subject to approval of the lender or lenders electing to participate in such increase. Borrowings under the Silicon Valley Bank Credit Line Amendment will continue to bear interest at variable interest rates, plus the applicable margins, which were in effect prior to the amendment, based on either prime rates or LIBOR rates. The Silicon Valley Bank Credit Line Amendment matures on September 15, 2008 and is secured by substantially all of the Company's domestic personal property assets and certain of the Company's real property leases and contains several financial covenants, which require compliance with maximum leverage and working capital ratios and a minimum EBITDA target, all of which the Company was in compliance with as of September 30, 2006.

In September 2006, the Company elected to borrow $40,000,000 (the "$40,000,000 Borrowing") from the Silicon Valley Bank Credit Line Amendment, of which $20,000,000 of the $40,000,000 Borrowing was borrowed at the prime rate and bears interest at 8.75% per annum and the remaining $20,000,000 was borrowed at a spread over the one-month LIBOR rate and bears interest at 7.824% per annum. The $40,000,000 Borrowing was used to fund capital expenditures and construction costs related to the Washington D.C. Metro Area IBX Expansion Project and Chicago Metro Area IBX Expansion Project. As of September 30, 2006, the $40,000,000 Borrowing from Silicon Valley Bank Credit Line Amendment had an effective blended interest rate of 8.29% per annum.

As of September 30, 2006, in addition to the $40,000,000 Borrowing, the Company had also utilized $6,700,000 under the letters of credit sublimit with the issuance of five letters of credit under the Silicon Valley Bank Credit Line Amendment reducing the amount of borrowings available to the Company from $75,000,000 to $28,300,000. 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 Amendment.

At the time the Company entered into the Silicon Valley Bank Credit Line Amendment, a total of $321,000 of issuance costs remained unamortized related to the Silicon Valley Bank Credit Line. In addition, the Company incurred $253,000 of additional issuance costs to secure the Silicon Valley Bank Credit Line Amendment. In accordance with EITF Issue 98-14, "Debtor's Accounting for Changes in Line-of-Credit or Revolving-Debt Arrangements", the Company has capitalized the total of such issuance costs, which are being amortized to interest expense using the effective interest method over the life of the Silicon Valley Bank Credit Line Amendment. These debt issuance costs, net of amortization, were $529,000 as of September 30, 2006.

In October 2006, the Company utilized an additional $7,800,000 under the letters of credit sublimit associated with the Silicon Valley Bank Credit Line Amendment in connection with the new lease for the New York Metro Area IBX Expansion Project and fully repaid the $40,000,000 Borrowing (see Note 17).

Table of Contents

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Maturities

Combined aggregate maturities for the Company's various debt facilities and other financing obligations as of September 30, 2006 are as follows (in thousands) (unaudited):

	Capital lease and other financing obligations	Mortgage payable	Borrowings under credit line and convertible subordinated debentures	Total
2006 (three months remaining)	$ 2,348	$ 1,505	$ 40,000	$ 43,853
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	128,354	90,838	—	219,192
	170,643	116,431	126,250	413,324
Less amount representing interest	(82,123)	(57,266)	—	(139,389)
Plus amount representing residual property value	6,555	—	—	6,555
	95,075	59,165	126,250	280,490
Less current portion of principal	(1,855)	(1,337)	(40,000)	(43,192)
	$ 93,220	$ 57,828	$ 86,250	$ 237,298

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 no longer issued 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 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 September 30, 2006, the Company has reserved a total of 8,219,601 shares for issuance under the 2000 Equity Incentive Plan of which 1,685,475 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

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

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 September 30, 2006, the Company has reserved 393,440 shares subject to options for issuance under the 2000 Director Option Plan of which 335,938 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 non-statutory 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 September 30, 2006, the Company has reserved a total of 1,493,961 shares for issuance under the 2001 Supplemental Stock Plan, of which 160,479 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."

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 at December 31, 2005	4,162,539	$ 33.67
Stock options granted	1,104,385	53.58
Stock options exercised	(1,253,011)	19.83
Stock options forfeited	(373,882)	39.82
Stock options expired	(18,428)	130.55
Stock options outstanding at September 30, 2006	3,621,603	43.41

The total intrinsic value of stock options exercised during the three and nine months ended September 30, 2006 was $7,013,000 and $41,204,000, respectively. 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 and nine months ended September 30, 2006 was $10,785,000 and $26,981,000, respectively.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following table summarizes information about outstanding equity awards as of September 30, 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 $17.70	512,484	6.55	$ 10.43	505,208	$ 10.48
$18.61 to $29.80	450,910	6.96	27.37	263,657	27.46
$30.00 to $30.02	379,512	7.36	30.02	228,708	30.02
$30.38 to $40.74	390,727	7.03	36.88	106,781	36.12
$40.83 to $44.70	240,163	8.48	42.18	76,799	42.15
$44.89 to $44.89	417,783	8.31	44.89	146,779	44.89
$45.08 to $52.51	156,108	6.55	48.17	5,901	50.24
$52.85 to $52.85	591,238	6.41	52.85	96,721	52.85
$53.09 to $72.00	285,340	6.80	58.94	21,155	57.50
$85.33 to $384.00	197,338	3.82	148.17	197,338	148.17
	3,621,603	6.92	43.41	1,649,047	41.81

The total aggregate intrinsic value of stock options outstanding and stock options exercisable as of September 30, 2006 was $78,121,000 and $36,495,000, respectively. As of September 30, 2006, the weighted average remaining contractual life of options outstanding and exercisable was 6.92 years and 6.51 years, respectively. The market value as of September 30, 2006 was $60.10 as reported by the Nasdaq National Market System. Cash proceeds from the exercises of stock options were $24,843,000 and $6,309,000 for the nine months ended September 30, 2006 and 2005, respectively.

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 September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
Dividend yield	0%	0%	0%	0%
Expected volatility	68%	75%	70%	79%
Risk-free interest rate	4.79%	4.04%	4.72%	3.93%
Expected life (in years)	4.58	4.00	4.56	4.00

The weighted-average fair value of stock options per share on the date of grant was $32.44 and $31.66, respectively, for the three and nine months ended September 30, 2006. The weighted-average fair value of stock options per share on the date of grant for the three and nine months ended September 30, 2005 was $23.67 and $25.39, respectively.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

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	274,000	44.43
Restricted shares issued, unvested (1)	(274,000)	44.43
Restricted shares issued, vested	(69,313)	43.76
Restricted shares canceled	(51,125)	43.76
Restricted shares outstanding, September 30, 2006 (2)	160,000	43.76

(1) On January 10, 2006 and May 22, 2006, the Company granted 250,000 restricted shares and 24,000 restricted shares, respectively, 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 are 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 September 30, 2006, there was a total of 160,000 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 September 30, 2006 totaled 407,750 comprised of 247,750 issued shares and 160,000 unissued shares.

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 September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
Dividend yield	—	—	0%	0%
Expected volatility	—	—	71%	80%
Risk-free interest rate	—	—	4.43%	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 $44.43 for the nine months ended September 30, 2006.

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.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

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 September 30, 2006, a total of 1,160,584 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 and nine months ended September 30, 2006, 67,638 and 135,325 shares, respectively, were issued under the Purchase Plans at a weighted average purchase price of $29.14 and $28.91 per share, respectively. For the three and nine months ended September 30, 2005, 77,401 and 218,158 shares, respectively, were issued under the Purchase Plans at a weighted average purchase price of $22.94 and $15.62 per share, respectively. Cash proceeds from the issuance of stock under Employee Stock Purchase Plans were $3,913,000 and $3,408,000 for the nine months ended September 30, 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 September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
Dividend yield	0%	0%	0%	0%
Expected volatility	68%	75%	69%	76%
Risk-free interest rate	5.03%	3.33%	4.95%	3.27%
Expected life (in years)	1.25	1.25	1.25	1.25

The weighted-average fair value per share of shares purchased on the date of purchase was $18.88 and $18.10, respectively, for the three and nine months ended September 30, 2006. For the three and nine months ended September 30, 2005, the weighted-average fair value per share of shares purchased on the date of purchase was $14.60 and $9.65, 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 $0 and $376,000 in the Company's consolidated statement of operations for the three and nine months ended September 30, 2006, respectively.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

- 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 three and nine months ended September 30, 2006 and under APB 25 for the three and nine months ended September 30, 2005 (in thousands) (unaudited):

	Three months ended September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
Cost of revenues	$ 664	$ —	$ 2,385	$ —
Sales and marketing	1,623	248	5,647	1,149
General and administrative	4,598	1,110	15,508	5,142
	$ 6,885	$ 1,358	$23,540	$6,291

As of September 30, 2006, the total stock-based compensation cost related to unvested equity awards not yet recognized, net of estimated forfeitures, totaled $48,293,000, which is expected to be recognized over a weighted-average period of 2.6 years.

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 and nine months ended September 30, 2005 (in thousands, except per share data) (unaudited):

	Three months ended September 30, 2005	Nine months ended September 30, 2005
Net loss as reported	$ (783)	$ (10,008)
Stock-based compensation expense included in net loss	1,358	6,291
Stock-based compensation expense if SFAS No. 123 had been adopted	(7,404)	(27,806)
Pro forma net loss	$ (6,829)	$ (31,523)
Basic and diluted net loss per share:		
As reported	$ (0.03)	$ (0.43)
Pro forma	(0.28)	(1.35)

11. Stock Option Granting Practices

In June 2006, the Audit Committee of the Company's Board of Directors commenced an independent investigation of the Company's historical stock option granting practices and related accounting with the assistance of independent outside legal counsel. This review covers the timing and pricing of all stock option grants made under the Company's stock option plans since August 11, 2000, the day after the Company's Initial Public Offering ("IPO").

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

As previously announced on June 12, 2006, the Company is currently cooperating with the SEC regarding the SEC's informal inquiry requesting documents related to the Company's stock option grants and practices. The Company also announced on June 29, 2006 that it received a grand jury subpoena from the U.S. Attorney for the Northern District of California and is cooperating fully with the U.S. Attorney's Office in connection with this subpoena. The subpoena requests documents relating to the Company's stock option grants and practices.

Based on the results of its review, the Audit Committee determined that the accounting measurement dates of certain stock option grants issued in the past differ from the actual grant dates. The Audit Committee concluded that the Company did not engage in intentional or fraudulent misconduct in the granting of stock options. However, the accounting measurement dates for certain historical stock option grants differed from their actual grant dates. As a result of revising the accounting measurement dates for these stock option grants, the Company has recorded an additional non-cash stock-based compensation charge totaling $444,000 in the Company's consolidated financial statements for the nine month period ended September 30, 2006. The amount of the charge was computed pursuant to the requirements of APB 25 for all historical periods through December 31, 2005 and pursuant to SFAS 123(R) for the three month period ended March 31, 2006. This $444,000 stock-based compensation charge represents the total charge for historical periods that the Company needed to record as a result of the Audit Committee's conclusion on this matter. This compensation charge has no effect on the Company's current cash position.

The Company concluded that the cumulative charge as a result of the difference between the measurement dates used for financial accounting and reporting purposes and the actual grant dates for certain stock option grants, totaling $444,000, was not material to any previously-reported historical period nor is it expected to be material to the current fiscal year. As such, this cumulative charge totaling $444,000 was recorded in the quarter ended June 30, 2006 and is included in the statement of operations for the nine months ended September 30, 2006, versus restating prior periods. This additional stock-based compensation was combined with the Company's stock-based compensation recorded in connection with FASB 123(R) for the nine months ended September 30, 2006 as outlined in Footnote 10. As of September 30, 2006, the total remaining incremental stock-based compensation charge related to these stock option grants with a revised accounting measurement date not yet recognized, net of estimated forfeitures, totaled approximately $14,000, which is expected to impact the Company's operating results through 2008.

The following table presents, by operating expense category, the Company's cumulative stock-based compensation charge totaling $444,000 recognized in the Company's consolidated statement of operations for the nine months ended September 30, 2006 (in thousands) (unaudited):

Cost of revenues	$ 63
Sales and marketing	99
General and administrative	282
	$444

There were no significant income tax effects relating to this adjustment for the Company. However, the Company is currently assessing if any negative tax consequences will impact the Company's employees as a result of this matter. When this determination is reached, the Company may decide to compensate the impacted employees in an amount sufficient to offset any negative tax consequences that they may incur. However, a final decision on this matter will not be made until the Internal Revenue Service provides additional guidance regarding Section 409A of the Internal Revenue Code, which is expected to occur later this year. Any such compensation that the Company elects to make to the employees for any negative tax effects would be recorded at the time that management, including the Board of Directors, makes that election or agrees to such a plan.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

12. Commitments and Contingencies

Legal Matters Relating to Stock Option Granting Practices

In June 2006, the Company received an informal inquiry from the Securities and Exchange Commission ("SEC") and a grand jury subpoena from the U.S. Attorney from the Northern District of California ("U.S. Attorney") requesting documents relating to its stock option grants and practices. Such inquiries are believed to be related to recent widespread investigations into the practices of public companies relating to the timing of option grants. The Company intends to fully cooperate in all government investigations.

On June 29, 2006 and September 18, 2006, shareholder derivative complaints were filed in the Superior Court of the State of California, County of San Mateo against certain of the Company's current and former officers and directors (the "Defendants"). The complaints allege that the Defendants breached their fiduciary duties by engaging in allegedly improper stock option grant practices since at least 2000, and by failing to adequately disclose such transactions. The complaints seek unspecified monetary damages, corporate governance changes and restitution. On October 13, 2006, a third shareholder derivative complaint related to allegedly improper stock option grant practices was filed in the United States District Court for the Northern District of California against certain of the Company's current and former officers and directors. The complaint seeks unspecified monetary and punitive damages, corporate governance changes, and the imposition of a constructive trust over certain stock options and related proceeds. At the appropriate time, the Company expects to file motions to dismiss these lawsuits due to the plaintiffs' unexcused failure to make a demand on the Company before filing the actions. In addition to the current derivative claims, the Company may be subject to additional derivative or other lawsuits that may be presented on an individual or class basis alleging claims based on its stock option granting practices. Similar lawsuits and investigations have been commenced against numerous other companies based on similar allegations.

Responding to, investigating and/or defending against civil litigations and government inquiries regarding the Company's stock option grants and practices will present a substantial cost to the Company in both cash and the attention of certain management and may have a negative impact on its operations. In addition, in the event of any negative finding or assertion by the SEC, U.S. Attorney, court of law or any third party claim related to the Company's stock option granting practices, the Company may be liable for damages, fines or other civil or criminal remedies or remedial actions, or be required to restate its prior period financial statements or adjust its current period financial statements. Any such adverse action could have a material adverse effect on the Company's business and current market value.

The Company notes that while an unfavorable outcome to any or all of the above-mentioned inquiries, cases or complaints is reasonably possible, the amount of loss, if any, cannot be reasonably estimated at this time. As a result, the Company has not accrued for any settlements in connection with these legal matters as of September 30, 2006.

Other 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.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

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 Court has not yet approved the JPMorgan Chase settlement. 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 September 30, 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.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

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. On January 12, 2006 the Company filed a request with the Board of Review in the state of Hawaii to appeal the Tax Assessment. 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 does not believe it is probable it will be required to pay the Tax Assessment upon the completion of the appeals process. There has been no significant development with respect to the appeal request. The Company is still waiting for a response from the State of Hawaii regarding the scheduling of a meeting with the Board of Review. As a result, the Company has not accrued for any loss contingencies in connection with this Tax Assessment as of September 30, 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 Washington, D.C. Metro Area IBX Expansion Project, Chicago Metro Area IBX Expansion Project and New York Metro Area IBX Expansion Project (see Note 2), as of September 30, 2006, the Company was contractually committed for $61,203,000 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, non-capital purchase commitments in place as of September 30, 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 $7,586,000 as of September 30, 2006.

13. Other Comprehensive Income and Loss

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

	Three months ended September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
Net loss	$(5,168)	$ (783)	$(15,508)	$(10,008)
Unrealized gain (loss) on available for sale securities	308	(168)	289	(426)
Foreign currency translation gain (loss)	(3)	(96)	1,376	(988)
Comprehensive loss	$(4,863)	$(1,047)	$(13,843)	$(11,422)

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

There were no significant tax effects on comprehensive loss for the three and nine months ended September 30, 2006 and 2005.

14. 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 September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
Total revenues:				
United States	$63,654	$50,527	$178,394	$137,927
Asia-Pacific	10,072	7,569	28,749	21,332
	$73,726	$58,096	$207,143	$159,259
Cost of revenues:				
United States	$43,529	$35,859	$121,507	$101,558
Asia-Pacific	5,608	5,096	16,538	15,081
	$49,137	$40,955	$138,045	$116,639
Income (loss) from operations:				
United States	$(3,967)	$541	$(9,619)	$(3,944)
Asia-Pacific	896	(307)	524	(1,823)
	$(3,071)	$234	$(9,095)	$(5,767)

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

	September 30, 2006	December 31, 2005
	(unaudited)	
United States	$ 520,099	$ 457,280
Asia-Pacific	34,441	32,005
	$ 554,540	$ 489,285

The Company's goodwill totaling $22,710,000 and $21,654,000 as of September 30, 2006 and December 31, 2005, respectively, is part of the Company's Singapore reporting unit, which is reported within the Asia-Pacific geographic area.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

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

	Three months ended September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
Colocation	$ 51,678	$ 40,138	$ 145,235	$ 109,479
Interconnection	13,862	10,527	38,310	29,696
Managed infrastructure	4,066	3,626	12,045	10,448
Rental	312	—	1,169	—
Recurring revenues	69,918	54,291	196,759	149,623
Non-recurring revenues	3,808	3,805	10,384	9,636
	$ 73,726	$ 58,096	$ 207,143	$ 159,259

No single customer accounted for 10% of the Company’s revenues for the three and nine months ended September 30, 2006. Revenue from one customer accounted for 11% of the Company’s revenues for both the three and nine months ended September 30, 2005. No other single customer accounted for more than 10% of the Company’s revenues for the three and nine months ended September 30, 2005. Accounts receivables from the customer mentioned above accounted for 10% and 12% of the Company’s gross accounts receivables as of September 30, 2006 and 2005, respectively. No other single customer accounted for more than 10% of the Company’s gross accounts receivables as of September 30, 2006 and 2005.

15. 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.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

A summary of the movement in the 2004 accrued restructuring charge from December 31, 2005 to September 30, 2006 is outlined as follows (in thousands) (unaudited):

	Accrued restructuring charge as of December 31, 2005	Accretion expense	Restructuring charge	Cash payments	Accrued restructuring charge as of September 30, 2006
Estimated lease exit costs	$ 13,702	$ 605	$ 1,527	$(1,367)	$ 14,467
	13,702	$ 605	$ 1,527	$(1,367)	14,467
Less current portion	(2,171)				(3,464)
	$ 11,531				$ 11,003

During the three months ended September 30, 2006, the Company recorded an additional restructuring charge of $1,527,000 as a result of revised sublease assumptions on these two excess space leases as new information became available. 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 September 30, 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 the Company currently has 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.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

A summary of the movement in the 2005 accrued restructuring charge from December 31, 2005 to September 30, 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 September 30, 2006
Estimated lease exit costs	$ 36,129	$ 1,796	$(7,846)	$ 30,079
	36,129	$ 1,796	$(7,846)	30,079
Less current portion	(10,229)			(10,384)
	$ 25,900			$ 19,695

16. Recent Accounting Pronouncements

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"). 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

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

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 adoption of FSP FIN 46(R)-6 has not had a significant impact on the Company's financial position and results of operations.

In June 2006, the FASB approved EITF Issue No. 06-3, "How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That is, Gross versus Net Presentation)" ("EITF 06-3"). EITF 06-3 includes any tax assessed by a governmental authority that is directly imposed on a revenue-producing transaction between a seller and a customer and may include, but is not limited to, sales, use, value added and some excise taxes. EITF 06-3 concludes that the presentation of taxes on either a gross (included in revenue and costs) or a net (excluded from revenue) basis is an accounting policy decision that should be disclosed. In addition, for any such taxes that are reported on a gross basis, an entity should disclose the amounts of those taxes in interim and annual financial statements for each period for which an income statement is presented if those amounts are significant. The provisions of EITF 06-3 should be applied to financial reports for interim and annual reporting periods beginning after December 15, 2006, with earlier adoption permitted. The Company believes that the adoption of EITF 06-3 will not have any significant impact on the Company's financial position and results of operations.

In July 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"), which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes." FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company is currently in the process of evaluating the impact that the adoption of FIN 48 will have on its financial position, results of operations and cash flows.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measurements. SFAS No. 155 is effective for fiscal years beginning after December 15, 2007. The Company is currently in the process of evaluating the impact that the adoption of SFAS No. 157 will have on its financial position, results of operations and cash flows.

In September 2006, the SEC issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" ("SAB 108"), to address diversity in practice in quantifying financial statement misstatements. SAB 108 requires that the Company quantifies misstatements based on their impact on each of its financial statements and related disclosures. The Company will adopt the provisions of SAB 108 during the fourth quarter of 2006. The Company is currently in the process of evaluating the impact that the adoption of SAB 108 will have on its financial position, results of operations and cash flows.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

17. Subsequent Events

In October 2006, the Company utilized an additional $7,800,000 under the letters of credit sublimit associated with the Silicon Valley Bank Credit Line Amendment in connection with the new lease for the New York metro area IBX expansion project and also fully repaid the $40,000,000 Borrowing from the Silicon Valley Bank Credit Line Amendment (see Note 9).

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 of this Report 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 September 30, 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 telecommunications 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 and 2006, 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 positive 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 54% as of September 30, 2006 from 51% as of September 30, 2005; however, 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. Once capacity becomes limited, we will perform demand studies to determine if future expansion is warranted. 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 and our 2006 expansions in the Washington, D.C., Chicago and New York metro area markets, which are expected to open in 2007 (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. and Chicago metro area property acquisitions, or a long-term leasing arrangement.

In addition to our successful strategy of acquiring previously or partially built-out centers, we are currently starting new construction to build out new IBX centers in the Washington, D.C, Chicago and New York metro areas. As part of our strategy, we will continue to contemplate the possibility of new construction in selective markets where the inventory for high quality data centers is limited. 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, which can be significant.

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 2011. 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 our Ashburn campus in order to further expand our existing Washington, D.C. metro area IBX center. In May 2006, we began new construction to build out one of the undeveloped buildings located on our Ashburn campus for a cost of approximately $60.0 million, of which approximately $56.0 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 during the three months ending

March 31, 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 obligation to invest at least $40.0 million in capital improvements to our Ashburn campus by December 31, 2007 pursuant to the terms of the Ashburn campus mortgage payable. In September 2006, we received loan commitments, subject to customary closing conditions, for $40.0 million to finance this Washington, D.C. metro area IBX expansion project in a long-term financing arrangement at anticipated rates of approximately 8%, which we expect to close during the fourth quarter of 2006. In September 2006, we elected to borrow $40.0 million from the $75.0 million Silicon Valley Bank revolving credit line to partially finance this project.

In June 2006, we purchased a 228,000 square foot stand-alone office/warehouse complex for $9.8 million, including closing costs, which we paid for in full during June 2006. We intend to build an IBX center, which will be our second IBX center location in the Chicago metro area, in multiple phases. We refer to this project as the Chicago metro area IBX expansion project. This new IBX center will be interconnected to our existing downtown Chicago IBX centers through redundant dark fiber links managed by us. We plan to invest approximately $165.0 million to build out the first phase, of which approximately $40.0 million is expected to be incurred in 2006. This includes an investment of approximately $40.0 million to construct a specially built 250,000 square foot shell, acquire access to power and provision fiber for interconnection to our downtown Chicago IBX center location. The site development plan allows a second expansion phase at an incremental investment of $30.0 million. We intend to open the new center for customers during the three months ended September 30, 2007. In September 2006, we received loan commitments, subject to customary closing conditions, for $110.0 million to finance at least 60% of the build costs or a maximum of $110.0 million in a long-term financing arrangement at anticipated rates of approximately 8%, which we expect to close during the fourth quarter of 2006. In September 2006, we elected to borrow $40.0 from the $75.0 million Silicon Valley Bank revolving credit line to partially finance this project.

In June 2006, the Audit Committee of the Board of Directors commenced an independent investigation of our historical stock option granting practices and related accounting with the assistance of independent outside legal counsel. This review covers the timing and pricing of all stock option grants made under our stock option plans since August 11, 2000, the day after our Initial Public Offering (“IPO”). As previously announced on June 12, 2006, we are currently cooperating with the Securities and Exchange Commission (“SEC”) regarding the SEC’s informal inquiry requesting documents related to our stock option grants and practices. We also announced on June 29, 2006 that we received a grand jury subpoena from the U.S. Attorney for the Northern District of California (“US Attorney”) and are cooperating fully with the U.S. Attorney’s Office in connection with this subpoena. The subpoena requests documents relating to our stock option grants and practices. Based on the results of its review, the Audit Committee of the Board of Directors determined that the accounting measurement dates of certain stock option grants issued in the past differ from the actual grant dates. The Audit Committee of the Board of Directors concluded that we did not engage in intentional or fraudulent misconduct in the granting of stock options. However, the accounting measurement dates for certain historical stock option grants differed from their actual grant dates. As a result of revising the accounting measurement dates for these stock option grants, we have recorded an additional non-cash stock-based compensation charge totaling $444,000 in our consolidated financial statements for nine months ended September 30, 2006. The amount of the charge was computed pursuant to the requirements of APB 25 for all historical periods through December 31, 2005 and pursuant to SFAS 123(R) for the three month period ended March 31, 2006. This $444,000 stock-based compensation charge represents the total charge for historical periods that we need to record as a result of the Audit Committee’s conclusion on this matter. This compensation charge has no effect on our current cash position. We concluded that the cumulative charge as a result of the difference between the measurement dates used for financial accounting and reporting purposes and the actual grant dates for certain stock option grants, totaling $444,000, was not material to any previously-reported historical period nor is it expected to be material to the current fiscal year. As such, this cumulative charge totaling $444,000 was recorded in the statement of operations for the nine months ended September 30, 2006, versus restating prior periods.

In June 2006, we received an informal inquiry from the SEC and a grand jury subpoena from the U.S. Attorney requesting documents relating to our stock option grants and practices. Such inquiries are believed to be related to recent widespread investigations into the practices of public companies relating to the timing of option grants. We intend to fully cooperate in all government investigations.

On June 29, 2006 and September 18, 2006, shareholder derivative complaints were filed in the Superior Court of the State of California, County of San Mateo against certain of our current and former officers and directors (the "Defendants"). The complaints allege that the Defendants breached their fiduciary duties by engaging in allegedly improper stock option grant practices since at least 2000, and by failing to adequately disclose such transactions. The complaints seek unspecified monetary damages, corporate governance changes and restitution. On October 13, 2006, a third shareholder derivative complaint related to allegedly improper stock option grant practices was filed in the United States District Court for the Northern District of California against certain of our current and former officers and directors. The complaint seeks unspecified monetary and punitive damages, corporate governance changes, and the imposition of a constructive trust over certain stock options and related proceeds. At the appropriate time, we expect to file motions to dismiss these lawsuits due to the plaintiffs' unexcused failure to make a demand on us before filing the actions. In addition to the current derivative claims, we may be subject to additional derivative or other lawsuits that may be presented on an individual or class basis alleging claims based on our stock option granting practices. Similar lawsuits and investigations have been commenced against numerous other companies based on similar allegations.

In August 2006, we amended the $50.0 million Silicon Valley Bank revolving credit line to increase the line to $75.0 million and added General Electric Capital Corporation (GE) as a lender. We refer to this transaction as the $75.0 million Silicon Valley Bank revolving credit line. The $75.0 million Silicon Valley Bank revolving credit line allows for issuance of letters of credit (in addition to revolving borrowings). The $75.0 million Silicon Valley Bank revolving credit line also has an option for us to increase the amount of the line to $100.0 million at a later date, subject to approval of the lender or lenders electing to participate in such increase. Borrowings under the $75.0 million Silicon Valley Bank revolving credit line will continue to bear interest at variable interest rates, plus the applicable margins which were in effect prior to the amendment, based on either prime rates or LIBOR rates. The $75.0 million Silicon Valley Bank revolving credit line matures on September 15, 2008 and is secured by substantially all of our domestic personal property assets and certain of our real property leases and contains several financial covenants, which require compliance with maximum leverage and working capital ratios and a minimum EBITDA target. In September 2006, we borrowed $40.0 million from the $75.0 million Silicon Valley Bank revolving credit line. In October 2006, we utilized an additional $7.8 million under the letters of credit sublimit associated with the $75.0 million Silicon Valley Bank revolving credit line in connection with the new lease for the New York metro area IBX expansion project and we fully repaid the $40.0 million borrowing from the $75.0 million Silicon Valley Bank revolving credit line. See "Debt Obligations – Non-Convertible Debt" below for further discussion.

In September 2006, we entered into a long-term lease for an approximately 340,000 square foot building in the New York metro area. We intend to build an IBX center, which will be our fourth IBX center in the New York metro area, and this new center will be interconnected to our existing IBX centers in the New York metro area through redundant dark fiber links managed by us. We refer to this project as the New York metro area IBX expansion project. Payments under this lease total $59.4 million, which will be paid in monthly installments and payable through September 2021. The lease, which commenced in October 2006, contains a three-year option to purchase the building for $39.0 million. We intend to build out the new center in multiple phases and expect to open the first phase for customers during the three months ended September 30, 2007. As previously announced, we intend to invest approximately $80.0 million to $90.0 million to build out the first phase of the new center, of which $4.0 million is expected to be incurred in 2006. We expect to finance at least 60% of the capital expenditures required to complete the New York metro area IBX expansion project in the form of short and long-term financing arrangements, which we expect to obtain in 2007.

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 our 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 three months ended March 31, 2006, we have updated 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 three months ended March 31, 2006. As a result of our adoption of SFAS 123(R), we recorded stock-based compensation expense of $6.9 million and $23.5 million for the three and nine months ended September 30, 2006, respectively. For the three and nine months ended September 30, 2005, we recorded stock-based compensation expense in accordance with APB 25 of $1.4 million and $6.3 million, respectively. The fair value of stock options and employee stock purchase plan shares were valued using the Black-Scholes option-pricing model while the fair value of our restricted stock grants were valued using a Monte Carlo simulation option-pricing model. 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 highly 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.

We record stock-based compensation expense on stock awards expected to vest during the period net of estimated forfeitures. The estimated forfeitures on unvested stock awards are assessed based on our historical stock awards activity and our expectations about future employee turnover, and these rates are subject to revision in subsequent periods if actual forfeitures differ from those estimates. Higher forfeitures will result in lower stock-based compensation expense while lower forfeiture rates will result in higher stock-based compensation expense. We estimate the expected volatility by using the average historical volatility of our common stock that we believe is the best representative of the future volatility. The expected term of options used is calculated by taking the average of the vesting term and the contractual term of the option, as illustrated in SAB 107. The risk-free interest rate used is based 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, the expected dividend rate used is zero.

During the nine months ended September 30, 2006, stock options granted to employees had a total fair value of $34.7 million. Changes in assumptions (as well as different option-pricing models used for estimating the fair value of stock awards) can significantly affect our future period expense. Based on our analysis, the table below presents the possible impact of increases or decreases of individual variables (representing increases/decreases of 10%, 20%, 30% and 40%) in the assumptions to the fair value of employee stock options granted during the nine months ended September 30, 2006 (dollars in thousands):

Table of Contents

Expected volatility			Risk-free interest rate			Expected life		
Weighted average rate	Increase/ decrease in fair value (%)	(1) Increase/ decrease in total expense	Weighted average rate	Increase/ decrease in fair value (%)	(1) Increase/ decrease in total expense	Weighted average life	Increase/ decrease in fair value (%)	(1) Increase/ decrease in total expense
70%**(2)**			4.72%**(2)**			4.56**(2)**		
77%	6.59%	$ 2,290	5.19%	0.78%	$ 273	5.02	4.02%	$ 1,396
84%	12.80%	4,448	5.67%	1.56%	543	5.47	7.73%	2,684
91%	18.62%	6,469	6.14%	2.34%	812	5.93	11.16%	3,879
98%	24.04%	8,351	6.61%	3.11%	1,080	6.38	14.36%	4,989
63%	-6.95%	(2,415)	4.25%	-0.79%	(274)	4.10	-4.37%	(1,517)
56%	-14.24%	(4,947)	3.78%	-1.58%	(550)	3.65	-9.14%	(3,174)
49%	-21.83%	(7,583)	3.31%	-2.38%	(828)	3.19	-14.38%	(4,996)
42%	-29.66%	(10,306)	2.83%	-3.19%	(1,107)	2.74	-20.19%	(7,015)

(1) Increase/decrease in total expense is calculated based on percentage increase/decrease in fair value to the total fair value of $34.7 million of our employee stock options granted during the nine months ended September 30, 2006.

(2) Variables used in calculating the fair value of our employee stock options granted during the nine months ended September 30, 2006.

The table above shows that changes in expected volatility present the most significant impact to the increases/decreases of stock-based compensation expense compared to changes in other variables. Had the expected volatility increased by 40%, our stock-based compensation expense recognized, net of estimated forfeitures, for the nine months ended September 30, 2006 would have been approximately $696,000 higher than the reported stock-based compensation expense. Had the expected volatility decreased by 40%, our stock-based compensation expense recognized, net of estimated forfeitures, for the nine months ended September 30, 2006 would have been approximately $858,000 lower than the reported stock-based compensation expense. The assumptions used in calculating the fair value of stock-based awards represent our best estimates, but these estimates involve inherent uncertainties and the application of management judgment.

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 September 30, 2006, the total stock-based compensation cost related to unvested equity awards not yet recognized, net of estimated forfeitures, totaled $48.3 million, which is expected to be recognized over a weighted-average period of 2.6 years.

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 September 30, 2006 and 2005

Revenues. Our revenues for the three months ended September 30, 2006 and 2005 were split between the following revenue classifications (dollars in thousands):

	Three months ended September 30,			
	2006	%	2005	%
Recurring revenues	$69,918	95%	$54,291	93%
Non-recurring revenues:				
Installation and professional services	3,808	5%	2,946	6%
Other	—	0%	859	1%
	3,808	5%	3,805	7%
Total revenues	$73,726	100%	$58,096	100%

Our revenues for the three months ended September 30, 2006 and 2005 were geographically comprised of the following (dollars in thousands):

	Three months ended September 30,			
	2006	%	2005	%
U.S. revenues	$63,654	86%	$50,527	87%
Asia-Pacific revenues	10,072	14%	7,569	13%
Total revenues	$73,726	100%	$58,096	100%

We recognized revenues of $73.7 million for the three months ended September 30, 2006 as compared to revenues of $58.1 million for the three months ended September 30, 2005, a 27% 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 September 30, 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 1,260 as of September 30, 2006 versus 1,093 as of September 30, 2005, an increase of 15%. Our utilization rate represents the percentage of our cabinet space billing versus total cabinet space available. Our utilization rate grew to 54% as of September 30, 2006 from 51% as of September 30, 2005; however, excluding the impact of our recent IBX center openings in the Chicago, Los Angeles and Silicon Valley

metro areas, our utilization rate would have been 63% as of September 30, 2006. 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. Once capacity becomes limited, we perform demand studies to determine if future expansion is warranted. 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 expansion efforts in the Chicago, Los Angeles, Silicon Valley and Washington, D.C. 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 $63.6 million for the three months ended September 30, 2006 as compared to $50.5 million for the three months ended September 30, 2005, a 26% increase. U.S. revenues consisted of recurring revenues of $60.3 million and $47.2 million, respectively, for the three months ended September 30, 2006 and 2005, a 28% 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 $312,000 for the three months ended September 30, 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. Total increase in revenues as a result of selective price increases for three months ended September 30, 2006 over the same period last year was approximately $532,000. In addition, we recorded $2.2 million of revenues from our new IBX centers in the Chicago, Los Angeles and Silicon Valley metro areas, which opened for business during the nine months ended September 30, 2006. 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 $3.3 million for both the three months ended September 30, 2006 and 2005. U.S. non-recurring revenues included $817,000 of contract settlement revenue for the three months ended September 30, 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.

Asia-Pacific Revenues. We recognized Asia-Pacific revenues of $10.1 million for the three months ended September 30, 2006 as compared to $7.6 million for the three months ended September 30, 2005, a 33% increase. Asia-Pacific revenues consisted of recurring revenues of $9.6 million and $7.1 million, respectively, for the three months ended September 30, 2006 and 2005, consisting primarily of colocation and managed infrastructure services. In addition, Asia-Pacific revenues consisted of non-recurring revenues of $549,000 and $492,000, respectively, for the three months ended September 30, 2006 and 2005. Asia-Pacific non-recurring revenues included $42,000 of contract settlement revenue for the three months ended September 30, 2005. Asia-Pacific revenues are generated from Hong Kong, Singapore, Sydney and Tokyo, with Singapore representing approximately 39% and 44%, respectively, of the regional revenues for the three months ended September 30, 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 $49.1 million for the three months ended September 30, 2006 as compared to $41.0 million for the three months ended September 30, 2005, a 20% 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 $43.5 million for the three months ended September 30, 2006 as compared to $35.9 million for the three months ended September 30, 2005. U.S. cost of revenues for the three months ended September 30, 2006 included (i) $16.8 million of depreciation expense, (ii) $895,000 of accretion expense comprised of $138,000 for our asset retirement obligations and $757,000 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) $563,000 of stock-based compensation as a result of our adoption of SFAS 123(R) in the three months ended March 31, 2006 and (iv) $145,000 of amortization expense associated with the intangible assets acquired with our Ashburn campus. U.S. cost of revenues for the three months ended September 30, 2005 included (i) $14.6 million of depreciation expense and (ii) $351,000 of accretion expense comprised of $135,000 for our asset retirement obligations and $216,000 for our restructuring charges. Our U.S. cost of revenues for the three months ended September 30, 2006 also included $3.3 million of additional operating costs not incurred in the prior year associated with the recently opened IBX centers in the Chicago, Los Angeles and Silicon Valley metro areas (the Chicago and Los Angeles IBX centers opened for business during the three months ended June 30, 2006, and the Silicon Valley IBX center opened for business during the three months ending September 30, 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 $21.8 million for the three months ended September 30, 2006 from $20.9 million for the three months ended September 30, 2005, a 4% increase. This increase was primarily due to increases in (i) utility costs of approximately $1.8 million in line with increasing customer installations and revenues attributed to customer growth, (ii) compensation costs of approximately $437,000, including general salary increases and bonuses and (iii) repair and maintenance expenses of approximately $358,000. This increase was partially offset by reductions in rent expenses of approximately $1.9 million in connection with a property we recorded a restructuring charge for in San Jose in the fourth quarter of 2005. 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 opened IBX centers in the Chicago, Los Angeles and Silicon Valley metro areas commence operations more fully in the remainder of 2006.

Asia-Pacific Cost of Revenues. Asia-Pacific cost of revenues were $5.6 million for the three months ended September 30, 2006 as compared to $5.1 million for the three months ended September 30, 2005. Asia-Pacific cost of revenues for the three months ended September 30, 2006 included (i) $858,000 of depreciation expense, (ii) $101,000 of stock-based compensation as a result of our adoption of SFAS 123(R) in the three months ended March 31, 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 September 30, 2005 included (i) $845,000 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 $4.6 million for the three months ended September 30, 2006 from $4.2 million for the three months ended September 30, 2005, a 10% increase. This increase was 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 is 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 $7.5 million for the three months ended September 30, 2006 from $4.8 million for the three months ended September 30, 2005.

U.S. Sales and Marketing Expenses. U.S. sales and marketing expenses increased to $6.5 million for the three months ended September 30, 2006 from $4.1 million for the three months ended September 30, 2005. Included in U.S. sales and marketing expenses for the three months ended September 30, 2006 were $1.5 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 September 30, 2005 was $248,000 of stock-based compensation expense and $15,000 of amortization expense. The increase in the stock-based compensation expense period over period is a result of our adoption of SFAS 123(R) in the three months ended March 31, 2006. Excluding stock-based compensation and amortization expense, U.S. sales and marketing expenses increased to $5.0 million for the three months ended September 30, 2006 as compared to $3.8 million for the three months ended September 30, 2005, a 31% 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 an approximately $606,000 of higher compensation costs, including increases in sales compensation related to strong new customer bookings throughout 2006 and general salary increases and bonuses for our marketing staff and non-commissioned sales staff, and a general increase in other expenses related to our marketing efforts. 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 $1.0 million for the three months ended September 30, 2006 as compared to $751,000 for the three months ended September 30, 2005. Included in Asia-Pacific sales and marketing expenses for the three months ended September 30, 2006 was $129,000 of stock-based compensation as a result of our adoption of SFAS 123(R) commencing in the three months ended March 31, 2006. Excluding stock-based compensation, Asia-Pacific sales and marketing expenses were $884,000 million for the three months ended September 30, 2006 versus $751,000 for the three months ended September 30, 2005, an 18% increase. This increase was primarily due to an increase in travel expense, and bad debt expense of approximately $70,000 over the prior period as a result of recoveries of bad debt expense recorded during the three months ended September 30, 2005 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 $18.6 million for the three months ended September 30, 2006 from $12.1 million for the three months ended September 30, 2005.

U.S. General and Administrative Expenses. U.S. general and administrative expenses increased to $16.1 million for the three months ended September 30, 2006 as compared to $10.0 million for the three months ended September 30, 2005. Included in U.S. general and administrative expenses for the three months ended September 30, 2006 were $4.0 million of stock-based compensation expense and $780,000 of depreciation expense. Included in U.S. general and administrative expenses for the three months ended September 30, 2005 were $1.1 million of stock-based compensation expense and $416,000 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 three months ended March 31, 2006. Excluding stock-based compensation expense and depreciation expense, U.S. general and administrative expenses increased to $11.3 million for the three months ended September 30, 2006, as compared to $8.5 million for the same period last year, a 32% increase. This increase was primarily due to (i) approximately $306,000 of higher compensation costs, including general salary increases, bonuses and headcount growth (168 U.S. general and administrative employees as of September 30, 2006 versus 150 as of September 30, 2005), (ii) an increase in professional fees of approximately $1.9 million due to increased legal fees in connection with our legal

matters such as the ongoing review of our past stock option grants and practices, accounting fees and other consulting projects in connection with our growth strategies and (iii) an increase in rent and other office expenses of $388,000 in connection with our office expansion in Foster City, California. 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 and as we incur ongoing professional fees to complete the stock option review and resolve related legal matters.

Asia-Pacific General and Administrative Expenses. Asia-Pacific general and administrative expenses increased to $2.5 million for the three months ended September 30, 2006 as compared to $2.0 million for the three months ended September 30, 2005. Included in Asia-Pacific general and administrative expenses for the three months ended September 30, 2006 was (i) $583,000 of stock-based compensation as a result of our adoption of SFAS 123(R) in the three months ended March 31, 2006 and (ii) $56,000 of depreciation expense. Included in Asia-Pacific general and administrative expenses for the three months ended September 30, 2005 was $60,000 of depreciation expense. Excluding stock-based compensation and depreciation, Asia-Pacific general and administrative expenses decreased to $1.9 million for the three months ended September 30, 2006, as compared to $2.0 million for the same period last year, a nominal 3% decrease. 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 Singapore 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 headquarters 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 center). We expect that our Asia-Pacific general and administrative expenses will experience some moderate growth in the foreseeable future.

Restructuring Charges. During the three months ended September 30, 2006, we recorded an additional restructuring charge of $1.5 million as a result of revised sublease assumptions on two of our excess space leases in the New York and Los Angeles metro areas as a result of new information becoming available. The original restructuring charge for these two leases was recorded in the fourth quarter of 2004 and totaled $17.7 million. We are contractually committed to these two excess space leases through 2015.

Interest Income. Interest income increased to $1.7 million from $1.1 million for the three months ended September 30, 2006 and 2005, respectively. Interest income increased due to higher average cash, cash equivalent and short-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 September 30, 2006 was 4.74% versus 3.49% for the three months ended September 30, 2005.

Interest Expense. Interest expense increased to $3.6 million from $1.9 million for the three months ended September 30, 2006 and 2005, respectively. The increase in interest expense was primarily due to increases in interest expense associated with the new financings entered into during 2005: (i) 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%; (ii) 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 (iii) the $60.0 million mortgage payable we recorded in connection with our Ashburn campus financing in December 2005, which bears interest at 8.00%. This increase was partially offset by the conversion activities during the fiscal year 2005 that resulted in a decrease in interest expense. In November 2005, 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. Furthermore, in connection with various construction projects related to our IBX expansion

efforts during the three months ended September 30, 2006, we capitalized $354,000 of interest expense to construction in progress. We did not capitalize any interest during the three months ended September 30, 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 September 30, 2006, we recorded $270,000 of income tax expense, primarily representing income taxes related to alternative minimum tax and foreign jurisdictions. For the three months ended September 30, 2005, we recorded an income tax expense of $164,000. 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 and 2007 other than alternative minimum tax.

Nine Months Ended September 30, 2006 and 2005

Revenues. Our revenues for the nine months ended September 30, 2006 and 2005 were split between the following revenue classifications (dollars in thousands):

	Nine months ended September 30,			
	2006	%	2005	%
Recurring revenues	$196,759	95%	$149,623	94%
Non-recurring revenues:				
Installation and professional services	10,363	5%	8,777	5%
Other	21	0%	859	1%
	10,384	5%	9,636	6%
Total revenues	$207,143	100%	$159,259	100%

Our revenues for the nine months ended September 30, 2006 and 2005 were geographically comprised of the following (dollars in thousands):

	Nine months ended September 30,			
	2006	%	2005	%
U.S. revenues	$178,394	86%	$137,927	87%
Asia-Pacific revenues	28,749	14%	21,332	13%
Total revenues	$207,143	100%	$159,259	100%

We recognized revenues of $207.1 million for the nine months ended September 30, 2006 as compared to revenues of $159.3 million for the nine months ended September 30, 2005, a 30% 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 nine months ended September 30, 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 1,260 as of September 30, 2006 versus 1,093 as of September 30, 2005, an increase of 15%. Our utilization rate represents the percentage of our cabinet space billing versus total cabinet space available. Our utilization rate grew to 54% as of September 30, 2006 from 51% as of September 30, 2005; however, excluding the impact of our recent IBX center openings in the Chicago, Los Angeles and Silicon Valley metro areas, our utilization rate would have been 63% as of September 30, 2006. 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. Once capacity becomes limited, we perform demand studies to determine if future expansion is warranted. 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 expansion efforts in the Chicago, Los Angeles, Silicon Valley and Washington, D.C. 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 $178.4 million for the nine months ended September 30, 2006 as compared to $137.9 million for the nine months ended September 30, 2005, a 29% increase. U.S. revenues consisted of recurring revenues of $169.8 million and $129.8 million, respectively, for the nine months ended September 30, 2006 and 2005, a 31% 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 $1.2 million for the nine months ended September 30, 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. Total increase in revenues as a result of selective price increases for the nine months ended September 30, 2006 over the same period last year was approximately $1.9 million. In addition, we recorded $2.5 million of revenues from our new IBX centers in the Chicago, Los Angeles and Silicon Valley metro areas. 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 $8.6 million and $8.1 million, respectively, for the nine months ended September 30, 2006 and 2005. U.S. non-recurring revenues included $817,000 of contract settlement revenue for the nine months ended September 30, 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 6% period over period, primarily due to strong existing and new customer growth during the year.

Asia-Pacific Revenues. We recognized Asia-Pacific revenues of $28.7 million for the nine months ended September 30, 2006 as compared to $21.3 million for the nine months ended September 30, 2005, a

35% increase. Asia-Pacific revenues consisted of recurring revenues of $27.0 million and $19.8 million, respectively, for the nine months ended September 30, 2006 and 2005, consisting primarily of colocation and managed infrastructure services. In addition, Asia-Pacific revenues consisted of non-recurring revenues of $1.7 million and $1.5 million, respectively, for the nine months ended September 30, 2006 and 2005. Asia-Pacific non-recurring revenues included $21,000 and $42,000 of contract settlement revenue for the nine months ended September 30, 2006 and 2005, respectively. 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 nine months ended September 30, 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 $138.0 million for the nine months ended September 30, 2006 as compared to $116.6 million for the nine months ended September 30, 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 $121.5 million for the nine months ended September 30, 2006 as compared to $101.6 million for the nine months ended September 30, 2005. U.S. cost of revenues for the nine months ended September 30, 2006 included (i) $47.7 million of depreciation expense, (ii) $2.8 million of accretion expense comprised of $394,000 for our asset retirement obligations and $2.4 million 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) $2.0 million of stock-based compensation as a result of our adoption of SFAS 123(R) in the three months ended March 31, 2006 and (iv) $593,000 of amortization expense associated with the intangible assets acquired with our Ashburn campus. U.S. cost of revenues for the nine months ended September 30, 2005 included (i) $42.2 million of depreciation expense and (ii) $1.0 million of accretion expense comprised of $382,000 for our asset retirement obligations and $661,000 for our restructuring charges. Our U.S. cost of revenues for the nine months ended September 30, 2006 also included $6.8 million of additional operating costs not incurred in the prior year associated with the recently opened IBX centers in the Chicago, Los Angeles and Silicon Valley metro areas (the Chicago and Los Angeles IBX centers opened for business during the three months ended June 30, 2006, and the Silicon Valley IBX center opened for business during the three months ending September 30, 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 $61.5 million for the nine months ended September 30, 2006 from $58.3 million for the nine months ended September 30, 2005, a 6% increase. This increase was primarily the result of increases in (i) utility costs of approximately $5.4 million in line with increasing customer installations and revenues attributed to customer growth, (ii) compensation costs of approximately $2.1 million, including general salary increases and bonuses and headcount growth and (iii) repair and maintenance expense of approximately $941,000. This increase was partially offset by a reduction of approximately $5.4 million in rent expense in connection with a property we recorded a restructuring charge for in San Jose in the fourth quarter of 2005. 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 opened IBX centers in the Chicago, Los Angeles and Silicon Valley metro areas commence operations more fully in the remainder of 2006.

Asia-Pacific Cost of Revenues. Asia-Pacific cost of revenues were $16.5 million for the nine months ended September 30, 2006 as compared to $15.1 million for the nine months ended September 30, 2005. Asia-Pacific cost of revenues for the nine months ended September 30, 2006 included (i) $2.6 million of depreciation expense, (ii) $355,000 stock-based compensation as a result of our adoption of SFAS 123(R)

in the three months ended March 31, 2006 and (iii) $195,000 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 nine months ended September 30, 2005 included (i) $2.9 million of depreciation expense and (ii) $195,000 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 $13.4 million for the nine months ended September 30, 2006 from $12.0 million for the nine months ended September 30, 2005, a 12% increase. This increase was 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 is 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 $23.2 million for the nine months ended September 30, 2006 from $14.8 million for the nine months ended September 30, 2005.

U.S. Sales and Marketing Expenses. U.S. sales and marketing expenses increased to $20.1 million for the nine months ended September 30, 2006 from $12.6 million for the nine months ended September 30, 2005. Included in U.S. sales and marketing expenses for the nine months ended September 30, 2006 were $5.2 million of stock-based compensation expense and $45,000 of amortization expense. Included in U.S. sales and marketing expenses for the nine months ended September 30, 2005 was $1.1 million of stock-based compensation expense and $45,000 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 three months ended March 31, 2006. Excluding stock-based compensation and amortization expense, U.S. sales and marketing expenses increased to $14.8 million for the nine months ended September 30, 2006 as compared to $11.4 million for the nine months ended September 30, 2005, a 30% 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 $1.9 million of higher compensation costs, including increases in sales compensation related to strong new customer bookings throughout 2006 and general salary increases and bonuses for our marketing staff and non-commissioned sales staff and (ii) approximately $741,000 of higher travel 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 $3.1 million for the nine months ended September 30, 2006 as compared to $2.2 million for the nine months ended September 30, 2005. Included in Asia-Pacific sales and marketing expenses for the nine months ended September 30, 2006 was $435,000 of stock-based compensation as a result of our adoption of SFAS 123(R) commencing in the three months ended March 31, 2006. Excluding stock-based compensation, Asia-Pacific sales and marketing expenses were $2.7 million for the nine months ended September 30, 2006 versus $2.2 million for the nine months ended September 30, 2005, a 22% increase. This increase was primarily due to an increase in bad debt expense of approximately $274,000 over the same period last year as a result of recoveries of bad debt expense recorded during the nine months ended September 30, 2005 (negative bad debt expense) of approximately $142,000 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 $53.5 million for the nine months ended September 30, 2006 from $33.6 million for the nine months ended September 30, 2005.

U.S. General and Administrative Expenses. U.S. general and administrative expenses increased to $44.9 million for the nine months ended September 30, 2006 as compared to $27.7 million for the nine

months ended September 30, 2005. Included in U.S. general and administrative expenses for the nine months ended September 30, 2006 were $13.7 million of stock-based compensation expense and $1.8 million of depreciation expense. Included in U.S. general and administrative expenses for the nine months ended September 30, 2005 were $5.1 million of stock-based compensation expense and $1.2 million 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 three months ended March 31, 2006. Excluding stock-based compensation expense and depreciation expense, U.S. general and administrative expenses increased to $29.4 million for the nine months ended September 30, 2006, as compared to $21.4 million for the same period last year, a 38% increase. This increase was primarily due to (i) approximately $2.5 million of higher compensation costs, including general salary increases, bonuses and headcount growth (168 U.S. general and administrative employees as of September 30, 2006 versus 150 as of September 30, 2005), (ii) an increase in professional fees of approximately $3.8 million due to increased legal fees in connection with our legal matters such as the ongoing review of our past stock option grants and practices, accounting fees and other consulting projects in connection with our growth strategies, (iii) an increase in rent, repair and maintenance expenses of approximately $551,000 in connection with our office expansion in Foster City, California and (iv) an increase in travel expenses of approximately $444,000. 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 and as we incur ongoing professional fees to complete the stock option review and resolve related legal matters.

Asia-Pacific General and Administrative Expenses. Asia-Pacific general and administrative expenses increased to $8.6 million for the nine months ended September 30, 2006 as compared to $5.9 million for the nine months ended September 30, 2005. Included in Asia-Pacific general and administrative expenses for the nine months ended September 30, 2006 was (i) $1.8 million of stock-based compensation as a result of our adoption of SFAS 123(R) in the three months ended March 31, 2006 and (ii) $191,000 of depreciation expense. Included in Asia-Pacific general and administrative expenses for the nine months ended September 30, 2005 was $223,000 of depreciation expense. Excluding stock-based compensation and depreciation, Asia-Pacific general and administrative expenses increased to $6.6 million for the nine months ended September 30, 2006, as compared to $5.6 million for the same period last year, a 17% increase. This increase is primarily due to approximately $822,000 of higher compensation costs, including general salary increases and bonuses. 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 headquarters 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 center). We expect that our Asia-Pacific general and administrative expenses will experience some moderate growth in the foreseeable future.

Restructuring Charges. During the nine months ended September 30, 2006, we recorded an additional restructuring charge of $1.5 million as a result of revised sublease assumptions on two of our excess space leases in the New York and Los Angeles metro areas as a result of new information becoming available. The original restructuring charge for these two leases was recorded in the fourth quarter of 2004 and totaled $17.7 million. We are contractually committed to these two excess space leases through 2015.

Interest Income. Interest income increased to $5.1 million from $2.6 for the nine months ended September 30, 2006 and 2005, respectively. Interest income increased due to higher average cash, cash equivalent and short-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 nine months ended September 30, 2006 was 4.47% versus 3.11% for the nine months ended September 30, 2005.

Interest Expense. Interest expense increased to $11.0 million from $6.3 million for the nine months ended September 30, 2006 and 2005, respectively. The increase in interest expense was primarily due to increases in interest expense associated with the new financings entered into during 2005: (i) 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%; (ii) 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 (iii) the $60.0 million mortgage payable we recorded in connection with our Ashburn campus financing in December 2005, which bears interest at 8.00%. This increase was partially offset by the conversion activities during the fiscal year 2005 that resulted in a decrease in interest expense. In November 2005, 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. Furthermore, in connection with various construction projects related to our IBX expansion efforts during the nine months ended September 30, 2006, we capitalized $1.0 million of interest expense to construction in progress. We did not capitalize any interest during the nine months ended September 30, 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 nine months ended September 30, 2006 and 2005, we recorded $870,000 and $553,000, 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 and 2007 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 nine months ended September 30, 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 three months ended March 31, 2005.

Liquidity and Capital Resources

As of September 30, 2006, our total indebtedness was comprised of (i) non-convertible debt and financing obligations totaling $155.0 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.

We believe we have sufficient cash, coupled with anticipated cash generated from operating activities and anticipated cash from financings expected to close in the fourth quarter of 2006 as described below, to meet our currently identified business objectives for at least the next twelve months. As of September 30, 2006, we had $166.3 million of cash, cash equivalents and short-term and long-term investments. Since the quarter ended September 30, 2003, we have generated positive operating cash flow in each quarter and expect this trend to continue throughout the remainder of 2006 and beyond. In addition, as of September 30, 2006, we had $28.3 million of additional liquidity available to us under the $75.0 million Silicon Valley Bank revolving credit line, which was amended in August 2006, in the event we need additional cash to fund expansion activities, fund working capital requirements or pursue attractive strategic opportunities that may become available in the future. In September 2006, we received loan commitments, subject to customary closing conditions, for a total of $150.0 million to finance our Washington, D.C. metro area IBX expansion project and Chicago metro area IBX expansion project in long-term financing arrangements at anticipated rates of approximately 8%, which we expect to close during the fourth quarter of 2006. While we expect that our cash flow from operations will continue to increase, 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 we expect them to be greater than our cash flows

generated from operating activities. As a result, while we believe we have sufficient cash, coupled with anticipated cash generated from operating activities and anticipated cash from financings expected to close in the fourth quarter of 2006, to meet our currently identified business objectives for at least the next twelve months, we will investigate additional financing opportunities in connection with our current and future expansion plans, in order to continue to meet our cash requirements to fund our other capital expenditures, debt service and corporate operating requirements and maintain our cash and working capital position. 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 $49.5 million and $49.0 million for the nine months ended September 30, 2006 and 2005, respectively. This increase was primarily due to improved operating results, excluding the increase in stock-back compensation as a result of our adoption of SFAS 123(R) in 2006; however, these improved operating results were mostly offset by additional restructuring charge payments as a result of our 2005 restructuring charge. While this increased level of restructuring charge payments has had 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 the remainder of 2006 and beyond.

Net cash used in our investing activities was $121.7 million and $39.0 million for the nine months ended September 30, 2006 and 2005, respectively. Net cash used in investing activities for the nine months ended September 30, 2006 was primarily the result of the capital expenditures required to bring our recently acquired IBX centers in the Chicago, Los Angeles and Silicon Valley metro areas to Equinix standards, the Washington, D.C. metro area IBX expansion project and Chicago metro area expansion project and to support our growing customer base, as well as the net purchases of our short-term and long-term investments and the purchase of our Chicago IBX property in June 2006 for $9.8 million. Net cash used in investing activities during the nine months ended September 30, 2005 was primarily the result of the net purchases of our short-term and long-term investments, as well as capital expenditures required to bring our recently acquired IBX centers in the Silicon Valley and Washington, D.C. metro areas to Equinix standards and to support our growing customer base. For the remainder of 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, which we expect to be substantial, as well as additional purchases of real estate that we may undertake in the future.

Net cash provided by financing activities was $37.4 million and $6.7 million for the nine months ended September 30, 2006 and 2005, respectively. Net cash provided by financing activities for the nine months ended September 30, 2006, was primarily due to the $40.0 million borrowing from the $75.0 million Silicon Valley Bank revolving credit line that we borrowed in September 2006 and proceeds from the exercises of employee stock options and purchases from our employee stock purchase plan, partially offset by the repayment of the $30.0 million borrowing 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. Net cash provided by financing activities for the nine months ended September 30, 2005, was primarily the result of proceeds from the exercises of warrants and employee stock options and purchases from our employee stock purchase plans, offset primarily by principal payments for our capital lease and other financing obligations. In September 2006, we received loan commitments, subject to customary closing conditions, for a total of $150.0 million to finance our Washington, D.C. metro area IBX expansion project and Chicago metro area IBX expansion project in long-term financing arrangements at anticipated rates of approximately 8%, which we expect to close during the fourth quarter of 2006.

Debt Obligations – Non-Convertible Debt

As of September 30, 2006, our non-convertible debt totaled $155.0 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 September 30, 2006, we had utilized $6.7 million of the credit line through the issuance of letters of credit and $40.0 million borrowing, and, as a result, we had $28.3 million of additional liquidity available to us under the $75.0 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 September 30, 2006, principal of $33.9 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 September 30, 2006, principal of $14.8 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 September 30, 2006, principal of $8.2 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 September 30, 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 September 30, 2006, principal of $59.2 million remained outstanding under this mortgage payable.

$75.0 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. In August 2006, we amended the Silicon Valley Bank credit line by entering into a $75.0 million revolving line of credit agreement with Silicon Valley Bank, replacing the previously outstanding $50.0 million line of credit arrangement with the same bank, and adding General Electric Capital Corporation (GE) as a lender. We refer to this transaction as the $75.0 million Silicon Valley Bank revolving credit line. The $75.0 million Silicon Valley Bank revolving credit line allows for issuance of letters of credit (in addition to revolving borrowings). The $75.0 million Silicon Valley Bank revolving credit line also has an option for us to increase the amount of the line to $100.0 million at a later date, subject to approval of the lender or lenders electing to participate in such increase. Borrowings under the $75.0 million Silicon Valley Bank revolving credit line will continue to bear interest at variable interest rates, plus the applicable margins which were in effect prior to the amendment, based on either prime rates or LIBOR rates. 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 borrowing and which we paid back in full in January 2006. The $30.0 million borrowing was used to fund a portion of the purchase of the Ashburn IBX property acquisition. In September 2006, we elected to borrow $40.0 million from the $75.0 million Silicon Valley Bank revolving credit line, which we refer to as the $40.0 million borrowing, of which $20.0 million of the $40.0 million borrowing was borrowed at the prime rate and bears interest at 8.75% per annum and the remaining $20.0 million was borrowed at a spread over the one-month LIBOR rate and bears interest at 7.824% per annum. The $40.0 million borrowing was used to fund capital expenditures and construction costs related to the Washington D.C. metro area IBX expansion project and Chicago metro area IBX expansion project. As of September 30, 2006, in addition to the $40.0 million borrowing, we had also utilized $6.7 million under the letters of credit sublimit with the issuance of five letters of credit under the $75.0 million Silicon Valley Bank revolving credit line reducing the amount of borrowings available to us from $75.0 million to $28.3 million. 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, we will be required to fund these letters of credit either through cash collateral or borrowings under the $75.0 million Silicon Valley Bank revolving credit line. As of September 30, 2006, the $40.0 million borrowing from $75.0 million Silicon Valley Bank revolving credit line had an effective blended interest rate of 8.29% per annum. The $75.0 million Silicon Valley Bank revolving credit line matures on September 15, 2008 and is secured by substantially all of our domestic personal property assets and certain of our real property leases and contains several financial covenants, which require compliance with maximum leverage and working capital ratios and a minimum EBITDA target, all of which we were in compliance with as of September 30, 2006.

In October 2006, we utilized an additional $7.8 million under the letters of credit sublimit associated with the $75.0 million Silicon Valley Bank revolving credit line in connection with the new lease for the New York metro area IBX expansion project and we also fully repaid the $40.0 million borrowing under the $75.0 million Silicon Valley Bank revolving credit line.

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 September 30, 2006 (in thousands):

	Borrowings under credit line and 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 (three months remaining)	$ 40,000	$ 1,505	$ 2,348	$ 3,579	$ 7,843	$ 65,420	$ 120,695
2007	—	6,022	9,568	13,954	31,275	2,609	63,428
2008	—	6,022	9,842	13,262	31,140	760	61,026
2009	86,250	6,022	10,122	13,309	31,077	—	146,780
2010	—	6,022	10,409	3,357	30,047	—	49,835
2011 and thereafter	—	90,838	128,354	18,134	155,976	—	393,302
	126,250	116,431	170,643	65,595	287,358	68,789	835,066
Less amount representing interest	—	(57,266)	(82,123)	—	—	—	(139,389)
Plus amount representing residual property value	—	—	6,555	—	—	—	6,555
Less amount representing estimated subrental income and expense	—	—	—	(14,759)	—	—	(14,759)
Less amount representing accretion	—	—	—	(6,291)	—	—	(6,291)
	$ 126,250	$ 59,165	$ 95,075	$ 44,545	$ 287,358	$ 68,789	$ 681,182

(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 $75.0 million Silicon Valley Bank revolving credit line. The letters of credit total $6.7 million, are collateralized by the $75.0 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 Silicon Valley Bank revolving credit line. This contingent commitment is not reflected in the table above. In October 2006, we utilized an additional $7.8 million under the letters of credit sublimit associated with the $75.0 million Silicon Valley Bank revolving credit line in connection with the new lease for the New York metro area IBX expansion project.

Primarily as a result of our recent IBX expansions in the Chicago, Los Angeles, Silicon Valley and Washington D.C. metro areas, as of September 30, 2006, we were contractually committed for $61.2 million of un-accrued 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 and 2007, 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 $61.2 million contractually

committed as of September 30, 2006 in these three markets during the remainder of 2006 and the nine months ended September 30, 2007 of approximately $270.0 million to $280.0 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, non-capital purchase commitments in place as of September 30, 2006, such as commitments to purchase power in select locations, primarily in the U.S. and Singapore, 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 September 30, 2006, which total $7.6 million, are also reflected in the table above as an "other contractual commitments."

Summary

Our utilization rate represents the percentage of our cabinet space billing versus total cabinet space available. Our utilization rate grew to 54% as of September 30, 2006 from 51% as of September 30, 2005; however, excluding the impact of our recent expansions in the Chicago, Los Angeles and Silicon Valley metro areas, our utilization rate would have been 63% as of September 30, 2006. 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. Once capacity becomes limited, we perform demand studies to determine if future expansion is warranted. 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 and our 2005 expansions in the Chicago, Los Angeles and Silicon Valley metro area markets, our 2006 expansions in the Washington, D.C., Chicago and New York metro area markets, which are expected to open in 2007 (see "Recent Developments"). 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., Chicago, Los Angeles and Silicon Valley metro 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. and Chicago metro area property acquisitions, or a short-term or long-term leasing arrangement.

In addition to our successful strategy of acquiring previously or partially built-out centers, we are currently starting new construction to build out new IBX centers in the Washington, D.C. metro area and, on our recently acquired property in the Chicago metro area and New York metro area. As part of our strategy, we will continue to contemplate the possibility of new construction in selective markets where the inventory for high quality data centers is limited. 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, which can be significant.

We believe we have sufficient cash, coupled with anticipated cash generated from operating activities and anticipated cash from financings expected to close in the fourth quarter of 2006 as described below, to

meet our currently identified business objectives for at least the next twelve months. As of September 30, 2006, we had $166.3 million of cash, cash equivalents and short-term and long-term investments. Since the quarter ended September 30, 2003, we have generated positive operating cash flow in each quarter and expect this trend to continue throughout the remainder of 2006 and beyond. In addition, as of September 30, 2006, we had $28.3 million of additional liquidity available to us under the $75.0 million Silicon Valley Bank revolving credit line, which was amended in August 2006, in the event we need additional cash to fund expansion activities, fund working capital requirements or pursue attractive strategic opportunities that may become available in the future. In September 2006, we received loan commitments, subject to customary closing conditions, for a total of $150.0 million to finance our Washington, D.C. metro area IBX expansion project and Chicago metro area IBX expansion project in long-term financing arrangements at anticipated rates of approximately 8%, which we expect to close during the fourth quarter of 2006. While we expect that our cash flow from operations will continue to increase, 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 we expect them to be greater than our cash flows generated from operating activities. As a result, while we believe we have sufficient cash, coupled with anticipated cash generated from operating activities and anticipated cash from financings expected to close in the fourth quarter of 2006, to meet our currently identified business objectives for at least the next twelve months, we will investigate additional financing opportunities in connection with our current and future expansion plans, in order to continue to meet our cash requirements to fund our other capital expenditures, debt service and corporate operating requirements and maintain our cash and working capital position. 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 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”). 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. The adoption of FSP FIN 46(R)-6 has not had a significant impact on our financial position and results of operations.

In June 2006, the FASB approved EITF Issue No. 06-3, "How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That is, Gross versus Net Presentation)" ("EITF 06-3"). EITF 06-3 includes any tax assessed by a governmental authority that is directly imposed on a revenue-producing transaction between a seller and a customer and may include, but is not limited to, sales, use, value added and some excise taxes. EITF 06-3 concludes that the presentation of taxes on either a gross (included in revenue and costs) or a net (excluded from revenue) basis is an accounting policy decision that should be disclosed. In addition, for any such taxes that are reported on a gross basis, an entity should disclose the amounts of those taxes in interim and annual financial statements for each period for which an income statement is presented if those amounts are significant. The provisions of EITF 06-3 should be applied to financial reports for interim and annual reporting periods beginning after December 15, 2006, with earlier adoption permitted. We are currently in the process of evaluating the impact that the adoption of EITF 06-3 will have on our financial position, results of operations and cash flows.

In July 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"), which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes." FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. We are currently in the process of evaluating the impact that the adoption of FIN 48 will have on our financial position, results of operations and cash flows.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measurements. SFAS No. 155 is effective for fiscal years beginning after December 15, 2007. We are currently in the process of evaluating the impact that the adoption of SFAS No. 157 will have on our financial position, results of operations and cash flows.

In September 2006, the SEC issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" ("SAB 108"), to address diversity in practice in quantifying financial statement misstatements. SAB 108 requires that we quantify misstatements based on their impact on each of our financial statements and related disclosures. We will adopt the provisions of SAB 108 during the fourth quarter of 2006. We are currently in the process of evaluating the impact that the adoption of SAB 108 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 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

Our 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 September 30, 2006 our portfolio maturity was relatively short. If current interest rates were to increase or decrease by 10% from their position as of September 30, 2006, the fair market value of our investment portfolio could increase or decrease by approximately $314,000.

An immediate 10% increase or decrease in current interest rates from their position as of September 30, 2006 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 $75.0 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 borrowing, we had the opportunity to either repay all or a portion of the $30.0 million borrowing, or convert the $30.0 million borrowing 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 borrowing 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 borrowing in full in January 2006 at which point the effective interest rate had risen to 6.12%. In September 2006, we elected to borrow $40.0 million from the $75.0 million Silicon Valley Bank revolving credit line, of which $20.0 million of the $40.0 million borrowing was borrowed at the prime rate and bears interest at 8.75% per annum and the remaining $20.0 million was borrowed at a spread over the one-month LIBOR rate and bears interest at 7.824% per annum. As of September 30, 2006, the effective blended interest rate of our $40.0 million borrowing from the $75.0 million Silicon Valley Bank revolving credit line, which was repaid in full in October 2006, was 8.29% per annum. Any borrowings from our $75.0 million Silicon Valley Bank 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 September 30, 2006 was approximately $131.2 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 14% 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 Court has not yet approved the JPMorgan Chase settlement. 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.

In June 2006, we received an informal inquiry from the Securities and Exchange Commission ("SEC") and a grand jury subpoena from the U.S. Attorney from the Northern District of California ("U.S. Attorney") requesting documents relating to our stock option grants and practices. Such inquiries are believed to be related to recent widespread investigations into the practices of public companies relating to the timing of option grants. We intend to fully cooperate in all government investigations.

On June 29, 2006 and September 18, 2006, shareholder derivative complaints were filed in the Superior Court of the State of California, County of San Mateo against certain of our current and former officers and directors (the "Defendants"). The complaints allege that the Defendants breached their fiduciary duties by engaging in allegedly improper stock option grant practices since at least 2000, and by failing to adequately disclose such transactions. The complaints seek unspecified monetary damages,

corporate governance changes and restitution. On October 13, 2006, a third shareholder derivative complaint related to allegedly improper stock option grant practices was filed in the United States District Court for the Northern District of California against certain of our current and former officers and directors. The complaint seeks unspecified monetary and punitive damages, corporate governance changes, and the imposition of a constructive trust over certain stock options and related proceeds. At the appropriate time, we expect to file motions to dismiss these lawsuits due to the plaintiffs' unexcused failure to make a demand on us before filing the actions. In addition to the current derivative claims, we may be subject to additional derivative or other lawsuits that may be presented on an individual or class basis alleging claims based on our stock option granting practices. Similar lawsuits and investigations have been commenced against numerous other companies based on similar allegations.

Responding to, investigating and/or defending against civil litigations and government inquiries regarding our stock option grants and practices will present a substantial cost to us in both cash and the attention of certain management and may have a negative impact on our operations. In addition, in the event of any negative finding or assertion by the SEC, U.S. Attorney, court of law or any third party claim related to our stock option granting practices, we may be liable for damages, fines or other civil or criminal remedies or remedial actions, or be required to restate our prior period financial statements or adjust our current period financial statements. Any such adverse action could have a material adverse effect on our business and current market value.

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 nine months ended September 30, 2006, we incurred additional net losses of $15.5 million. Although we believe we are approaching a position of having our net losses decrease to a breakeven level or even possibly producing some nominal level of net income in the foreseeable future, we are also currently investing heavily in our future growth through the build-out of several additional IBX centers. As a result, we will have additional depreciation and other operating expenses that will negatively impact our ability to achieve and sustain profitability until these new IBX centers generate enough revenue to exceed their operating costs and cover our additional overhead needed to scale our business for this anticipated growth. Although our goal is to achieve profitability, 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 is 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.

We are exposed to potential risks from the results of any regulatory review of past stock option grants and practices or any litigation relating to such grants and practices.

As further described in Note 11 of our "Notes to Condensed Consolidated Financial Statements" in Item 1 of this Quarterly Report on Form 10-Q, the Audit Committee of our Board of Directors has completed an internal review and analysis of our stock option practices and related accounting, as well as our adjustment to our current financial statements resulting from such review. However, we have received an informal inquiry from the Securities and Exchange Commission ("SEC") and a subpoena from the United States Attorney's Office, Northern District of California ("U.S. Attorney") relating to our stock option practices and the Audit Committee's findings are still subject to review by both entities. There can be no assurance that either the SEC or the U.S. Attorney will agree with the Audit Committee's conclusions.

In addition, two shareholder derivative complaints were filed in the Superior Court of the State of California, County of San Mateo against certain of our current and former officers and directors. The complaints allege that the defendants breached their fiduciary duties by engaging in allegedly improper stock option grant practices since at least 2000, and by failing to adequately disclose such transactions. The complaints seek unspecified monetary damages, corporate governance changes and restitution. A third shareholder derivative complaint related to allegedly improper stock option grant practices was filed in the United States District Court for the Northern District of California against certain of our current and former officers and directors. The complaint seeks unspecified monetary and punitive damages, corporate governance changes, and the imposition of a constructive trust over certain stock options and proceeds.

We cannot predict the outcome of any of the inquiries, investigations, litigation or other proceedings relating to our stock option practices. We, or our current and former officers and directors, could also become the subject of other regulatory investigations or derivative and other lawsuits that may be presented on an individual or class basis alleging claims based on our stock option granting practices.

Responding to, investigating and/or defending against government inquiries and civil litigations regarding our stock option grants and practices will present a substantial cost to us in both cash and the attention of certain management and may have a negative impact on our operations. Our current and former officers and directors could also seek indemnification or advancement or reimbursement of expenses from us, including attorneys' fees, with respect to the ongoing proceedings mentioned and any subsequent proceedings. In addition, in the event of any negative finding or assertion by the SEC, U.S. Attorney, court of law or any third party claim related to our stock option granting practices, we may be liable for damages, fines or other civil or criminal remedies or remedial actions, or be required to restate prior period financial statements or adjust current period financial statements.

We are also currently assessing if any negative tax consequences will impact our employees as a result of this matter. When this determination is reached, we may decide to compensate the impacted employees in an amount sufficient to offset any negative tax consequences that they may incur.

Any of these events could adversely affect our business and the price of our common stock.

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

We believe that our ability to use our pre-2003 tax net operating losses, or NOLs, in any taxable year is subject to limitation under Section 382 of the United States Internal Revenue Code of 1986, as amended, (the "Code") as a result of the significant change in the ownership of our stock that resulted from 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. In addition, the ongoing review of our historical stock option grants and practices and related accounting, discussed elsewhere in this "Risk Factors" section, may reveal weaknesses in our financial controls and reporting that could require remediation by us. 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 both the three and nine months ended September 30, 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:

- the costs of customizing IBX centers for foreign countries;
- protectionist laws and business practices favoring local competition;
- the greater difficulty or delay in accounts receivable collection;
- difficulties in staffing and managing foreign operations;
- political and economic instability;
- our 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 beyond those expansion projects already announced. 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 have begun construction of new IBX centers, and may begin construction of additional 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 must acquire suitable land with or without structures to build our new IBX centers from the ground up (a “greenfield” build). Greenfield builds are currently underway in the Chicago, Washington D.C. and New York metro areas. 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 provide services to interconnect these two centers. Should these services not provide the necessary reliability to sustain service, this could result in lower interconnection revenue, lower margins, and could have a negative impact on customer retention over time.

If we are not able to generate sufficient operating cash flows or obtain external financing, our ability to fund capital expenditures or fulfill our obligations or execute expansion plans may be limited.

Our capital expenditures, together with ongoing operating expenses and obligations to service our debts, will be a substantial drain on our cash flow and may decrease our cash balances. We regularly assess markets for external financing opportunities, including debt and equity. Additional debt or equity financing may not be available when needed or, if available, may not be available on satisfactory terms. Our inability to obtain needed debt and/or equity financing or to generate sufficient cash from operations may require us to abandon projects or curtail capital expenditures. If we curtail capital expenditures or abandon projects, we could be materially adversely affected.

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, or 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 to 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 lack of 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 from 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 September 30, 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 our stockholders and us. 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;
- terrorist acts;
- 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 nine months ended September 30, 2005, we recorded $607,000 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 our customers or us 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.

Our networks may be vulnerable to unauthorized persons accessing our systems, which could disrupt our operations and result in the theft of our proprietary information.

A party who is able to breach the security measures on our networks could misappropriate either our proprietary information or the personal information of our customers, or cause interruptions or malfunctions in our operations. We may be required to expend significant capital and resources to protect against such threats or to alleviate problems caused by breaches in security, which could have a material adverse affect on our financial performance and operating results.

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. 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 competitive compensation packages, including 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 us. To the extent we are unable to offer competitive compensation packages to our employees and adequately maintain stock option incentives due to stock option expensing or otherwise, and should employees decide to leave us, 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 $70.74 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 others or us 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;
- governmental investigations;
- 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 and derivative 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 if 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. In addition, we may, in the future, be subject to other securities class action or similar litigation.

On June 29, 2006 and September 18, 2006, shareholder derivative complaints were filed in the Superior Court of the State of California, County of San Mateo against certain of our current and former officers and directors. The complaints allege that these current and former officers and directors breached their fiduciary duties by engaging in allegedly improper stock option grant practices since at least 2000 and by failing to adequately disclose such transactions. The complaints seek unspecified monetary damages, corporate governance changes, and restitution. A third shareholder derivative complaint related to allegedly improper stock option grant practices was filed in the United States District Court for the Northern District of California against certain of our current and former officers and directors. The complaint seeks unspecified monetary and punitive damages, corporate governance changes, and the imposition of a constructive trust over certain stock options and related proceeds. In addition to the current derivative claims, we may be subject to derivative and other lawsuits that may be maintained on an individual or class basis alleging claims based on our stock option granting practices. Responding to, investigating and/or defending against these complaints will present a substantial cost to us in both cash and the attention of certain management.

Any adverse outcome in litigation could seriously harm our business and results of operations.

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.

Table of Contents

Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference: Form	Incorporated by Reference: 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	
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	

Exhibit Number	Exhibit Description	Incorporated by Reference: Form	Incorporated by Reference: Filing Date/ Period End Date	Filed Herewith
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	
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	

Table of Contents

Exhibit Number	Exhibit Description	Incorporated by Reference		Filed Herewith
		Form	Filing Date/ Period End Date	
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	
10.69	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	

Exhibit Number	Exhibit Description	Incorporated by Reference		Filed Herewith
		Form	Filing Date/ Period End Date	
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	
10.94	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	

Exhibit Number	Exhibit Description	Incorporated by Reference		Filed Herewith
		Form	Filing Date/ Period End Date	
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	
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	
10.121	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	

Table of Contents

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Filing Date/ Period End Date	Filed Herewith
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	
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.	10-Q	3/31/06	
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.	10-Q	3/31/06	

Exhibit Number	Exhibit Description	Incorporated by Reference		Filed Herewith
		Form	Filing Date/ Period End Date	
10.134	Renewal of Offer of Tenancy from JTC Corporation over units #06-01, #06-05/06/07/08, #05-05/06/06A/07/07A/08, #03-05/06/07/08 and #05-01/02/02A/03/03A/04, Block 20 Ayer Rajah Crescent, Singapore 139964, accepted August 1, 2006.	10-Q	6/30/06	
10.135	Lease Agreement dated September 14, 2006 between 777 Sinatra Drive Corp. and Equinix, Inc.			X
10.136+	Second Amended and Restated Loan and Security Agreement dated August 10, 2006 between Silicon Valley Bank, General Electric Capital Corporation, Equinix, Inc. and Equinix Operating Co., Inc.			X
21.1	Subsidiaries of Equinix.	10-Q	6/30/06	
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
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: November 1, 2006

By: /s/ KEITH D. TAYLOR

Chief Financial Officer
(Principal Financial and Accounting Officer)

INDEX TO EXHIBITS

Exhibit Number	Description of Document
10.135	Lease Agreement dated September 14, 2006 between 777 Sinatra Drive Corp. and Equinix, Inc.
10.136+	Second Amended and Restated Loan and Security Agreement dated August 10, 2006 between Silicon Valley Bank, General Electric Capital Corporation, Equinix, Inc. and Equinix Operating Co., Inc.
31.1	Chief Executive Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Chief Financial Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Chief Executive Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Chief Financial Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

+ 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.

Exhibit 10.135

LEASE, dated September 14, 2006, between 777 SINATRA DRIVE CORP., a New Jersey corporation, having an office at 400 Plaza Drive, P.O. Box 1515, Secaucus, New Jersey 07096-1515 ("Landlord"), and EQUINIX, INC., a Delaware corporation having an office at 301 Velocity Way, 5th Floor, Foster City, California, 94404 ("Tenant").

ARTICLE 1 - DEFINITIONS

1.01. As used in this Lease (including in all Exhibits and any Riders attached hereto, all of which shall be deemed to be part of this Lease) the following words and phrases shall have the meanings indicated:

A. Intentionally omitted.

B. Additional Charges: All amounts that become payable by Tenant to Landlord hereunder other than the Fixed Rent.

C. Intentionally omitted.

D. Broker: Trammell Crow Services, Inc.

E. Building: The building located on the Land and known as 755 Secaucus Road, Secaucus, New Jersey.

F. Intentionally omitted.

G. Intentionally omitted.

H. Intentionally omitted.

I. Calendar Year: Any twelve-month period commencing on a January 1.

J. Commencement Date: October 1, 2006.

K. Demised Premises: The Building and the Land in Secaucus, New Jersey depicted on the site plan(s) attached hereto as Exhibit B, outlined in red. Tenant's lease of the Demised Premises shall include the right to the use of the Personal Property listed on Exhibit C annexed hereto.

L. Development: The Development is outlined in red on Exhibit I annexed hereto.

M. Intentionally omitted.

N. Expiration Date: September 30, 2021.

O. Fixed Rent: The annual Fixed Rent during the Term shall be divided into two (2) components, a "Ground Rent" component and a "Building Rent " component as follows:

Ground Rent Component:

(a) $677,934.00 per annum ($56,494.50 per month) from October 1, 2006 to September 30, 2011;

(b) $728,779.05 per annum ($60,731.59 per month) from October 1, 2011 to September 30, 2016;

(c) $783,437.48 per annum ($65,286.46 per month) from October 1, 2016 to September 30, 2021;

Building Rent Component:

(a) $3,000,000 per annum ($250,000.00 per month) from October 1, 2006 to September 30, 2011;

(b) $3,225,000 per annum ($268,750.00 per month) from October 1, 2011 to September 30, 2016;

(c) $3,466,875 per annum ($288,906.25 per month) from October 1, 2016 to September 30, 2021;

P. Floor Space: As to the Demised Premises, the sum of the floor area stated in square feet bounded by the exterior faces of the exterior walls. Any reference to Floor Space of a building shall mean the floor area of all levels or stories of such building, excluding any roof, except such portion thereof (other than cooling towers, elevator penthouses, mechanical rooms, chimneys and staircases, entrances and exits) as is permanently enclosed, and including any interior basement level or mezzanine area not occupied or used by a tenant on a continuing or repetitive basis, and any mechanical room, enclosed or interior truck dock, and areas used by Landlord for storage, for housing meters and/or other equipment or for other purposes. Any reference to the Floor Space is intended to refer to the Floor Space of the entire area in question irrespective of the Person(s) who may be the owner(s) of all or any part thereof.

Q. Intentionally omitted.

R. Insurance Requirements: Rules, regulations, orders and other requirements of the applicable board of underwriters and/or the applicable fire insurance rating organization and/or any other similar body performing the same or similar functions and having jurisdiction or cognizance over the Land and Building, whether now or hereafter in force.

S. Land: The land described on Exhibit A, upon which the Building is located.

T. Landlord's Work: None.

U. Legal Requirements: Laws and ordinances of all federal, state, county, and municipal governments, and rules, regulations, orders and directives of all departments, subdivisions, bureaus, agencies or offices thereof, and of any other governmental, public or quasi-public authorities having jurisdiction over the Land and Building, whether now or hereafter in force, including, but not limited to, those pertaining to zoning requirements and environmental matters.

V. Mortgage: A mortgage and/or a deed of trust.

W. Mortgagee: A holder of a mortgage or a beneficiary of a deed of trust.

X. Intentionally omitted.

Y. Permitted Uses: Data center operations, telecommunications facility, and any uses permitted by applicable Legal Requirements but not including any retail or residential use; provided, however, Landlord has made no representations or warranties in respect of the fitness or the zoning of the Demised Premises for the Permitted Uses.

Z. Person: A natural person or persons, a partnership, a corporation, or any other form of business or legal association or entity.

AA. Intentionally omitted

BB. Real Estate Taxes: The real estate taxes, assessments, special assessments, sewer rents, water charges, and all other similar charges and impositions imposed upon the Building and Land by any federal, state, municipal or other governments or governmental bodies or authorities, and any expenses incurred by Landlord in contesting such taxes or assessments and/or the assessed value of the Building and Land, which expenses shall be allocated to the period of time to which such expenses relate. If at any time during the Term the methods of taxation prevailing on the date hereof shall be altered so that in lieu of, or as an addition to or as a substitute for, the whole or any part of such real estate taxes, assessments and special assessments now imposed on real estate there shall be levied, assessed or imposed (a) a tax, assessment, levy, imposition, license fee or charge wholly or partially as a capital levy or otherwise on the rents received therefrom, or (b) any other such additional or substitute tax, assessment, levy, imposition or charge, then all such taxes, assessments, levies, impositions, fees or charges or the part thereof so measured or based shall be deemed to be included within the term “Real Estate Taxes” for the purposes hereof.

CC. Rent: The Fixed Rent and the Additional Charges.

DD. Intentionally omitted.

EE. Security Deposit: Such amount as Tenant has deposited or hereinafter deposits with Landlord as security under this Lease. Tenant has deposited with Landlord a letter of credit in the amount of $7,800,000.00 as security hereunder as of the date hereof.

FF. Successor Landlord: As defined in Section 9.03.

GG. Intentionally omitted.

HH. Intentionally omitted.

II. Superior Mortgage: Any Mortgage to which this Lease is, at the time referred to, subject and subordinate.

JJ. Superior Mortgagee: The Mortgagee of a Superior Mortgage at the time referred to.

KK. Tenant's Property: As defined in Section 16.02.

LL. Tenant's Work: The facilities, materials and work which may be undertaken by or for the account of Tenant to equip, decorate and furnish the Demised Premises for Tenant's occupancy. Such facilities, materials and work may include exterior equipment, including buried utility lines, cables and conduits for interconnection with wide area networks and or cables or utilities at other locations.

MM. Term: The period commencing on the Commencement Date and ending at 11:59 p.m. of the Expiration Date, but in any event the Term shall end on the date when this Lease is earlier terminated.

NN. Unavoidable Delays: A delay arising from or as a result of a strike, lockout, or labor difficulty, explosion, sabotage, accident, riot or civil commotion, act of war, fire or other catastrophe, Legal Requirement or an act of the other party and any cause beyond the reasonable control of that party, provided that the party asserting such Unavoidable Delay has exercised its best efforts to minimize such delay.

ARTICLE 2 - DEMISE AND TERM

2.01. Landlord hereby leases to Tenant, and Tenant hereby hires from Landlord, the Demised Premises, for the Term. This Lease is subject to (a) any and all existing encumbrances, conditions, rights, covenants, easements, restrictions and rights of way, of record, and other matters of record, applicable zoning and building laws, regulations and codes, and such matters as may be disclosed by an inspection or survey, and (b) subject to the second sentence of Article 20.02 below, easements now or hereafter created by Landlord in, under, over, across and upon the Land for access, sewer, water, electric, gas and other utility lines and services now or hereafter installed.

ARTICLE 3 - RENT

3.01. Tenant shall pay the Fixed Rent in equal monthly installments in advance on the first day of each and every calendar month during the Term.

3.02. The Rent shall be paid in lawful money of the United States to Landlord at its office, or such other place, or Landlord's agent, as Landlord shall designate by notice to Tenant. Tenant shall pay the Rent promptly when due without notice or demand therefor and without any abatement, deduction or setoff for any reason whatsoever, except as may be expressly provided in this Lease. If Tenant makes any payment to Landlord by check, same shall be by check of Tenant and Landlord shall not be

required to accept the check of any other Person, and any check received by Landlord shall be deemed received subject to collection. If any check is mailed by Tenant, Tenant shall post such check in sufficient time prior to the date when payment is due so that such check will be received by Landlord on or before the date when payment is due. Tenant shall assume the risk of lateness or failure of delivery of the mails, and no lateness or failure of the mails will excuse Tenant from its obligation to have made the payment in question when required under this Lease.

3.03. No payment by Tenant or receipt or acceptance by Landlord of a lesser amount than the correct Rent shall be deemed to be other than a payment on account, nor shall any endorsement or statement on any check or any letter accompanying any check or payment be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance or pursue any other remedy in this Lease or at law provided.

3.04. If Tenant is in arrears in payment of Rent, Tenant waives Tenant's right, if any, to designate the items to which any payments made by Tenant are to be credited, and Landlord may apply any payments made by Tenant to such items as Landlord sees fit, irrespective of and notwithstanding any designation or request by Tenant as to the items to which any such payments shall be credited.

3.05. In the event that any installment of Rent due hereunder shall be overdue, a "Late Charge" equal to four percent (4%) or the maximum rate permitted by law, whichever is less, multiplied by the installment of Rent so overdue may be charged by Landlord for the first month or part thereof that same remains overdue; and for each month or part thereof thereafter that the same continues to remain overdue, such overdue amounts shall bear interest at the Default Rate (as hereinafter defined) or the maximum rate permitted by law, whichever is less. The Default Rate shall equal the Prime Rate (the prime commercial lending rate on ninety (90) day loans then announced by J.P Morgan Chase, or such other prime rate or reference rate of a banking institution having offices within a fifty (50) mile radius of the Demised Premises reasonably selected by Landlord), plus four percent (4%) per annum. Notwithstanding the previous sentence, the aforesaid Late Charge shall be waived with respect to the first two (2) overdue payments in any Calendar Year of the Term provided any such overdue payment is received within five (5) days of its due date. In the event that any check tendered by Tenant to Landlord is returned for insufficient funds, Tenant shall pay to Landlord, in addition to the charge imposed by the preceding sentence, a fee of $50.00. Any such Late Charges if not previously paid shall, at the option of the Landlord, be added to and become part of the next succeeding Rent payment to be made hereunder.

3.06. It is intended that the Fixed Rent shall be an absolutely net return to Landlord throughout the Term, free of any expense, charge or other deduction whatsoever, with respect to the Demised Premises, the Building, the Land and/or the ownership, leasing, operation, management, maintenance, repair, rebuilding, use or occupation thereof, or any portion thereof, with respect to any interest of Landlord therein.

ARTICLE 4 - USE OF DEMISED PREMISES

4.01. Tenant shall use and occupy the Demised Premises for the Permitted Uses, and Tenant shall not use or permit or suffer the use of the Demised Premises or any part thereof for any other purpose.

4.02. If any governmental license or permit, including a certificate of occupancy or certificate of continued occupancy (a "Certificate of Occupancy"), shall be required for the proper and lawful conduct of Tenant's business in the Demised Premises or any part thereof, Tenant shall duly procure and thereafter maintain such license or permit and submit the same to Landlord for inspection. Tenant shall at all times comply with the terms and conditions of each such license or permit. Tenant shall not at any time use or occupy, or suffer or permit anyone to use or occupy the Demised Premises, or do or permit anything to be done in the Demised Premises, in any manner which (a) violates the Certificate of Occupancy for the Demised Premises or for the Building; (b) causes waste to the Building or any equipment, facilities or systems therein; (c) constitutes a violation of the Legal Requirements or Insurance Requirements; (d) impairs the proper and economic maintenance, operation and repair of the Building and/or its equipment, facilities or systems.

ARTICLE 5 - PREPARATION OF DEMISED PREMISES

5.01. Landlord shall not be required to perform any work in and to the Demised Premises but instead shall deliver same to Tenant in "as is" condition. Tenant shall occupy the Demised Premises on the Commencement Date. Except as expressly provided to the contrary in this Lease, the taking of possession by Tenant of the Demised Premises shall be conclusive evidence as against Tenant that the Demised Premises and the Building were in good and satisfactory condition at the time such possession was taken.

5.02. Tenant shall be responsible for all construction and work to prepare the Demised Premises for Tenant's occupancy at Tenant's cost and expense. Such construction shall be in accordance with Article 15 of this Lease.

ARTICLE 6 – REAL ESTATE TAX PAYMENTS

6.01. Except as otherwise provided herein, Tenant shall pay when due and before any penalty or interest shall be charged thereon directly to the appropriate taxing or other governmental authority all of the Real Estate Taxes during the Term relating to the Demised Premises.

6.02. Landlord shall submit to Tenant true copies of the Real Estate Tax bills, and Tenant shall pay such amounts in respect of such Real Estate Taxes to the appropriate taxing or other governmental authority consistent with this Article 6. To the extent that Real Estate Tax bills are delivered directly to Tenant, Tenant shall deliver to Landlord copies of receipted bills for such Real Estate Tax bills as shall be paid by Tenant directly to any taxing or other governmental authority within fifteen (15) days after receipt of such bills by Tenant.

6.03. If, by law, any Real Estate Taxes may be payable at the option of the taxpayer in installments (whether or not interest shall accrue on the unpaid balance thereof), Landlord shall exercise the option to pay same in installments. The installments as the same become due and payable

shall be included in the Real Estate Taxes, except that the entire unpaid amount thereof shall be included in the Real Estate Taxes on the installment payment date thereunder immediately prior to the date which is one year before the expiration of the Term, including the installments which shall become due and payable after the expiration of the Term.

6.04. Real Estate Taxes shall be apportioned between Landlord and Tenant as of the beginning and the expiration or sooner termination of the Term, so that Tenant shall pay only the portion of the Real Estate Taxes allocable to the Term; provided, however, Landlord need not make any apportionment in favor of Tenant if this Lease shall have been terminated by reason of an Event of Default.

6.05. Tenant, after notice to Landlord, may contest the amount or validity of such Real Estate Taxes in any manner permitted by law, in the name of Tenant, and whenever necessary in the name of Landlord, provided and upon condition that Tenant does so with due diligence and in good faith and that such contest shall be without cost, liability or expense to Landlord. Landlord shall cooperate with Tenant and shall execute any documents or pleadings reasonably required for such purpose. Such contest may include appeals from any judgment, decree or order until a final determination is made by a court or governmental department or authority having final jurisdiction in the matter. However, notwithstanding such contest, Tenant shall pay the contested Real Estate Taxes in the manner and on the dates provided for in this Article. Tenant will be entitled to the net amount of such remission or refund subject to the apportionment provisions in Section 6.04.

6.06 Notwithstanding anything herein contained to the contrary, in the event any Superior Mortgage or Superior Mortgagee shall so require, Tenant shall, on the first day of each January, April, July, and October during the Term, deposit in advance with Landlord, or at Landlord's request with any Superior Mortgagee, as Additional Rent, an amount equal to 1/4th of the annual Real Estate Taxes which Tenant shall be obligated to pay under the provisions of this Article 6 (as such Real Estate Taxes may be estimated by Landlord or such Superior Mortgagee for the present or next following Real Estate Tax period) plus any other amounts required by such Superior Mortgagee to the end that the amount deposited shall be sufficient to pay the Real Estate Taxes when same shall become due and payable. Landlord or such Superior Mortgagee, as the case shall be, shall use or caused to be used such deposits for the paying when due of such Real Estate Taxes. In the event that the amount paid by Tenant to Landlord or such Superior Mortgagee as provided above in any calendar quarter are in excess of the amounts required to pay the Real Estate Taxes that Tenant is obligated to pay under the provisions of this Article 6, any such excess shall be promptly refunded to Tenant. Landlord shall furnish to Tenant reasonable proof of the payment of the Real Estate Taxes for which such deposits were made promptly after receipt by Landlord of such proof.

ARTICLE 7 – INTENTIONALLY OMITTED

ARTICLE 8 - SECURITY

8.01. (a) In the event Tenant deposits with Landlord any Security Deposit, the same shall be held as security for the full and faithful payment and performance by Tenant of Tenant's obligations under this Lease. If Tenant defaults in the full and prompt payment and performance of any of its obligations under this Lease, including, without limitation, the payment of Rent, Landlord may use, apply or retain the whole or any part of the security so deposited to the extent required for the payment of any Rent or any other sums as to which Tenant is in default or for any sum which Landlord may expend or may be required to expend by reason of Tenant's default in respect of any of Tenant's obligations under this Lease, including, without limitation, any damages or deficiency in the reletting of the Demised Premises, whether such damages or deficiency accrue before or after summary proceedings or other re-entry by Landlord. If Landlord shall so use, apply or retain the whole or any part of the security, Tenant shall upon demand immediately deposit with Landlord a sum equal to the amount so used, applied and retained, as security as aforesaid. If Tenant shall fully and faithfully pay and perform all of Tenant's obligations under this Lease, the security or any balance thereof to which Tenant is entitled shall be returned or paid over to Tenant within thirty (30) days after the date on which this Lease shall expire or sooner end or terminate, and after delivery to Landlord of entire possession of the Demised Premises. In the event of any sale or leasing of the Land, Landlord shall have the right to transfer the security to which Tenant is entitled to the vendee or lessee and Landlord shall thereupon be released by Tenant from all liability for the return or payment thereof; and Tenant shall look solely to the new landlord for the return or payment of the same; and the provisions hereof shall apply to every transfer or assignment made of the same to a new landlord. Tenant shall not assign or encumber or attempt to assign or encumber the monies deposited herein as security, and neither Landlord nor its successors or assigns shall be bound by any such assignment, encumbrance, attempted assignment or attempted encumbrance.

8.01.(b) In lieu of the cash security required by this Lease, Tenant shall provide to Landlord an irrevocable transferable Letter of Credit in the amount of the Security Deposit in form and substance satisfactory to Landlord and issued by a financial institution approved by Landlord. Landlord shall have the right, upon five (5) business days written notice to Tenant (except that for Tenant's non-payment of Rent or for Tenant's failure to comply with Article 8.03, no such notice shall be required) and regardless of the exercise of any other remedy the Landlord may have by reason of a default, to draw upon said Letter of Credit to cure any default of Tenant or for any purpose authorized by section 8.01(a) of this Lease and if Landlord does so, Tenant shall, upon ten (10) days written demand, additionally fund the Letter of Credit with the amount so drawn so that Landlord shall have the full deposit on hand at all times during the Term of the Lease and for a period of thirty (30) days' thereafter. In the event of a sale of the Building or a lease of the Building subject to this Lease, Landlord shall transfer the security to the vendee or lessee.

8.02. The Letter of Credit shall expire not earlier than thirty (30) days after the Expiration Date of this Lease. The Letter of Credit shall be of the type which is automatically renewed on an annual basis (Annual Renewal Date). Tenant shall maintain the Letter of Credit and its renewals in full force and effect during the entire Term of this Lease (including any renewals or extensions) and for a period of thirty (30) days thereafter. The Letter of Credit will contain a provision requiring the issuer thereof to give the beneficiary (Landlord) sixty (60) days' advance written notice of its intention not to renew the Letter of Credit on the next Annual Renewal Date.

8.03. In the event Tenant shall fail to deliver to Landlord a substitute irrevocable Letter of

Credit, in the amount stated above, on or before thirty (30) days prior to the next Annual Renewal Date, said failure shall be deemed a default under this Lease. Landlord may, in its discretion treat this the same as a default in the payment of Rent or any other default and pursue the appropriate remedy. In addition, and not in limitation, Landlord shall be permitted to draw upon the Letter of Credit as in the case of any other default by Tenant under the Lease.

ARTICLE 9 - SUBORDINATION

9.01. Subject to the execution of a Subordination, Non-Disturbance, and Attornment Agreement ("SNDA") in a form reasonably acceptable to Landlord, Tenant, and any Superior Mortgagee, this Lease, and all rights of Tenant hereunder, are and shall be subject and subordinate to all Superior Mortgages which may now or hereafter affect the Land and/or Building, whether or not such Superior Mortgages shall also cover other lands and/or buildings, to each and every advance made or hereafter to be made under such Superior Mortgages, and to all renewals, modifications, replacements and extensions of such Superior Mortgages and spreaders and consolidations of such Superior Mortgages. Notwithstanding anything contained herein to the contrary, subordination of this Lease pursuant to this Section 9.01 with respect to any Superior Mortgage entered into after the date of this Lease shall be conditioned upon the Superior Mortgagee entering into a SNDA with Tenant in commercially reasonable form acceptable to such Superior Mortgagee, Landlord and Tenant. Landlord represents that as of the date of this Lease, there is no Superior Mortgage affecting the Land and/or Building.

9.02. If any act or omission of Landlord would give Tenant the right, immediately or after lapse of a period of time, to cancel or terminate this Lease, or to claim a partial or total eviction, Tenant shall not exercise such right (a) until it has given written notice of such act or omission to Landlord and each Superior Mortgagee whose name and address shall previously have been furnished to Tenant, and (b) until any grace or cure period provided for in this Lease with respect to such act or omission shall have elapsed following the giving of such notice; provided that if the Landlord shall have failed to remedy such act or omission within the time period, if any, provided for in this Lease, and any such Superior Mortgagee shall have notified Tenant within ten (10) days after the expiration of any such time period that it intends to remedy such act or omission, any such Superior Mortgagee shall have (i) an additional thirty (30) days after the expiration of any such grace or cure period available to the Landlord to remedy such act or omission, or (ii) if such act or omission cannot, with the exercise of reasonable and continuous diligence, be cured within such additional thirty (30) day period, such additional time as may be required, with the exercise of reasonable and continuous diligence, to remedy such act of omission, before Tenant may exercise its rights to cancel or terminate this Lease, or claim a partial or total eviction. Further, if any such act or omission is not actually cured within one hundred and twenty (120) days of the expiration of any grace or cure period available to the Superior Mortgagee and such act or omission materially interferes with the operation of Tenant's business at the Demised Premises, Tenant may upon the expiration of such one hundred and twenty (120) day period undertake such reasonable actions as may be available to Tenant to remedy such act or omission. The reasonable and actual costs incurred by Tenant to correct such condition shall be paid by the Superior Mortgagee within thirty (30) days of Tenant's demand therefore, provided, however, to the extent the Superior Mortgagee disputes in any manner Tenant's actions under this Article 9.02 (including, but not limited

to, the costs associated with the remedying of any such condition), the parties agree to submit such dispute to arbitration in accordance with Article 34 below. In the event any such arbitration results in a monetary judgment against the Superior Mortgagee, and Superior Mortgagee, upon notice from Tenant, fails to satisfy such monetary judgment, Tenant shall have the right, in addition to any other remedy permitted at law, to offset the Rent due under this Lease until such time as the monetary award is fully satisfied. The provisions of this Section shall not apply to Article 22 below.

9.03. If any Superior Mortgagee shall succeed to the rights of Landlord under this Lease, whether through possession or foreclosure action or delivery of a new lease or deed, then at the request of such party so succeeding to Landlord's rights ("Successor Landlord"), Tenant shall attorn to and recognize such Successor Landlord as Tenant's landlord under this Lease and such Successor Landlord shall similarly recognize Tenant's rights as Tenant under this Lease and each shall promptly execute and deliver any instrument that such Successor Landlord may reasonably request to evidence such attornment. Upon such attornment this Lease shall continue in full force and effect as a direct lease between the Successor Landlord and Tenant upon all of the terms, conditions and covenants as are set forth in this Lease except that the Successor Landlord shall not (a) be liable for any previous act or omission of Landlord under this Lease; (b) be subject to any offset, not expressly provided for in this Lease, which theretofore shall have accrued to Tenant against Landlord; or (c) be bound by any previous modification of this Lease that has not been approved in writing by such Successor Landlord or by any previous prepayment of more than one month's Fixed Rent or more than three (3) month's Additional Charges, unless such modification or prepayment shall have been expressly approved in writing by the Superior Mortgagee of the Superior Mortgage through or by reason of which the Successor Landlord shall have succeeded to the rights of Landlord under this Lease.

ARTICLE 10 - QUIET ENJOYMENT

10.01. So long as Tenant pays all of the Rent and performs all of Tenant's other obligations hereunder, Tenant shall peaceably and quietly have, hold and enjoy the Demised Premises without hindrance, ejection or molestation by Landlord or any person lawfully claiming through or under Landlord, subject, nevertheless, to the provisions of this Lease and to Superior Mortgages.

ARTICLE 11 - ASSIGNMENT, SUBLETTING AND MORTGAGING

11.01 (a). Tenant shall not, whether voluntarily, involuntarily, or by operation of law or otherwise, (a) assign or otherwise transfer this Lease, or offer or advertise to do so, (b) sublet the Demised Premises or any part thereof, or offer or advertise to do so, or allow the same to be used, occupied or utilized by anyone other than Tenant, or (c) mortgage, pledge, encumber or otherwise hypothecate this Lease in any manner whatsoever, without in each instance obtaining the prior written consent of Landlord. Landlord agrees not to unreasonably withhold, delay, or condition its consent to the subletting of the Demised Premises or an assignment of this Lease. In determining reasonableness, Landlord may take into consideration all relevant factors surrounding the proposed sublease and assignment, including, without limitation, the following: (i) the nature of the business and the proposed

use of the Demised Premises by the proposed assignee or subtenant; (ii) whether the proposed assignee or subtenant is then a tenant (or subsidiary, affiliate or parent of a tenant) of other space owned or managed by Landlord in the Development (provided Landlord has comparable space available for the intended use of the proposed assignee or subtenant); and (iii) the financial condition of the proposed assignee or subtenant.

(b) Notwithstanding anything herein contained to the contrary, Tenant shall be permitted to assign this Lease to the following entities ("Permitted Assignees") without Landlord's consent, but upon notice to Landlord: (i) any entity with a net worth in excess of One Hundred Million Dollars ($100,000,000.00) as determined by generally accepted accounting principles, (ii) an affiliate, subsidiary, or parent of Equinix, Inc., or a corporation, partnership or other legal entity wholly owned by Equinix, Inc. (collectively, an "Affiliated Party"), or (iii) a successor to Tenant by acquisition or merger, or by a consolidation or reorganization pursuant to which Tenant ceases to exist as a legal entity (each such party a "Successor Party") provided such Successor Party has a net worth which complies with subparagraph (i) hereinabove. As used herein, (A) "parent" shall mean a company which owns a majority of Equinix, Inc.'s voting equity; (B) "subsidiary" shall mean an entity wholly owned by Equinix, Inc. or a controlling interest in whose voting equity is owned by Equinix, Inc.; and (C) "affiliate" shall mean an entity controlled by, controlling or under common control with Equinix, Inc. Regardless of whether Landlord's consent is required, any and all assignments shall be upon the conditions that (a) the assignee shall assume and agree by a written instrument in recordable form and reasonably satisfactory to Landlord to perform and observe Tenant's obligations hereunder, (b) an executed and acknowledged duplicate original of a written assignment and assumption agreement shall be delivered to Landlord within ten (10) days after the execution of the assignment, and (c) no Event of Default shall be continuing at the time of such assignment.

(c) Notwithstanding anything herein contained to the contrary, Tenant shall have the right to enter into subleases, licenses or similar agreements (collectively a "Sublease") with its customers ("Customers"), consistent with the custom and practice of the telecommunications industry, to "co-locate" such Customers' telecommunications equipment within the Demised Premises or to otherwise occupy a portion of the Demised Premises and to allow such Customers to avail themselves of the services provided by Tenant from the Demised Premises consistent with the permitted uses of the Demised Premises. Any such Sublease shall be subject and subordinate in all respects to all of the terms of this Lease but shall not require any prior consent from the Landlord; provided, however, that: (A) no Sublease shall in any way discharge or diminish any of the obligations of Tenant to Landlord under this Lease and Tenant shall remain directly and primarily liable under this Lease; (B) each Sublease shall be subject to and subordinate to this Lease and to the rights of Landlord hereunder; (C) each Sublease shall prohibit the subtenant from engaging in any activities on the Demised Premises that are not consistent with those permitted under this Lease; and (D) each Sublease shall have a term which expires on or prior to the Expiration Date (or the expiration of the renewal term if Tenant has irrevocably exercised such renewal option). Each such Sublease shall provide that (a) it is subject and subordinate to this Lease, and (b) in the event of termination, reentry or dispossess by Landlord under this Lease, Landlord may, at its option, take over all of the right, title and interest of Tenant (as sublessor) under such Sublease, and such subtenant shall, at Landlord's option, attorn to Landlord pursuant to the provisions of such Sublease. Tenant hereby agrees for the benefit of Landlord that Tenant will fully and faithfully perform and observe its obligations under any such Sublease.

11.02. Except as otherwise expressly provided in Article 11.01 (b) above, if at any time (a) the original Tenant named herein, (b) the then Tenant, or (c) any Person owning a majority of the voting stock of, or directly or indirectly controlling, the then Tenant shall be a corporation or partnership, any transfer of voting stock or partnership interest resulting in the person(s) who shall have owned a majority of such corporation's shares of voting stock or the general partners' interest in such partnership, as the case may be, immediately before such transfer, ceasing to own a majority of such shares of voting stock or general partner's interest, as the case may be, except as the result of transfers by inheritance, shall be deemed to be an assignment of this Lease as to which Landlord's consent shall have been required, and in any such event Tenant shall notify Landlord. The provisions of this Section 11.02 shall not be applicable to any corporation all the outstanding voting stock of which is listed on a national securities exchange (as defined in the Securities Exchange Act of 1934, as amended) or is traded in the over-the-counter market with quotations reported by the National Association of Securities Dealers through its automated system for reporting quotations and shall not apply to transactions with a corporation into or with which the then Tenant is merged or consolidated or to which substantially all of the then Tenant's assets are transferred or to any corporation which controls or is controlled by the then Tenant or is under common control with the then Tenant, provided that in any of such events (i) the successor to Tenant has a net worth computed in accordance with generally accepted accounting principles of at least $100,000,000.00 and (ii) proof satisfactory to Landlord of such net worth shall have been delivered to Landlord at least 10 days prior to the effective date of any such transaction. For the purposes of this Section, the words "voting stock" shall refer to shares of stock regularly entitled to vote for the election of directors of the corporation.

11.03. If this Lease is assigned, whether or not in violation of this Lease, Landlord may collect rent from the assignee. If the Demised Premises or any part thereof are sublet or used or occupied by anybody other than Tenant, whether or not in violation of this Lease, Landlord may, after default by Tenant, and expiration of Tenant's time to cure such default, collect rent from the subtenant or occupant. In either event, Landlord may apply the net amount collected to the Rent, but no such assignment, subletting, occupancy or collection shall be deemed a waiver of any of the provisions of Section 11.01 or Section 11.02, or the acceptance of the assignee, subtenant or occupant as tenant, or a release of Tenant from the performance by Tenant of Tenant's obligations under this Lease. The consent by Landlord to any assignment, mortgaging, subletting or use or occupancy by others shall not in any way be considered to relieve Tenant from obtaining the express written consent of Landlord to any other or further assignment, mortgaging or subletting or use or occupancy by others not expressly permitted by this Article 11. References in this Lease to use or occupancy by others (that is, anyone other than Tenant) shall not be construed as limited to subtenants and those claiming under or through subtenants but shall be construed as including also licensees and others claiming under or through Tenant, immediately or remotely.

11.04. Any permitted assignment or transfer, whether made with Landlord's consent pursuant to Section 11.01 or without Landlord's consent if permitted hereunder, shall be made only if, and shall not be effective until, the assignee shall execute, acknowledge and deliver to Landlord an agreement in form and substance reasonably satisfactory to Landlord whereby the assignee shall assume Tenant's obligations under this Lease and whereby the assignee shall agree that all of the provisions in this Article 11 shall, notwithstanding such assignment or transfer, continue to be binding upon it in respect

to all future assignments and transfers. Notwithstanding any assignment or transfer, whether or not in violation of the provisions of this Lease, and notwithstanding the acceptance of Rent by Landlord from an assignee, transferee, or any other party, the original Tenant and any other person(s) who at any time was or were Tenant shall remain fully liable for the payment of the Rent and for Tenant's other obligations under this Lease.

11.05. The liability of the original named Tenant and any other Person(s) who at any time are or become responsible for Tenant's obligations under this Lease shall not be discharged, released or impaired by any agreement extending the time of, or modifying any of the terms or obligations under this Lease, or by any waiver or failure of Landlord to enforce, any of this Lease.

11.06. The listing of any name other than that of Tenant, whether on the doors of the Demised Premises or the Building directory, or otherwise, shall not operate to vest any right or interest in this Lease or in the Demised Premises, nor shall it be deemed to be the consent of Landlord to any assignment or transfer of this Lease or to any sublease of the Demised Premises or to the use or occupancy thereof by others. Notwithstanding anything contained in this Lease to the contrary, Landlord shall have the absolute right to withhold its consent to an assignment or subletting to a Person who is otherwise a tenant or occupant of any building owned or managed by Landlord in the Development (provided Landlord has comparable space available for the intended use of the proposed assignee or subtenant).

11.07. Without limiting any of the provisions of Article 24, if pursuant to the Federal Bankruptcy Code (or any similar law hereafter enacted having the same general purpose), Tenant is permitted to assign this Lease notwithstanding the restrictions contained in this Lease, adequate assurance of future performance by an assignee expressly permitted under such Code shall be deemed to mean the deposit of cash security in an amount equal to the sum of one (1) year's Fixed Rent plus an amount equal to the Additional Charges for the Calendar Year preceding the year in which such assignment is intended to become effective, which deposit shall be held by Landlord for the balance of the Term, without interest, as security for the full performance of all of Tenant's obligations under this Lease, to be held and applied in the manner specified for security in Article 8.

ARTICLE 12 - COMPLIANCE WITH LAWS

12.01. Tenant shall comply with all Legal Requirements which shall, in respect of the Demised Premises or the use and occupation thereof, or the abatement of any nuisance in, on or about the Demised Premises, impose any violation, order or duty on Landlord or Tenant; and Tenant shall pay all the cost, expenses, fines, penalties and damages which may be imposed upon Landlord by reason of or arising out of Tenant's failure to fully and promptly comply with and observe the provisions of this Section 12.01. However, Tenant need not comply with any such law or requirement of any public authority so long as Tenant shall be contesting the validity thereof, or the applicability thereof to the Demised Premises, in accordance with Section 12.02.

12.02. Tenant may contest, by appropriate proceedings prosecuted diligently and in good faith, the validity, or applicability to the Demised Premises, of any Legal Requirement, provided that (a)

Landlord shall not be subject to criminal penalty or to prosecution for a crime or offense, and neither the Demised Premises nor any part thereof shall be subject to being condemned or vacated, by reason of non-compliance or otherwise by reason of such contest; (b) before the commencement of such contest, Tenant shall furnish to Landlord either (i) the bond of a surety company satisfactory to Landlord, which bond shall be, as to its provisions and form, satisfactory to Landlord, and shall be in an amount at least equal to 125% of the cost of such compliance (as estimated by a reputable contractor designated by Landlord) and shall indemnify Landlord against the cost thereof and against all liability for damages, interest, penalties and expenses (including reasonable attorneys' fees and expenses), resulting from or incurred in connection with such contest or non-compliance, or (ii) other security in place of such bond satisfactory to Landlord; (c) such non-compliance or contest shall not constitute or result in any violation of any Superior Mortgage, or if any such Superior Mortgage shall permit such non-compliance or contest on condition of the taking of action or furnishing of security by Landlord, such action shall be taken and such security shall be furnished at the expense of Tenant; and (d) Tenant shall keep Landlord advised as to the status of such proceedings. Without limiting the application of the above, Landlord shall be deemed subject to prosecution for a crime or offense if Landlord, or its managing agent, or any officer, director, partner, shareholder or employee of Landlord or its managing agent, as an individual, is charged with a crime or offense of any kind or degree whatsoever, whether by service of a summons or otherwise, unless such charge is withdrawn before Landlord or its managing agent, or such officer, director, partner, shareholder or employee of Landlord or its managing agent (as the case may be) is required to plead or answer thereto. Notwithstanding anything contained in this Lease to the contrary, Tenant shall not file any Real Estate Tax appeal without the prior written consent of Landlord, which consent may be given or withheld in Landlord's absolute discretion.

ARTICLE 13 - INSURANCE AND INDEMNITY

13.01. During the Term, Tenant shall maintain at its own cost and expense the following insurance: (a) comprehensive or commercial general liability insurance in respect of the Demised Premises and the conduct and operation of business therein, having limits of liability not less than $5,000,000.00 per occurrence for bodily injury or property damage (which may be satisfied by providing a $1,000,000 primary policy with an umbrella policy of at least $4,000,000) coverage to include but not be limited to completed operations, contractual liability and product liability, (b)automobile liability insurance covering all owned, hired and non-owned vehicles used by the Tenant in connection with their work and any loading or unloading of such vehicles, with limits as stated above, (c) workmen's compensation and employers liability insurance as required by statutes, but in any event not less than $500,000.00 for each accident or occupational disease for employers liability, (d) All-Risk insurance [including flood and earthquake (providing such earthquake coverage is at commercially reasonable rates)] covering the Demised Premises and Tenant's stock in trade, fixtures, furniture, furnishings, removable floor coverings, equipment, signs or any other property of Tenant in the Demised Premises, against loss or damage in an amount equal to the full replacement value thereof as same might increase from time to time or such higher amount as either may be required by the holder of any Superior Mortgage covering the Demised Premises or is necessary to prevent Landlord and/or Tenant from becoming a co-insurer, such insurance to include (i) coverage for property of others in the care, custody and control of Tenant in amounts sufficient to cover the maximum value of such property and to the extent of Tenant's liability therefor, (ii) boiler and machinery insurance, if applicable, (iii) rent insurance in an amount equal to the Rent, and all other charges payable by Tenant pursuant to this

Lease for a period of one (1) year, and (iv) a provision that the insurer will waive subrogation against Landlord, and (e) any other insurance that Landlord may reasonably require. Landlord may at any time and from time to time require that the limits for the liability insurance to be maintained by Tenant be increased to the limits that new Tenants in similar buildings are required by Landlord to maintain. The insurance carried pursuant to Section 13.01 (d) shall be carried in favor of Landlord and the holder of any Superior Mortgage on the Premises and the standard mortgagee clause shall be attached to the appropriate policies. Insurance carried pursuant to Section 13.01 (d) shall provide that the loss, if any, shall be adjusted with and payable to the party who will perform the work of restoration pursuant to Article 22 and such mortgagee as their interests may appear. Tenant shall deliver to Landlord and any additional insured(s) certificates for such fully paid for policies (with property and liability insurance evidenced on an Acord 27 or similar form) upon execution hereof. Upon request of Landlord, Tenant shall furnish Landlord with copies of all such insurance policies. Tenant shall procure and pay for renewals of such insurance from time to time before the expiration thereof, and Tenant shall deliver to Landlord and any additional insured(s), certificates therefor at least twenty (20) days before the expiration of any existing policy. All such policies shall be issued by companies acceptable to Landlord, having a Bests Rating of not less than A, Class VII (or an equivalent S&P rating if requested by Landlord), and licensed to do business in New Jersey, and all such policies shall contain a provision whereby the same cannot be canceled unless Landlord and any additional insured(s) are given at least thirty (30) days' prior written notice of such cancellation. The insurance required by this Section (other than worker's compensation insurance) and the certificates thereof to be delivered to Landlord by Tenant shall name Landlord as an additional insured and, at Landlord's request, shall also name any Superior Mortgagees as additional insureds, and the following phrase must be typed on the certificate of insurance: "Hartz Mountain Industries, Inc., and its respective subsidiaries, affiliates, associates, joint ventures, and partnerships, are hereby named as additional insureds as their interests may appear (and if Landlord has so requested, Tenant shall include any Superior Mortgagees as additional insured(s)). It is intended for this insurance to be primary and non-contributing." Tenant shall give Landlord at least thirty (30) days' prior written notice that any such policy is being canceled or replaced.

13.02. Tenant shall not do, permit or suffer to be done any act, matter, thing or failure to act in respect of the Demised Premises or use or occupy the Demised Premises or conduct or operate Tenant's business in any manner that violates the Insurance Requirements.

13.03. Tenant shall indemnify and hold harmless Landlord and its respective partners, joint venturers, directors, officers, agents, servants and employees from and against any and all claims arising from or in connection with (a) the conduct or management of the Demised Premises or of any business therein, or any work or thing whatsoever done, or any condition created (other than by Landlord) in the Demised Premises during the Term or during the period of time, if any, prior to the Commencement Date that Tenant may have been given access to the Demised Premises; (b) any act, omission or negligence of Tenant or any of its subtenants or licensees or its or their partners, joint venturers, directors, officers, agents, employees or contractors; (c) any accident, injury or damage whatever (unless caused solely by Landlord's or its agent's, representative's, employee's or contractor's negligence) occurring in the Demised Premises; and (d) any breach or default by Tenant in the full and prompt payment and performance of Tenant's obligations under this Lease; together with all costs, expenses and liabilities incurred in or in connection with each such claim or action or proceeding brought thereon, including, without limitation, all attorneys' fees and expenses. In case any action or

proceeding is brought against Landlord and/or its partners, joint venturers, directors, officers, agents and/or employees in connection with conduct or management of the Demised Premises or by reason of any claim referred to above, Tenant, upon notice from Landlord shall, at Tenant's cost and expense, resist and defend such action or proceeding by counsel reasonably satisfactory to Landlord.

13.04. Landlord shall not be liable or responsible for, and Tenant hereby releases Landlord and from, all liability and responsibility to Tenant and any person claiming by, through or under Tenant, by way of subrogation or otherwise, for any injury, loss or damage to any person or property in or around the Demised Premises or to Tenant's business irrespective of the cause of such injury, loss or damage, and Tenant shall require its insurers to include in all of Tenant's insurance policies which could give rise to a right of subrogation against Landlord a clause or endorsement whereby the insurer waives any rights of subrogation against Landlord or permits the insured, prior to any loss, to agree with a third party to waive any claim it may have against said third party without invalidating the coverage under the insurance policy.

ARTICLE 14 – INTENTIONALLY OMITTED

ARTICLE 15 - ALTERATIONS AND SIGNS

15.01. Except with respect to alterations, additions, changes, replacements, installations or improvements which impair the physical or structural integrity of the Building, or which alter the exterior of the Building in a manner that is inconsistent with the general appearance of the Building as it exists on the date of this Lease, or which involve exterior (i.e. outside the Building) installations or exterior underground cable, conduit and/or and utility lines, which collectively are referred to herein as "Alterations" and which shall require Landlord's prior written approval, Tenant may make from time to time, without Landlord's consent, alterations, modifications or improvements to the Improvements as it desires or is required to make. With respect to those Alterations requiring Landlord's prior approval, Tenant shall, prior to the commencement of such Alterations, submit to Landlord detailed plans and specifications for such Alterations prepared by a registered architect or professional engineer and Landlord shall reasonably approve or disapprove such Alterations within ten (10) business days [or two (2) business days in the event of an emergency)] of Tenant's submission thereof. Any disapproval of such proposed Alterations shall be accompanied by specific reasons for such disapproval. Failure of Landlord to respond within such ten (10) business day period [or two (2) business day period in the event of an emergency)] shall be deemed approval of such proposed Alterations. Alterations, and any alterations, modifications or improvements that do not constitute Alterations, made by Tenant shall be performed in compliance with all applicable Legal Requirements and Insurance Requirements. With respect to those Alterations requiring Landlord's approval, Landlord agrees that such approval shall not be unreasonably withheld, delayed or conditioned. Landlord acknowledges that Tenant intends to install at the Demised Premises, on the exterior of the Improvements, supplemental generators, transformers, and related electrical and mechanical equipment along with above ground fuel storage tanks. Landlord's reasonable approval of such items shall be limited to design, location and exterior view (including, but not limited to, enclosure and sound attentuation) and not to mere installation of such items.

15.02. Tenant shall obtain all necessary governmental permits and certificates for the commencement and prosecution of permitted Alterations and for final approval thereof upon completion, and shall cause Alterations (including those alterations, modifications and improvements that do not constitute Alterations) to be performed in compliance with all applicable Legal Requirements and Insurance Requirements. Alterations (including those alterations, modifications and improvements that do not constitute Alterations) shall be diligently performed in a good and workmanlike manner, using new materials and equipment at least equal in quality and class to the original installations of the Building. Throughout the making of Alterations (including those alterations, modifications and improvements that do not constitute Alterations), Tenant shall carry, or cause to be carried, workmen's compensation insurance in statutory limits and general liability insurance, with completed operation endorsement, for any occurrence in or about the Building, under which Landlord and its managing agent whose name and address shall previously have been furnished to Tenant shall be named as parties insured, in such limits as Landlord may reasonably require, with insurers reasonably satisfactory to Landlord. Tenant shall furnish Landlord with reasonably satisfactory evidence that such insurance is in effect at or before the commencement of Alterations and, on request, at reasonable intervals thereafter during the making of Alterations.

15.03. (i) Tenant shall obtain and provide all design and architectural services necessary to perform Tenant's Work and shall be responsible for complying with all building codes and Legal Requirements in connection with Tenant's Work prior to commencing any work in the Demised Premises.

(ii) Tenant shall be solely responsible for the structural integrity of the improvements constructed in connection with the Tenant's Work and for the adequacy or sufficiency of any plans and specifications and all the improvements depicted thereon or covered thereby. Landlord shall have no obligations or liabilities by reason of this Lease in connection with the performance of, construction, or the finish, decorating or installation work performed by Tenant, or on its behalf, or in connection with the contracts for the performance thereof entered into by Tenant. Any warranties extended or available to Tenant in connection with the aforesaid work shall to the extent allowable be for the benefit also of Landlord.

15.04. Tenant shall not place any signs on the roof, exterior walls or grounds of the Demised Premises without first obtaining Landlord's written consent thereto, which consent shall not be unreasonably withheld, delayed or conditioned. In placing any signs on or about the Demised Premises, Tenant shall, at its expense, comply with all applicable legal requirements and obtain all required permits and/or licenses.

ARTICLE 16 - LANDLORD'S AND TENANT'S PROPERTY

16.01. All fixtures, equipment, improvements and appurtenances attached to or built into the Demised Premises at the commencement of or during the Term, whether or not by or at the expense of Tenant, shall be and remain a part of the Demised Premises, shall be deemed to be the property of Landlord and shall not be removed by Tenant, except as provided in Section 16.02.

16.02. All movable partitions, business and trade fixtures, machinery and equipment, communications equipment and office equipment, whether or not attached to or built into the Demised Premises, which are installed in the Demised Premises by or for the account of Tenant without expense to Landlord and can be removed without structural damage to the Building and all furniture, furnishings, and other movable personal property owned by Tenant and located in the Demised Premises (collectively, "Tenant's Property") shall be and shall remain the property of Tenant and may be removed by Tenant at any time during the Term; provided that if any of the Tenant's Property is removed, Tenant shall repair or pay the cost of repairing any damage to the Demised Premises, resulting from the installation and/or removal thereof. Any equipment or other property for which Landlord shall have granted any allowance or credit to Tenant shall not be deemed to have been installed by or for the account of Tenant without expense to Landlord, shall not be considered as the Tenant's Property and shall be deemed the property of Landlord. For purposes of this Lease, and except in the event of a termination of this Lease as a result of Tenant's default, the Personal Property listed on Exhibit C shall be deemed Tenant's Property.

16.03. At or before the Expiration Date or the date of any earlier termination of this Lease, or within fifteen (15) days after such an earlier termination date, Tenant shall remove from the Demised Premises all of the Tenant's Property (except such items thereof as Landlord shall have expressly permitted to remain, which property shall become the property of Landlord if not removed), and Tenant shall repair any damage to the Demised Premises resulting from any installation and/or removal of the Tenant's Property. Any items of the Tenant's Property which shall remain in the Demised Premises after the Expiration Date or after a period of fifteen (15) days following an earlier termination date, may, at the option of Landlord, be deemed to have been abandoned, and in such case such items may be retained by Landlord as its property or disposed of by Landlord, without accountability, in such manner as Landlord shall determine at Tenant's expense.

16.04. At or before the Expiration Date or the date of any earlier termination of this Lease, or within fifteen (15) days after such an earlier termination date, Tenant shall, at Tenant's sole cost and expense, remove from the Demised Premises such rack system as may be installed in the Demised Premises and Tenant shall repair any damage to the Demised Premises and the Building resulting from any installation and/or removal thereof. Such removal, if any, shall be in accordance with the following procedures, unless Landlord shall advise Tenant to the contrary by written notice to Tenant:

Core a hole centered over the anchor bolt with a core bit 1.5 times larger than the bolt to be removed, but in no event smaller than 1" in diameter.

Core hole shall be drilled to a depth equal to the bolt depth, but not less than 2" deep. Remove the cored concrete with the anchor bolt from the hole. Clean all concrete slurry and debris from area to be patched.

Fill the cored hole with a polymer-modified non-shrink mortar, specifically SikaTop 122 or Master Builders Ceilcote 648 CP, or equivalent, and finish to match surrounding concrete surface.

ARTICLE 17 - REPAIRS AND MAINTENANCE

17.01. Tenant shall, throughout the Term, take good care of the Demised Premises, the fixtures and appurtenances therein, and shall not do, suffer, or permit any waste with respect thereto. Tenant shall keep and maintain all interior and exterior portions of the Demised Premises including, without limitation, all Building equipment, windows, doors, loading bay doors and shelters, plumbing and electrical systems, heating, ventilating and air conditioning (“HVAC”) systems in a clean and orderly condition and in good order and repair. Tenant shall keep and maintain all floors, sidewalks, landscaping (including lawn areas), curbing, paving whether in driveways, parking areas or access easements, including but not limited to the maintenance of the exterior grounds in accordance with the requirements of Exhibit F annexed hereto. The phrase “keep and maintain” as used herein includes repairs, replacement and/or restoration as appropriate. Tenant shall maintain the exterior areas of the Demised Premises free of accumulation of snow, ice, dirt and rubbish. Tenant shall be responsible for all repairs, interior and exterior, structural and nonstructural, ordinary and extraordinary, in and to the Demised Premises, including the Building and Land and the facilities and systems thereof, the need for which arises out of (a) the performance or existence of the Tenant’s Work or alterations, (b) the installation, use or operation of the Tenant’s Property in the Demised Premises, (c) the moving of the Tenant’s Property in or out of the Building, or (d) the act, omission, misuse or neglect of Tenant or any of its subtenants or its or their employees, agents, contractors or invitees. Upon request by Landlord, Tenant shall furnish Landlord with true and complete copies of maintenance contracts and with copies of all invoices for work performed, confirming Tenant’s compliance with its obligations under this Article. In the event Tenant fails to furnish such copies, Landlord shall have the right, subject to the provisions of Article 19.02 below but at Tenant’s cost and expense, to conduct such inspections or surveys as may be required to determine whether or not Tenant is in compliance with this Article and to have any work required of Tenant performed at Tenant’s cost and expense. Tenant shall promptly replace all scratched, damaged or broken doors and glass in and about the Demised Premises and shall be responsible for all repairs, maintenance and replacement of wall and floor coverings in the Demised Premises and for the repair and maintenance of all sanitary and electrical fixtures and equipment therein. Tenant’s obligations under this Section 17.01 shall not prohibit or prevent the temporary excavation, disturbance or removal of any portion of the Demised Premises in connection with the performance of Tenant’s Work or any Alterations under this Lease provided that any such excavation, disturbance or removal is repaired or restored in accordance with the requirements of this Lease.

17.02. Tenant shall be responsible for the structural integrity of the Building and shall, at its cost and expense, make all repairs and replacements to the structural components of the Building (including but not limited to the roof and roof deck).

17.03. Except as otherwise expressly provided in this Lease, Landlord shall have no liability to Tenant, nor shall Tenant’s covenants and obligations under this Lease be reduced or abated in any manner whatsoever, by reason of any inconvenience, annoyance, interruption or injury to business arising from Landlord’s doing any repairs, maintenance, or changes which Landlord is required or permitted by this Lease, or required by Law, to make in or to any portion of the Building.

17.04. Tenant shall not permit or suffer the overloading of the floors of the Demised Premises

beyond 500 pounds per square foot, or lesser amount as may be applicable to any mezzanine area. Tenant shall have the right, subject to compliance with Article 15 of this Lease, and subject to compliance with applicable Legal Requirements, to perform such Alterations to the floor slab as may be necessary to increase the load capacity of the floor slab.

ARTICLE 18 - UTILITY CHARGES

18.01. Tenant shall pay all charges for gas, water, sewer, electricity, heat or other utility or service supplied to the Demised Premises as measured by meters relating to Tenant's use, and the cost of repair, maintenance, replacement, and reading of any meters measuring Tenant's consumption thereof. Tenant expressly agrees that Landlord shall not be responsible for the failure of supply to Tenant of any of the aforesaid, or any other utility service. Landlord shall not be responsible for any public or private telephone service to be installed in the space, particularly conduit if required.

ARTICLE 19 - ACCESS

19.01. Subject to the provisions of Articles 19.02 and 30.01 below, Tenant shall permit Landlord, any authorized representative of Landlord and any Superior Mortgagee to enter the Demised Premises for the purpose of inspecting all or any part thereof and making any repairs, replacements and restorations to the Demised Premises or any part thereof. If Tenant shall fail to perform any repairs, replacements or restorations or to do other work which Tenant is obligated to perform under this Lease, Landlord and any party designated by Landlord shall have the right, but not the obligation, subject to Articles 19.02 and 30.01, to enter the Demised Premises and perform such work. Tenant shall reimburse Landlord upon demand as Additional Rent for any cost and expense incurred by Landlord or such designee therefor, including, without limitation, all incidental costs and expenses (including attorneys' fees) in connection therewith. During the progress of any work Landlord is required or permitted to do under the provisions of this Lease, Landlord or its designee may bring, keep and store on the Demised Premises all necessary materials, supplies, equipment and tools, and Landlord and its designee shall not in any event be liable for any inconvenience, annoyance, interruption, cessation or loss of business or other occurrence as pertains to Tenant or any other occupant of the Demised Premises or any part thereof on account of entering the Demised Premises, performing such work, or bringing, keeping or storing any materials, supplies, equipment or tools into, on or through the Demised Premises, and the obligations of Tenant under this Lease shall not thereby be affected in any manner whatsoever.

19.02. Landlord acknowledges that Tenant will operate the Demised Premises as a highly secure facility which has very limited access. As a result thereof, Landlord shall not under any circumstances (except in the event of an emergency, and then only to the extent that Landlord has a need, on an emergency basis, to enter the Demised Premises to protect Landlord's rights hereunder) enter the Demised Premises except in accordance with Tenant's then applicable written security procedures (of which Landlord has received reasonable advance notice) and accompanied by a representative of Tenant and after, at least, 48 hours prior written notice. Subject to the foregoing requirement, Landlord shall be entitled to enter the Demised Premises at the following times and for the

following purposes: (i) as required to perform Landlord's obligations under this Lease and to inspect the Demised Premises to confirm that Tenant is in compliance with its obligations under the Lease, provided, however, that such inspection shall only occur once a quarter (unless an Event of Default exists in which case Landlord may enter the Demised Premises as often as Landlord deems necessary in its sole discretion, subject to the notice requirements set forth above), and (ii) showing the Demised Premises to prospective purchasers or lenders, or, during the last 365 days of the Term, to prospective tenants. In exercising such entry rights, Landlord will endeavor to minimize, to the extent reasonably practicable, any interference with Tenant's business operations at the Demised Premises.

ARTICLE 20 - MECHANICS' LIENS AND OTHER LIENS

20.01. Nothing contained in this Lease shall be construed to imply any consent of Landlord to subject Landlord's interest or estate to any liability under any mechanic's, construction or other lien law. If any lien or any Notice of Intention (to file a lien), Lis Pendens, or Notice of Unpaid Balance and Right to File Lien is filed against the Land, the Building, or any part thereof, or the Demised Premises, or any part thereof, for any work, labor, services or materials claimed to have been performed or furnished for or on behalf of Tenant, or anyone holding any part of the Demised Premises through or under Tenant, Tenant shall cause the same to be canceled and discharged of record by payment, bond or order of a court of competent jurisdiction within fifteen (15) days after notice by Landlord to Tenant.

20.02. Except for any Superior Mortgage, and except for those exceptions to title set forth in the attached Exhibit D, Landlord shall not, without the consent of Tenant, which consent shall not be unreasonably withheld, enter into any easement, lease, lien or encumbrance affecting the Demised Premises which would otherwise materially affect Tenant's ability to operate its business for the Permitted Uses in the Demised Premises.

ARTICLE 21 - NON-LIABILITY AND INDEMNIFICATION

21.01. Neither Landlord nor any partner, joint venturer, director, officer, agent, servant or employee of Landlord shall be liable to Tenant for any loss, injury or damage to Tenant or to any other Person, or to its or their property, irrespective of the cause of such injury, damage or loss, unless caused by or resulting from the negligence of Landlord, its agents, servants or employees in the operation or maintenance of the Land or Building without contributory negligence on the part of Tenant or any of its subtenants or licensees or its or their employees, agents or contractors. Further, neither Landlord nor any partner, joint venturer, director, officer, agent, servant or employee of Landlord shall be liable (a) for any such damage caused by other tenants or Persons in, upon or about the Land or Building, or caused by operations in construction of any private, public or quasi-public work; or (b) even if negligent, for consequential damages arising out of any loss of use of the Demised Premises or any equipment or facilities therein by Tenant or any Person claiming through or under Tenant.

21.02. Notwithstanding any provision to the contrary, Tenant shall look solely to the estate and property of Landlord in and to the Land and Building (or the proceeds received by Landlord on a sale of

such estate and property but not the proceeds of any financing or refinancing thereof) in the event of any claim against Landlord arising out of or in connection with this Lease, the relationship of Landlord and Tenant or Tenant's use of the Demised Premises, and Tenant agrees that the liability of Landlord arising out of or in connection with this Lease, the relationship of Landlord and Tenant or Tenant's use of the Demised Premises shall be limited to such estate and property of Landlord (or sale proceeds). No other properties or assets of Landlord or any partner, joint venturer, director, officer, agent, servant or employee of Landlord shall be subject to levy, execution or other enforcement procedures for the satisfaction of any judgment (or other judicial process) or for the satisfaction of any other remedy of Tenant arising out of, or in connection with, this Lease, the relationship of Landlord and Tenant or Tenant's use of the Demised Premises and if Tenant shall acquire a lien on or interest in any other properties or assets by judgment or otherwise, Tenant shall promptly release such lien on or interest in such other properties and assets by executing, acknowledging and delivering to Landlord an instrument to that effect prepared by Landlord's attorneys. Tenant hereby waives the right of specific performance and any other remedy allowed in equity if specific performance or such other remedy could result in any liability of Landlord for the payment of money to Tenant, or to any court or governmental authority (by way of fines or otherwise) for Landlord's failure or refusal to observe a judicial decree or determination, or to any third party.

ARTICLE 22 - DAMAGE OR DESTRUCTION

22.01. If the Building or the Demised Premises shall be partially or totally damaged or destroyed by fire or other casualty (and if this Lease shall not be terminated as in this Article 22 hereinafter provided), Tenant shall repair the damage and restore and rebuild the Building with reasonable dispatch after notice to it of the damage or destruction to either (i) improvements of a condition, character and value equal to those existing on the Demised Premises immediately prior to such damage or destruction, or (ii) improvements of a condition, character and value equal to the improvements which existed on the Commencement Date of this Lease without consideration for any alterations, modifications, changes or other "fit-up" work which Tenant performs to the Demised Premises subsequent to the Commencement Date. All insurance proceeds payable under any All-Risk casualty or similar insurance policy carried by Tenant hereunder shall be made available to Tenant to pay for the cost of such reconstruction, including, without limitation, for the cost of the repair or reconstruction of any Tenant's Property, provided that the amount of any such insurance shall not limit Tenant's obligations under this Article 22.

22.02. Subject to the provisions of Section 22.05, if all or part of the Demised Premises shall be damaged or destroyed or rendered completely or partially untenantable on account of fire or other casualty, the Rent shall be abated or reduced, as the case may be, in the proportion that the untenantable area of the Demised Premises bears to the total area of the Demised Premises (but only to the extent of rent insurance proceeds received by Landlord from insurance maintained by Tenant), for the period from the date of the damage or destruction to the date that the damage to the Demised Premises is substantially repaired, provided, however, should Tenant reoccupy a portion of the Demised Premises for the purpose of conducting its business thereon during the period the repair or restoration work is taking place and prior to the date that the Demised Premises are substantially repaired or restored, the

Rent allocable to such reoccupied portion, based upon the proportion which the area of the reoccupied portion of the Demised Premises bears to the total area of the Demised Premises, shall be payable by Tenant from the date of such occupancy.

22.03. If the Building shall be damaged or destroyed by fire or other casualty during the last two [2] years of the Term, the repair or restoration of which requires the expenditure, as estimated by a reputable contractor or architect designated by Landlord, of more than or twenty five percent [25%] of the full insurable value of the Building immediately prior to the casualty, Tenant may terminate this Lease by giving Landlord notice (the "Casualty Notice") to such effect within thirty (30) days after Tenant receives the notice from the contractor or architect designated above regarding the cost of rebuilding. In such event, Tenant shall assign to Landlord all or such portion of the proceeds of Tenant's All-Risk property insurance covering the Demised Premises as may be required to restore the Building to the condition which existed as of either (i) the date that is immediately prior to such damage or destruction, or (ii) the Commencement Date of this Lease and Tenant shall cooperate with Landlord in the recovery and collection of the proceeds of such insurance.

22.04. Except as provided in Article 22.03 above, Tenant shall not be entitled to terminate this Lease and no damages, compensation or claim shall be payable by Landlord for inconvenience, loss of business or annoyance arising from any repair or restoration of any portion of the Building pursuant to this Article 22.

22.05. Notwithstanding any of the foregoing provisions of this Article 22, if by reason of some act or omission on the part of Tenant or any of its subtenants or its or their partners, directors, officers, servants, employees, agents or contractors, Landlord or any Superior Mortgagee shall be unable to collect all of the rent insurance proceeds applicable to damage or destruction of the Building by fire or other casualty, then, without prejudice to any other remedies which may be available against Tenant, there shall be no abatement or reduction of the Rent. Further, nothing contained in this Article 22 shall relieve Tenant from any liability that may exist as a result of any damage or destruction by fire or other casualty.

22.06. Landlord will not carry insurance of any kind on the Tenant's Property and, except as provided by law or by reason of Landlord's breach of any of its obligations hereunder, shall not be obligated to repair any damage to or replace the Tenant's Property.

22.07. The provisions of this Article 22 shall be deemed an express agreement governing any case of damage or destruction of the Building by fire or other casualty, and any law providing for such a contingency in the absence of an express agreement, now or hereafter in force, shall have no application in such case.

ARTICLE 23 - EMINENT DOMAIN

23.01. If the whole of the Demised Premises shall be taken by any public or quasi-public authority under the power of condemnation, eminent domain or expropriation, or in the event of conveyance of the whole of the Demised Premises in lieu thereof, this Lease shall terminate as of the day possession shall be taken by such authority. If 50 % or less of the Floor Space of the Building shall

be so taken or conveyed, this Lease shall terminate only in respect of the part so taken or conveyed as of the day possession shall be taken by such authority. If more than 50 % of the Floor Space of the Building shall be so taken or conveyed, this Lease shall terminate only in respect of the part so taken or conveyed as of the day possession shall be taken by such authority, but Tenant shall have the right to terminate this Lease upon notice given to Landlord within 30 days after such taking possession. If this Lease shall continue in effect as to any portion of the Demised Premises not so taken or conveyed, the Rent shall be computed as of the day possession shall be taken on the basis of the remaining Floor Space of the Building. Except as specifically provided herein, in the event of any such taking or conveyance there shall be no reduction in Rent. If this Lease shall continue in effect, Tenant shall, at its expense, but shall be obligated only to the extent of the net award or other compensation (after deducting all expenses in connection with obtaining same) made available to Tenant for the improvements taken or conveyed (excluding any award or other compensation for the Land), make all necessary alterations so as to constitute the remaining Building a complete architectural and tenantable unit, and Tenant shall make all alterations or replacements to the Tenant's Property and decorations in the Demised Premises. All awards and compensation for any taking or conveyance, whether for the whole or a part of the Land or Building, shall be property of Landlord, and Tenant hereby assigns to Landlord all of Tenant's right, title and interest in and to any and all such awards and compensation, including, without limitation, any award or compensation for the value of the unexpired portion of the Term; provided, however, Landlord agrees to make such awards and compensation for the Building available to Tenant to make all necessary alterations so as to constitute the remaining Building a complete architectural and tenantable unit. Tenant shall be entitled to claim, prove and receive in the condemnation proceeding such award or compensation as may be allowed for the Tenant's Property and for loss of business, good will, and depreciation or injury to and cost of removal of the Tenant's Property, but only if such award or compensation shall be made by the condemning authority in addition to, and shall not result in a reduction of, the award or compensation made by it to Landlord.

23.02. If the temporary use or occupancy of all or any part of the Demised Premises shall be taken during the Term, Tenant shall be entitled, except as hereinafter set forth, to receive that portion of the award or payment for such taking which represents compensation for the use and occupancy of the Demised Premises, for the taking of the Tenant's Property and for moving expenses, and Landlord shall be entitled to receive that portion which represents reimbursement for the cost of restoration of the Demised Premises. This Lease shall be and remain unaffected by such taking and Tenant shall continue responsible for all of its obligations hereunder insofar as such obligations are not affected by such taking and shall continue to pay the Rent in full when due. If the period of temporary use or occupancy shall extend beyond the Expiration Date, that part of the award or payment which represents compensation for the use and occupancy of the Demised Premises (or a part thereof) shall be divided between Landlord and Tenant so that Tenant shall receive (except as otherwise provided below) so much thereof as represents compensation for the period up to and including the Expiration Date and Landlord shall receive so much thereof as represents compensation for the period after the Expiration Date. All monies to be paid to Tenant as, or as part of, an award or payment for temporary use and occupancy for a period beyond the date to which the Rent has been paid shall be received, held and applied by the first Superior Mortgagee (or if there is no Superior Mortgagee, by Landlord as a trust fund) for payment of the Rent becoming due hereunder.

ARTICLE 24 - SURRENDER

24.01. On the Expiration Date, or upon any earlier termination of this Lease, or upon any re-entry by Landlord upon the Demised Premises, Tenant shall quit and surrender the Demised Premises to Landlord "broom-clean" and in good order, condition and repair, except for ordinary wear and tear and such damage or destruction as Landlord is required to repair or restore under this Lease, and Tenant shall remove all of Tenant's Property therefrom except as otherwise expressly provided in this Lease.

24.02. If Tenant remains in possession of the Demised Premises after the expiration of the Term, Tenant shall be deemed to be occupying the Demised Premises at the sufferance of Landlord subject to all of the provisions of this Lease, except that the monthly Fixed Rent shall be twice the Fixed Rent in effect during the last month of the Term.

24.03. No act or thing done by Landlord or its agents shall be deemed an acceptance of a surrender of the Demised Premises, and no agreement to accept such surrender shall be valid unless in writing and signed by Landlord.

ARTICLE 25 - CONDITIONS OF LIMITATION

25.01. This Lease is subject to the limitation that whenever Tenant or any Guarantor (a) shall make an assignment for the benefit of creditors, or (b) shall commence a voluntary case or have entered against it an order for relief under any chapter of the Federal Bankruptcy Code (Title 11 of the United States Code) or any similar order or decree under any federal or state law, now in existence, or hereafter enacted having the same general purpose, and such order or decree shall have not been stayed or vacated within 30 days after entry, or (c) shall cause, suffer, permit or consent to the appointment of a receiver, trustee, administrator, conservator, sequestrator, liquidator or similar official in any federal, state or foreign judicial or nonjudicial proceeding, to hold, administer and/or liquidate all or substantially all of its assets, and such appointment shall not have been revoked, terminated, stayed or vacated and such official discharged of his duties within 30 days of his appointment then Landlord, at any time after the occurrence of any such event, may give Tenant a notice of intention to end the Term at the expiration of five (5) days from the date of service of such notice of intention, and upon the expiration of said five (5) day period, whether or not the Term shall theretofore have commenced, this Lease shall terminate with the same effect as if that day were the expiration date of this Lease, but Tenant shall remain liable for damages as provided in Article 27.

25.02. This Lease is subject to the further limitations that: (a) if Tenant shall default in the payment of any Rent and such failure shall continue for ten (10) days after notice thereof from Landlord to Tenant, or (b) if Tenant shall, whether by action or inaction, be in default of any of its obligations under this Lease (other than a default in the payment of Rent) and such default shall continue and not be remedied within thirty (30) days after Landlord shall have given to Tenant a notice specifying the same, or, in the case of a default which cannot with due diligence be cured within a period of thirty (30) days and the continuance of which for the period required for cure will not subject Landlord to prosecution for a crime or offense (as more particularly described in Section 12.02) or foreclosure of any Superior Mortgage, if Tenant shall not, (i) within said thirty (30) day period advise Landlord of Tenant's

intention to take all steps necessary to remedy such default, (ii) duly commence within said thirty (30) day period, and thereafter diligently prosecute to completion all steps necessary to remedy the default, and (iii) complete such remedy within a reasonable time after the date of said notice by Landlord, or (c) if any event shall occur or any contingency shall arise whereby this Lease would, by operation of law or otherwise, devolve upon or pass to any person, firm or corporation other than Tenant, except as expressly permitted by Article 11, or (d) if Tenant shall abandon the Demised Premises, or (e) if there shall be any default by Tenant (or any person which, directly or indirectly, controls, is controlled by, or is under common control with Tenant) under any other lease with Landlord (or any person which, directly or indirectly, controls is controlled by, or is under common control with Landlord) which shall not be remedied within the applicable grace period, if any, provided therefor under such other lease, then in any of said cases Landlord may give to Tenant a notice of intention to end the Term at the expiration of five (5) days from the date of the service of such notice of intention, and upon the expiration of said five (5) days, whether or not the Term shall theretofore have commenced, this Lease shall terminate with the same effect as if that day were the expiration date of this Lease, but Tenant shall remain liable for damages as provided in Article 27.

ARTICLE 26 - RE-ENTRY BY LANDLORD

26.01. If Tenant shall default in the payment of any Rent beyond any applicable notice and cure periods, or if this Lease shall terminate as provided in Article 25, Landlord or Landlord's agents and employees may immediately or at any time thereafter re-enter the Demised Premises, or any part thereof, either by summary dispossess proceedings or by any suitable action or proceeding at law without being liable to indictment, prosecution or damages therefor, and may repossess the same, and may remove any Person therefrom, to the end that Landlord may have, hold and enjoy the Demised Premises. The word "re-enter," as used herein, is not restricted to its technical legal meaning. If this Lease is terminated under the provisions of Article 25, or if Landlord shall re-enter the Demised Premises under the provisions of this Article 26, or in the event of the termination of this Lease, or of re-entry, by or under any summary dispossess or other proceedings or action or any provision of law by reason of default hereunder on the part of Tenant, Tenant shall thereupon pay to Landlord the Rent payable up to the time of such termination of this Lease, or of such recovery of possession of the Demised Premises by Landlord, as the case may be, and shall also pay to Landlord damages as provided in Article 27.

26.02. In the event of a breach or threatened breach by Tenant of any of its obligations under this Lease, Landlord shall also have the right of injunction. The special remedies to which Landlord may resort hereunder are cumulative and are not intended to be exclusive of any other remedies to which Landlord may lawfully be entitled at any time and Landlord may invoke any remedy allowed at law or in equity as if specific remedies were not provided for herein.

26.03. If this Lease shall terminate under the provisions of Article 25, or if Landlord shall re-enter the Demised Premises under the provisions of this Article 26, or in the event of the termination of this Lease, or of re-entry, by or under any summary dispossess or other proceeding or action or any provision of law by reason of default hereunder on the part of Tenant, Landlord shall be entitled to retain all monies, if any, paid by Tenant to Landlord, whether as security or otherwise, but such monies

shall be credited by Landlord against any Rent due from Tenant at the time of such termination or re-entry or, at Landlord's option, against any damages payable by Tenant under Article 27 or pursuant to law.

ARTICLE 27 - DAMAGES

27.01. If this Lease is terminated under the provisions of Article 25, or if Landlord shall re-enter the Demised Premises under the provisions of Article 26, or in the event of the termination of this Lease, or of re-entry, by or under any summary dispossess or other proceeding or action or any provision of law by reason of default hereunder on the part of Tenant, Tenant shall pay as Additional Charges to Landlord, at the election of Landlord, either:

(a) a sum which at the time of such termination of this Lease or at the time of any such re-entry by Landlord, as the case may be, represents the then present value (discounted at a rate equal to one percent (1%) above the Federal Funds Rate) of the excess, if any, of (i) the aggregate amount of the Rent which would have been payable by Tenant (conclusively presuming the average monthly Additional Charges to be the same as were the average monthly Additional Charges payable for the year, or if less than 365 days have then elapsed since the Commencement Date, the partial year, immediately preceding such termination or re-entry) for the period commencing with such earlier termination of this Lease or the date of any such re-entry, as the case may be, and ending with the Expiration Date, over (ii) the aggregate rental value of the Demised Premises for the same period; or

(b) sums equal to the Fixed Rent and the Additional Charges which would have been payable by Tenant had this Lease not so terminated, or had Landlord not so re-entered the Demised Premises, payable upon the due dates therefor specified herein following such termination or such re-entry and until the Expiration Date, provided, however, that if Landlord shall relet the Demised Premises during said period, Landlord shall credit Tenant with the net rents received by Landlord from such reletting, such net rents to be determined by first deducting from the gross rents as and when received by Landlord from such reletting the expenses incurred or paid by Landlord in terminating this Lease or in re-entering the Demised Premises and in securing possession thereof, as well as the expenses of reletting, including, without limitation, altering and preparing the Demised Premises for new tenants, brokers' commissions, legal fees, and all other expenses properly chargeable against the Demised Premises and the rental therefrom, it being understood that any such reletting may be for a period shorter or longer than the period ending on the Expiration Date; but in no event shall Tenant be entitled to receive any excess of such net rents over the sums payable by Tenant to Landlord hereunder, nor shall Tenant be entitled in any suit for the collection of damages pursuant to this subdivision (b) to a credit in respect of any rents from a reletting, except to the extent that such net rents are actually received by Landlord. If the Demised Premises or any part thereof should be relet in combination with other space, then proper apportionment on a square foot basis shall be made of the rent received from such reletting and of the expenses of reletting.

If the Demised Premises or any part thereof should be relet by Landlord before presentation of proof of such damages to any court, commission or tribunal, the amount of rent reserved upon such

reletting shall, prima facie, be the fair and reasonable rental value for the Demised Premises, or part thereof, so relet during the term of the reletting. Landlord shall not be liable in any way whatsoever for its failure to relet the Demised Premises or any part thereof, or if the Demised Premises or any part thereof are relet, for its failure to collect the rent under such reletting, and no such failure to relet or failure to collect rent shall release or affect Tenant's liability for damages or otherwise under this Lease.

27.02. Suit or suits for the recovery of such damages or, any installments thereof, may be brought by Landlord at any time and from time to time at its election, and nothing contained herein shall be deemed to require Landlord to postpone suit until the date when the Term would have expired if it had not been so terminated under the provisions of Article 24, or under any provision of law, or had Landlord not re-entered the Demised Premises. Nothing herein contained shall be construed to limit or preclude recovery by Landlord against Tenant of any sums or damages to which, in addition to the damages particularly provided above, Landlord may lawfully be entitled by reason of any default hereunder on the part of Tenant. Nothing herein contained shall be construed to limit or prejudice the right of Landlord to prove for and obtain as damages by reason of the termination of this Lease or re-entry of the Demised Premises for the default of Tenant under this Lease, an amount equal to the maximum allowed by any statute or rule of law in effect at the time, whether or not such amount be greater than, equal to, or less than any of the sums referred to in Section 27.01.

27.03. In addition, if this Lease is terminated under the provisions of Article 25, or if Landlord shall re-enter the Demised Premises under the provisions of Article 26, Tenant covenants that: (a) the Demised Premises then shall be in the same condition as that in which Tenant has agreed to surrender the same to Landlord at the Expiration Date; (b) Tenant shall have performed prior to any such termination any obligation of Tenant contained in this Lease for the making of any alteration or for restoring or rebuilding the Demised Premises or the Building, or any part thereof; and (c) for the breach of any covenant of Tenant set forth above in this Section 27.03, Landlord shall be entitled immediately, without notice or other action by Landlord, to recover, and Tenant shall pay, as and for liquidated damages therefor, the cost of performing such covenant (as estimated by an independent contractor selected by Landlord).

27.04. In addition to any other remedies Landlord may have under this Lease, and without reducing or adversely affecting any of Landlord's rights and remedies under this Article 27, if any Rent or damages payable hereunder by Tenant to Landlord are not paid upon demand therefor, the same shall bear interest at the Late Payment Rate or the maximum rate permitted by law, whichever is less, from the due date thereof until paid, and the amounts of such interest shall be Additional Charges hereunder.

27.05. In the event of Tenant's default under this Lease and Landlord's re-entry and recovery or possession of the Demised Premises, Landlord shall use commercially reasonable efforts to mitigate Landlord's damages by reletting of the Demised Premises. The net proceeds of any such reletting received by Landlord shall be credited against Tenant's then-outstanding obligations under this Lease. As used herein, "net proceeds" shall mean the full amount of rent and other similar charges paid to Landlord by all succeeding tenants of all or any portion of the Demised Premises less Landlord's actual expenses of reletting the Demised Premises (including, but not limited to expenses or work done to the Demised Premises in connection with such reletting, broker's fees and attorneys' fees). Nothing

contained herein shall require Landlord to relet the Demised Premises prior to or with any preference over the leasing of any other similar premises of Landlord or any affiliate of Landlord, nor shall any rental of such other premises reduce the damages which Landlord would be entitled to recover from Tenant.

ARTICLE 28 - AFFIRMATIVE WAIVERS

28.01. Tenant, on behalf of itself and any and all persons claiming through or under Tenant, does hereby waive and surrender all right and privilege which it, they or any of them might have under or by reason of any present or future law, to redeem the Demised Premises or to have a continuance of this Lease after being dispossessed or ejected from the Demised Premises by process of law or under the terms of this Lease or after the termination of this Lease as provided in this Lease.

28.02. Landlord and Tenant hereby waive trial by jury in any action, proceeding or counterclaim brought by either against the other on any matter whatsoever arising out of or in any way connected with this Lease, the relationship of Landlord and Tenant, and Tenant’s use or occupancy of the Demised Premises including, without limitation, any claim of injury or damage, and any emergency and other statutory remedy with respect thereto. Tenant shall not interpose any counterclaim of any kind in any action or proceeding commenced by Landlord to recover possession of the Demised Premises.

ARTICLE 29 - NO WAIVERS

29.01. The failure of either party to insist in any one or more instances upon the strict performance of any one or more of the obligations of this Lease, or to exercise any election herein contained, shall not be construed as a waiver or relinquishment for the future of the performance of such one or more obligations of this Lease or of the right to exercise such election, but the same shall continue and remain in full force and effect with respect to any subsequent breach, act or omission. The receipt by Landlord of Fixed Rent or Additional Charges with knowledge of breach by Tenant of any obligation of this Lease shall not be deemed a waiver of such breach.

ARTICLE 30 - CURING TENANT’S DEFAULTS

30.01. If Tenant shall default in the performance of any of Tenant’s obligations under this Lease, Landlord, without thereby waiving such default, may (but shall not be obligated to) perform the same for the account and at the expense of Tenant, without notice in a case of emergency, and in any other case only if such default continues after the expiration of thirty (30) days from the date Landlord gives Tenant notice of the default. Charges for any expenses incurred by Landlord in connection with any such performance by it for the account of Tenant, and charges for all costs, expenses and disbursements of every kind and nature whatsoever, including reasonable attorneys’ fees and expenses, involved in collecting or endeavoring to collect the Rent or any part thereof or enforcing or endeavoring to enforce any rights against Tenant or Tenant’s obligations hereunder, under or in connection with this Lease or pursuant to law, including any such cost, expense and disbursement involved in instituting and

prosecuting summary proceedings or in recovering possession of the Demised Premises after default by Tenant or upon the expiration of the Term or sooner termination of this Lease, and interest on all sums advanced by Landlord under this Article at the Late Payment Rate or the maximum rate permitted by law, whichever is less, shall be payable by Tenant and may be invoiced by Landlord to Tenant monthly, or immediately, or at any time, at Landlord's option, and such amounts shall be due and payable upon demand.

ARTICLE 31 - BROKER

31.01. Each party represents to the other that no broker except the Broker was instrumental in bringing about or consummating this Lease and that neither party had any conversations or negotiations with any broker except the Broker concerning the leasing of the Demised Premises. Each party agrees to indemnify and hold harmless the other against and from any claims for any brokerage commissions and all costs, expenses and liabilities in connection therewith, including, without limitation, attorneys' fees and expenses, arising out of any conversations or negotiations had by such party with any broker other than the Broker. Landlord shall pay any brokerage commissions due the Broker pursuant to a separate agreement between Landlord and the Broker.

ARTICLE 32 - NOTICES

32.01. Any notice, statement, demand, consent, approval or other communication required or permitted to be given, rendered or made by either party to the other, pursuant to this Lease or pursuant to any applicable Legal Requirement, shall be in writing and shall be deemed to have been properly given, rendered or made only if (i) hand delivered, or (ii) sent by (a) reputable overnight carrier or (b) by United States registered or certified mail, return receipt requested, addressed to the other party at the address hereinabove set forth (except that after the Commencement Date, Tenant's address shall be the Building with a copy to Equinix, Inc., 301 Velocity Way, 5th Floor, Foster City, California 94404, attention: Real Estate Counsel)) as to Landlord, to the attention of General Counsel with a concurrent notice to the attention of Vice President-Administration, and shall be deemed to have been given, rendered or made on receipt or rejection. Either party may, by notice as aforesaid, designate a different address or addresses for notices, statements, demands, consents, approvals or other communications intended for it. In addition, upon and to the extent requested by Landlord, copies of notices shall be sent to the Superior Mortgagee.

ARTICLE 33 - ESTOPPEL CERTIFICATES

33.01. Landlord or Tenant shall, at any time and from time to time, as requested by the other party, upon not less than twenty (20) days' prior notice, execute and deliver to the requesting party or any Superior Mortgagee a statement certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified and stating the modifications), certifying, as applicable, the dates to which the Fixed Rent and Additional Charges have been paid, stating whether or not, to the best knowledge of the party giving the statement, the requesting party is in default in performance of any of its obligations under this Lease, and, if so,

specifying each such default of which the party giving the statement shall have knowledge, and stating whether or not, to the best knowledge of the party giving the statement, any event has occurred which with the giving of notice or passage of time, or both, would constitute such a default of the requesting party, and, if so, specifying each such event; any such statement delivered pursuant hereto shall be deemed a representation and warranty to be relied upon by the party requesting the certificate and by others with whom such party may be dealing, regardless of independent investigation. Either party shall also include in any such statement such other information concerning this Lease as the requesting party may reasonably request.

ARTICLE 34 - ARBITRATION

34.01. Either party may request arbitration of any matter in dispute. The party requesting arbitration shall do so by giving notice to that effect to the other party, specifying in said notice the nature of the dispute, and said dispute shall be determined in Newark, New Jersey, by a single arbitrator, in accordance with the rules then obtaining of the American Arbitration Association (or any comparable organization designated by Landlord). The award in such arbitration may be enforced on the application of either party by the order or judgment of a court of competent jurisdiction. The fees and expenses of any arbitration shall be borne by the parties equally, but each party shall bear the expense of its own attorneys and experts and the additional expenses of presenting its own proof. If Tenant gives notice requesting arbitration as provided in this Article, Tenant shall simultaneously serve a duplicate of the notice on each Superior Mortgagee whose name and address shall previously have been furnished to Tenant, and such Superior Mortgagee(s) shall have the right to participate in such arbitration.

ARTICLE 35 - MEMORANDUM OF LEASE

35.01. Neither party shall record this Lease. However, at the request of either party, the other party shall promptly execute, acknowledge and deliver to the requesting party a memorandum of lease in respect of this Lease sufficient for recording. Such memorandum shall not be deemed to change or otherwise affect any of the obligations or provisions of this Lease. Whichever party records such memorandum of Lease shall pay all recording costs and expenses, including any taxes that are due upon such recording.

ARTICLE 36 - MISCELLANEOUS

36.01. Tenant expressly acknowledges and agrees that Landlord has not made and is not making, and Tenant, in executing and delivering this Lease, is not relying upon, any warranties, representations, promises or statements, except to the extent that the same are expressly set forth in this Lease or in any other written agreement(s) which may be made between the parties concurrently with the execution and delivery of this Lease. All understandings and agreements heretofore had between the parties are merged in this Lease and any other written agreement(s) made concurrently herewith, which alone fully and completely express the agreement of the parties and which are entered into after

full investigation. Neither party has relied upon any statement or representation not embodied in this Lease or in any other written agreement(s) made concurrently herewith. The submission of this Lease to Tenant does not constitute by Landlord a reservation of, or an option to Tenant for, the Demised Premises, or an offer to lease on the terms set forth herein and this Lease shall become effective as a lease agreement only upon execution and delivery thereof by Landlord and Tenant.

36.02. No agreement shall be effective to change, modify, waive, release, discharge, terminate or effect an abandonment of this Lease, in whole or in part, unless such agreement is in writing, refers expressly to this Lease and is signed by the party against whom enforcement of the change, modification, waiver, release, discharge, termination or effectuation of abandonment is sought.

36.03. If Tenant shall at any time request Landlord to sublet or let the Demised Premises for Tenant's account, Landlord or its agent is authorized to receive keys for such purposes without releasing Tenant from any of its obligations under this Lease, and Tenant hereby releases Landlord of any liability for loss or damage to any of the Tenant's Property in connection with such subletting or letting.

36.04. Except as otherwise expressly provided in this Lease, the obligations under this Lease shall bind and benefit the successors and assigns of the parties hereto with the same effect as if mentioned in each instance where a party is named or referred to; provided, however, that (a) no violation of the provisions of Article 11 shall operate to vest any rights in any successor or assignee of Tenant and (b) the provisions of this Section 36.04 shall not be construed as modifying the conditions of limitation contained in Article 25.

36.05. Except for Tenant's obligations to pay Rent, the time for Landlord or Tenant, as the case may be, to perform any of its respective obligations hereunder shall be extended if and to the extent that the performance thereof shall be prevented due to any Unavoidable Delay. Except as expressly provided to the contrary, the obligations of Tenant hereunder shall not be affected, impaired or excused, nor shall Landlord have any liability whatsoever to Tenant, because Landlord is unable to fulfill, or is delayed in fulfilling, any of its obligations under this Lease due to any of the matters set forth in the first sentence of this Section 36.05, or because of any failure or defect in the supply, quality or character of electricity, water or any other utility or service furnished to the Demised Premises.

36.06. Any liability for payments hereunder (including, without limitation, Additional Charges) shall survive the expiration of the Term or earlier termination of this Lease.

36.07. If Tenant shall request Landlord's consent and Landlord shall fail or refuse to give such consent, Tenant shall not be entitled to any damages for any withholding by Landlord of its consent; Tenant's sole remedy shall be an action for specific performance or injunction, and such remedy shall be available only in those cases where Landlord has expressly agreed in writing not to unreasonably withhold or delay its consent or where as a matter of law Landlord may not unreasonably withhold its consent.

36.08. If an excavation shall be made upon land adjacent to or under the Building, or shall be authorized to be made, Tenant shall afford to the Person causing or authorized to cause such

excavation, license to enter the Demised Premises for the purpose of performing such work as said Person shall reasonably deem necessary or desirable to preserve and protect the Building from injury or damage and to support the same by proper foundations, without any claim for damages or liability against Landlord and without reducing or otherwise affecting Tenant's obligations under this Lease.

36.09. Tenant shall not exercise its rights under Article 15 or any other provision of this Lease in a manner which would violate Landlord's union contracts or create any work stoppage, picketing labor disruption or dispute or any interference with the business of Landlord.

36.10. Tenant shall give prompt notice to Landlord of (a) any occurrence in or about the Demised Premises for which Landlord might be liable, (b) any fire or other casualty in the Demised Premises, (c) any damage to or defect in the Demised Premises, including the fixtures and equipment thereof, for the repair of which Landlord might be responsible, and (d) any damage to or defect in any part of the Building's sanitary, electrical, heating, ventilating, air-conditioning, elevator or other systems located in passing through the Demised Premises or any part thereof.

36.11. This Lease shall be governed by and construed in accordance with the laws of the State of New Jersey. Tenant hereby irrevocably agrees that any legal action or proceeding arising out of or relating to this Lease may be brought in the Courts of the State of New Jersey, or the Federal District Court for the District of New Jersey, as Landlord may elect. By execution and delivery of this Lease, Tenant hereby irrevocably accepts and submits generally and unconditionally for itself and with respect to its properties, to the jurisdiction of any such court in any such action or proceeding, and hereby waives in the case of any such action or proceeding brought in the courts of the State of New Jersey, or Federal District Court for the District of New Jersey, any defenses based on jurisdiction, venue or forum non conveniens. If any provision of this Lease shall, be invalid or unenforceable, the remainder of this Lease shall not be affected and shall be enforced to the extent permitted by law. The table of contents, captions, headings and titles in this Lease are solely for convenience of reference and shall not affect its interpretation. This Lease shall be construed without regard to any presumption or other rule requiring construction against the party causing this Lease to be drafted. If any words or phrases in this Lease shall have been stricken out or otherwise eliminated, whether or not any other words or phrases have been added, this Lease shall be construed as if the words or phrases so stricken out or otherwise eliminated were never included in this Lease and no implication or inference shall be drawn from the fact that said words or phrases were so stricken out or otherwise eliminated. Each covenant, agreement, obligation or other provision of this Lease on Tenant's part to be performed, shall be deemed and construed as a separate and independent covenant of Tenant, not dependent on any other provision of this Lease. All terms and words used in this Lease, regardless of the number or gender in which they are used, shall be deemed to include any other number and any other gender as the context may require. Tenant specifically agrees to pay all of Landlord's costs, charges and expenses, including attorneys' fees, incurred in connection with any document review requested by Tenant and upon submission of bills therefor. In the event Landlord permits Tenant to examine Landlord's books and records with respect to any Additional Charge imposed under this Lease, such examination shall be conducted at Tenant's sole cost and expense and shall be conditioned upon Tenant retaining an independent accounting firm for such purposes which shall not be compensated on any type of contingent fee basis with respect to such examination. Wherever in this Lease or by law Landlord is authorized to charge or recover costs and expenses for legal services or attorneys' fees, same shall include, without limitation, the costs and

expenses for in-house or staff legal counsel or outside counsel at rates not to exceed the reasonable and customary charges for any such services as would be imposed in an arms length third party agreement for such services.

36.12. Upon request of Landlord, Tenant shall furnish to Landlord a copy of its then current audited financial statement which shall be employed by Landlord for purposes of financing the Demised Premises and not distributed otherwise without prior authorization of Tenant.

36.13. (i) Tenant represents that the North American Industrial Classification System (NAICS) number applicable to Tenant's operations is 517100, and that as a result of same, the Demised Premises do not constitute an "industrial establishment" under the New Jersey Industrial Site Recovery Act, N.J.S.A. 13:1K-6 et seq. ("ISRA").

(ii) In the event that (i) Tenant changes the use of the Demised Premises in a manner permitted under this Lease that causes the NAICS classification number to change, or (ii) Tenant causes the Demised Premises to become an "industrial establishment," or (iii) there is a change in the Legal Requirements which mandates action on Tenant's behalf, then upon a termination of this Lease, Tenant shall satisfy its obligations under ISRA prior to its lease termination date by causing to be obtained or performed one or more of the following: (1) securing an approval of the Tenant's Negative Declaration; (2) securing an approval of the Tenant's Remedial Action Workplan, and completing the implementation of such Plan, and obtaining from NJDEP a "No Further Action" letter; or obtaining a Remediation Agreement with NJDEP and completing all requirements thereunder; or (4) obtaining a letter of non-applicability from NJDEP. Tenant shall bear sole responsibility for any investigation and cleanup costs, fees, penalties, or damages associated with ISRA compliance to the extent arising from Tenant's activities on the Demised Premises or as a result of Tenant's breach of this Lease. In the event that Tenant is unable to complete the its ISRA compliance obligations by the Expiration Date, Landlord shall continue to provide Tenant with reasonable access to the Demised Premises, provided that any work undertaken by Tenant shall be performed in such a manner as to minimize interference with Landlord's or any other tenant's use of the Demised Premises. However, Landlord reserves its rights to deem Tenant a holdover tenant in the event that Tenant's ISRA compliance unreasonably restricts the Landlord's use of the Demised Premises (it being understood that the Fixed Rent for the first three (3) months of any such holdover shall be the monthly Fixed Rent in effect during the last month of the Term and the Fixed Rent during any holdover after the first three months shall be at 200% of the monthly Fixed Rent during the last month of the Term.)

(iii) Tenant shall provide Landlord with copies of all correspondence, documents and reports, including sampling results submitted to or received from any governmental agency or third party in connection with Tenant's compliance with ISRA.

36.14. (a) Certification. Landlord and Tenant each certify to the other that: (i) It is not acting, directly or indirectly, for or on behalf of any person, group, entity, or nation named by any Executive Order or the United States Treasury Department as a terrorist, "Specially Designated National and Blocked Person," or other banned or blocked person, entity, nation, or transaction pursuant to any law, order, rule, or regulation that is enforced or administered by the Office of Foreign Assets Control; and (ii) It is not engaged in this transaction, directly or indirectly on behalf of, or instigating or facilitating this transaction, directly or indirectly on behalf of, any such person, group, entity, or nation.

(b) Indemnification. Landlord and Tenant each hereby agrees to defend, indemnify, and hold harmless the other from and against any and all claims, damages, losses, risks, liabilities, and expenses (including attorney's fees and costs) arising from or related to any breach of the foregoing certification.

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

777 SINATRA DRIVE CORP.
("Landlord")

By: /s/ Irwin A. Horowitz
Irwin A. Horowitz
Executive Vice President

EQUINIX, INC.
("Tenant")

By: /s/ Peter F. Van Camp
Name: Peter F. Van Camp
Title: Chief Executive Officer

Copyright © Hartz Mountain Industries, Inc. 2005. All Rights Reserved. No portion of this document may be reproduced without the express written consent of Hartz Mountain Industries, Inc.

Exhibit 10.136

Execution Version

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

SECOND AMENDED AND RESTATED

LOAN AND SECURITY AGREEMENT

THIS SECOND AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT (as further amended, restated, or otherwise modified from time to time, this "***Agreement***") dated the Effective Date, between **SILICON VALLEY BANK** ("***SVB***"), **GENERAL ELECTRIC CAPITAL CORPORATION (*"GECC"*)** (each of SVB and GECC, a ***"Lender"***, and together ***"Lenders"***), SVB in its capacity as Administrative Agent for the Lenders (as such, the ***"Agent"***), GECC in its capacity as Documentation Agent for the Lenders (as such, the ***"Documentation Agent"***), **EQUINIX, INC.**, a Delaware corporation, whose address is 301 Velocity Way, 5th Floor, Foster City, California 94404 ("Equinix"), **EQUINIX OPERATING CO., INC.,** a Delaware corporation (***"OpCo"***), and the other Loan Parties that may from time to time hereafter become signatories hereto (each of Equinix, OpCo and such Loan Parties being a ***"Borrower"***, and collectively, ***"Borrowers"***), provides the terms on which Lenders will lend to Borrower, and Borrower will repay Lenders. This Agreement amends and restates in its entirety that Loan and Security Agreement having an Effective Date of September 16, 2005, between SVB and Borrower (the ***"Original Loan Agreement")***.

1. ACCOUNTING AND OTHER TERMS

Accounting terms not defined in this Agreement shall be construed following GAAP. Calculations and determinations must be made following GAAP. The term "financial statements" includes the notes and schedules. The terms "including" and "includes" always mean "including (or includes) without limitation," in this or any Loan Document. Capitalized terms in this Agreement shall have the meanings as set forth in **Section 13**. All other terms contained in this Agreement, unless otherwise indicated, shall have the meanings provided by the Code, to the extent such terms are defined therein.

2. LOAN AND TERMS OF PAYMENT

2.1 Promise to Pay.

Borrowers hereby unconditionally, jointly and severally, promise to pay Lenders the unpaid principal amount of all Credit Extensions hereunder with all interest, fees, and finance charges due thereon as and when due in accordance with this Agreement.

2.1.1 Revolving Advances.

(a) Subject to the terms and conditions hereof, each Lender severally agrees to make Advances, in accordance with its Commitment Percentage, to Borrowers from time to time until the Revolving Maturity Date not exceeding in the aggregate outstanding at any time, the Committed Revolving Line *minus* the Sublimit Utilization Amount. Until the Revolving Maturity Date and subject to the terms hereof and the applicable terms and conditions precedent in **Sections 3.1** and **3.2**, Borrowers may borrow, repay, and reborrow under this **Section 2.1.1**. The proceeds of the Advances shall be used solely for working capital and general corporate purposes.

(b) Interest on each Advance shall be paid pursuant to the terms of **Section 2.4(b)**. The outstanding principal amount of and all accrued but unpaid interest on the Advances shall be due and payable on the Revolving Maturity Date.

(c) To obtain an Advance, Borrowers must follow the procedures set forth in **Section 3.3**.

2.1.2 Letters of Credit Sublimit.

SVB, as issuing bank, will issue letters of credit (***"Letters of Credit"***) for a Borrower's account not exceeding the Committed Revolving Line *minus* the sum of the outstanding principal balance of the Advances. Each Letter of Credit will have an expiry date of no later than 180 days after the Revolving Maturity Date. Borrowers' reimbursement obligation with respect to any Letter of Credit with an expiry date later than the Revolving Maturity Date will be secured by cash on terms reasonably acceptable to SVB on or before the Revolving Maturity Date if the term of this Agreement is not extended. Each Borrower agrees to execute any further documentation in connection with the Letters of Credit as SVB may reasonably request. Borrowers shall pay to Agent for the account of each Lender in accordance with its Applicable Percentage a Letter of Credit fee (the ***"Letter of Credit Fee"***) for each Letter of Credit equal to 0.75% per annum times the daily amount available to be drawn under such Letter of Credit, due and payable on the first Business Day after the end of each March, June, September and December, commencing with the first such date to occur after the issuance of such Letter of Credit, on the Letter of Credit expiration date and thereafter on demand. Not later than 12:00 noon (Pacific time) on the date of any payment by SVB under a Letter of Credit (the ***"Honor Date"***), Borrowers shall reimburse SVB through Agent in an amount equal to the amount of the drawing. If Borrowers fail to so reimburse SVB by such time, Agent shall promptly notify each Lender of the Honor Date, the amount of the unreimbursed drawing and the amount of such Lender's Commitment Percentage thereof. In such event, Borrowers shall be deemed to have requested a Prime Rate Advance to be disbursed to SVB on the Honor Date in an amount equal to the unreimbursed drawing and such Advance shall be deemed made on such date.

2.1.3 Intentionally Omitted.

2.1.4 Intentionally Omitted.

2.2 Suspension and Termination of Commitment to Lend; Termination of this Agreement.

Lenders shall have no obligation to make Credit Extensions (a) upon the occurrence and during the continuance of an Event of Default or if there exists any event, condition, or act which with notice or lapse of time, or both, would constitute an Event of Default or (b) upon the occurrence of any Change in Control of any Borrower. Lenders' obligation to make Credit Extensions shall terminate on the Revolving Maturity Date. Borrowers may, upon five (5) Business Days' prior written notice to Agent and Lenders, irrevocably terminate this Agreement provided that all Obligations have been paid in full and no Letters of Credit remain outstanding (other than Letters of Credit that have been secured by cash on terms acceptable to SVB) as of the effective date of such termination.

2.3 Overadvances.

If, at any time Borrowers' aggregate obligations under **Sections 2.1.1** and **2.1.2** exceed the Committed Revolving Line, Borrowers must, after written notice from Agent, immediately pay Agent the excess.

2.4 Interest Rates.

(a) Borrowers shall pay interest on the Advances at the following rates: (i) the Prime Rate, or (ii) at the election of Borrowers, Adjusted LIBOR, in each case *plus* the Applicable Margin per annum. Any increase or decrease in the Applicable Margins resulting from a change in the Senior Leverage Ratio, as evidenced by the most recently-delivered Compliance Certificate, shall be effective as of the day such Compliance Certificate is delivered; *provided*, *however*, that if Borrowers fail to deliver a Compliance Certificate when due in accordance with **Section 6.2(b)**, then the Applicable Margins shall be 2.85% for LIBOR Advances and 1.25% for Prime Rate Advances effective retroactively to the first day of the fiscal quarter in which such Compliance Certificate is required to be delivered and until such time that Borrowers shall deliver a Compliance Certificate evidencing that the Senior Leverage Ratio at the end of the immediately preceding fiscal quarter was less than or equal to 2.5x (in which case the Applicable Margins shall automatically adjust to the percentages corresponding to such Senior Leverage Ratio). The Applicable Margins in effect from the Effective Date until Borrowers deliver the next Compliance Certificate required by the Original Loan Agreement or this Agreement thereafter shall be 2.50% for LIBOR Advances and 0.50% for Prime Rate Advances, whereupon any increase or decrease in the Applicable Margins shall be computed in accordance with the immediately preceding sentence. In the event the Senior Leverage Ratio reported in any Compliance Certificate is later determined to have been inaccurate, the Applicable Margin shall be adjusted retroactively to the date of delivery of such inaccurate Compliance Certificate to the percentage corresponding to the correct Senior Leverage Ratio for that date, and such adjusted Applicable Margin shall be applicable for the same period as that determined based on the original inaccurate Senior Leverage Ratio.

The Applicable Margins are as follows:

If Borrower's Senior Leverage Ratio is:	LIBOR Applicable Margin	Prime Rate Applicable Margin
less than or equal to 1.0x	1.75%	0.00%
more than 1.0x but less than or equal to 2.0x	2.50%	0.50%
more than 2.0x but less than or equal to 2.5x	2.75%	1.00%
greater than 2.5x	2.85%	1.25%

(b) Pursuant to the terms of **Section 3.7**, interest on each Advance shall be paid in arrears on each Interest Payment Date. Interest shall also be paid on the date of any prepayment of any Advance pursuant to this Agreement for the portion of any Advance so prepaid and upon payment (including prepayment) in full thereof.

(c) After an Event of Default occurs and so long as such Event of Default continues, including after an acceleration of the Obligations pursuant to **Section 9.1(a)** (whether before or after entry of judgment to the extent permitted by law), Obligations shall accrue interest at two percent (2.00%) above the rate effective immediately before the Event of Default; *provided, however*, that on and after the expiration of any Interest Period applicable to any LIBOR Advance outstanding on the date of occurrence of such Event of Default or acceleration, the Effective Amount of such LIBOR Advance shall, during the continuance of such Event of Default or after acceleration, bear interest at a rate per annum equal to the Prime Rate plus two percent (2.00%). Payment or acceptance of the increased interest provided in this **Section 2.4(c)** is not a permitted alternative to timely payment and shall not constitute a waiver of any Event of Default or otherwise prejudice or limit any rights or remedies of Agent and Lenders.

2.5 Intentionally Omitted.

2.6 General Provisions.

Lenders may debit any of Borrowers' deposit accounts maintained with Lenders for principal and interest payments due and owing or any amounts Borrowers owe Lenders pursuant to the Loan Documents which are then due and owing, including the Designated Deposit Account. These debits are not a set-off. Payments received after 12:00 noon (Pacific time) are considered received at the opening of business on the next Business Day. When a payment is due on a day that is not a Business Day, the payment is due the next Business Day and additional fees or interest accrue.

2.7 Fees.

Borrowers shall pay:

(a) to Agent, for the benefit of Agent and Lenders, all reasonable documented Bank Expenses incurred through and after the Effective Date, when due; and

(b) to Agent, for payment to Lenders on a pro rata basis in accordance with their Advances, as additional compensation for the Revolving Loan Commitment, in arrears, on the first Business Day of each quarter prior to the Revolving Maturity Date and on the Revolving Maturity Date, a per annum facility fee in an amount equal to the applicable Facility Fee Percentage *multiplied by* the Revolving Loan Commitment;

(c) to Agent, for payment to Lenders, the Letter of Credit Fees as set forth in **Section 2.1.2** hereof;

(d) to GECC, for its own account, an arrangement fee in the amount of $75,000; and

(e) to SVB, for its own account, such additional fees as set forth in the letter agreement dated as of September 16, 2005 between Borrower and SVB setting forth certain fees payable in connection with this Agreement (the ***"Fee Letter"***).

2.8 Mandatory Prepayment Event.

Concurrently with the occurrence of any Change in Control of Borrower, Borrowers shall prepay in full, without penalty or premium, all outstanding Obligations and shall post cash collateral, upon terms reasonably acceptable to SVB, in the face amount of any undrawn Letters of Credit.

3. CONDITIONS OF CREDIT EXTENSIONS

3.1 Conditions Precedent to Initial Credit Extension.

Each Lender's obligation to make the initial Credit Extension is subject to the condition precedent that the following have been satisfied, all in form and substance reasonably satisfactory to Agent and Lenders:

(a) the parties shall have executed and delivered the Loan Documents;

(b) To the extent not previously delivered to SVB in connection with the Original Loan Agreement, Borrowers shall have delivered executed one or more Control Agreement(s), in form and substance satisfactory to Agent, by and among Borrower, Agent, and such banks or financial institutions as is necessary for Agent to perfect its security interest in the Domestic Collateral Accounts;

(c) each Borrower shall have delivered its Operating Documents and a good standing certificate from the Secretary of State of its jurisdiction of formation;

(d) each Borrower shall have delivered a copy of the resolutions of its Board of Directors certified to be a true and correct copy by its secretary or other authorized officer, together with incumbency information and specimen signatures;

(e) the Leasehold Deeds of Trust for which landlord consents are either not required to permit Borrower to encumber the underlying leasehold interest or for which such landlord consents have been obtained on the Effective Date, shall have been duly executed and delivered by Borrower;

(f) Agent shall have received the certificates of insurance described in **Section 6.5** hereof;

(g) Agent and Lenders shall have received an opinion of counsel to Borrowers in form and substance satisfactory to counsel to Agent and Lenders;

(h) Borrowers shall have paid all documented and invoiced costs and fees, including Bank Expenses, then due; and

(i) Borrowers shall have delivered to Agent, in addition to the documents required in **Sections 3.2** and **3.3**, all documents, certificates, and other assurances that Agent or its counsel may reasonably request.

3.2 Conditions Precedent to all Credit Extensions.

Each Lender's obligation to make each Credit Extension, including the initial Credit Extension, is subject to the following:

(a) timely receipt of a Notice of Borrowing in the form attached as Exhibit A; and

(b) the representations and warranties in **Section 5** shall be true, accurate and complete on the date of the Notice of Borrowing and on the Funding Date, and no Event of Default shall have occurred and be continuing, or result from, an Advance and/or Credit Extension; *provided, however,* that those representations and warranties expressly referring to a date other than the Funding Date are true, accurate and complete as of such date; and *provided, further,* that the representations and warranties set forth in **Section 5** shall be deemed to be made with respect to the financial statements most recently delivered to Agent pursuant to **Section 6.2**. Borrowers' receipt of an Advance is each Borrower's representation and warranty on that date that the representations and warranties in **Section 5** remain true, accurate and complete, subject to the provisos set forth in the preceding sentence.

3.3 Procedure for the Borrowing of Advances.

(a) Subject to the prior satisfaction of all other applicable conditions to the making of an Advance set forth in this Agreement, including **Section 3.1** and **Section 3.2** for Advances made on the Effective Date and **Section 3.2** for all Advances, each Advance shall be made upon Borrowers' irrevocable written notice delivered to Agent in the form of a Notice of Borrowing, each executed by a Responsible Officer of Borrowers or his or her designee or

without instructions if the Advances are necessary to meet Obligations which have become due. Agent may rely on any telephone notice given by a person whom Agent believes is a Responsible Officer or designee. Borrowers will, jointly and severally, indemnify Agent and Lenders for any loss Agent or any Lender suffers due to such reliance (other than losses resulting from Agent's gross negligence or willful misconduct). Such Notice of Borrowing must be received by Agent prior to 12:00 noon (Pacific time), (i) at least three (3) Business Days prior to the requested Funding Date, in the case of LIBOR Advances, and (ii) at least one (1) Business Day prior to the requested Funding Date, in the case of Prime Rate Advances, specifying:

(i) the amount of the Advance, which, if a LIBOR Advance is requested, shall be in an aggregate minimum principal amount of $1,000,000 or in any integral multiple of $100,000 in excess thereof;

(ii) the requested Funding Date, which shall be a Business Day;

(iii) whether the Advance is to be comprised of LIBOR Advances or Prime Rate Advances; and

(iv) the duration of the Interest Period applicable to any such LIBOR Advances included in such notice; *provided* that if the Notice of Borrowing shall fail to specify the duration of the Interest Period for any Advance comprised of LIBOR Advances, such Interest Period shall be one (1) month.

(b) The proceeds of all such Advances will then be made available to Borrowers on the Funding Date by Agent by transfer to the Designated Deposit Account.

3.4 Conversion and Continuation Elections.

(a) So long as (1) no Event of Default or event which with notice, passage of time, or both would constitute an Event of Default exists; (2) no party hereto shall have sent any notice of termination of this Agreement; and (3) Borrowers shall have complied with such customary procedures as Agent has established from time to time for Borrowers' requests for LIBOR Advances, Borrowers may, upon irrevocable written notice to Agent:

(i) elect to convert on any Business Day, Prime Rate Advances in an amount equal to $1,000,000 or any integral multiple of $100,000 in excess thereof into LIBOR Advances;

(ii) elect to continue on any Interest Payment Date any LIBOR Advances maturing on such Interest Payment Date (or any part thereof in an amount equal to $1,000,000 or any integral multiple of $100,000 in excess thereof); *provided*, that if the aggregate amount of LIBOR Advances shall have been reduced, by payment, prepayment, or conversion of part thereof, to be less than $1,000,000, such LIBOR Advances shall automatically convert into Prime Rate Advances; or

(iii) elect to convert on any Interest Payment Date any LIBOR Advances maturing on such Interest Payment Date (or any part thereof in an amount equal to $1,000,000 or any integral multiple of $100,000 in excess thereof) into Prime Rate Advances.

(b) Borrowers shall deliver a Notice of Conversion/Continuation substantially in the form attached hereto as Exhibit B to be received by Agent prior to 11:00 a.m. (Pacific time) at least (i) three (3) Business Days in advance of the Conversion Date or Continuation Date, if any Advances are to be converted into or continued as LIBOR Advances; and (ii) one (1) Business Day in advance of the Conversion Date, if any Advances are to be converted into Prime Rate Advances, in each case specifying:

(i) the proposed Conversion Date or Continuation Date;

(ii) the aggregate amount of the Advances to be converted or continued which, if any Advances are to be converted into or continued as LIBOR Advances, shall be in an aggregate minimum principal amount of $1,000,000 or in any integral multiple of $100,000 in excess thereof;

(iii) whether a conversion or a continuation is proposed; and

(iv) the duration of the requested Interest Period.

(c) If upon the expiration of any Interest Period applicable to any LIBOR Advances, Borrowers shall have timely failed to select a new Interest Period to be applicable to such LIBOR Advances, Borrowers shall be deemed to have elected to convert such LIBOR Advances into Prime Rate Advances.

(d) Any LIBOR Advances shall, at Agent's option, convert into Prime Rate Advances in the event that (i) an Event of Default, or event which with notice, the passage of time, or both would constitute an Event of Default, shall exist, (ii) this Agreement shall terminate, or (iii) the aggregate principal amount of the Prime Rate Advances which have been previously converted to LIBOR Advances, or the aggregate principal amount of existing LIBOR Advances continued, as the case may be, at the beginning of an Interest Period shall at any time during such Interest Period exceed the Committed Revolving Line. Borrowers agree to pay Agent, upon demand by Agent (or Agent may, at its option, charge the Designated Deposit Account or any other account Borrowers maintain with any Lender) any amounts required to compensate Lenders for any loss (including loss of anticipated profits), cost, or expense incurred by Lenders, as a result of the conversion of LIBOR Advances to Prime Rate Advances pursuant to any of the foregoing. Concurrently with any demand for compensation under this **Section 3.4(d)**, each affected Lender will furnish Borrower with a statement setting forth the basis and amount of such request by such Lender for such compensation. Determinations by Lenders for purposes of this **Section 3.4(d)** of the amounts required to compensate Lenders in respect of any loss, costs or expense incurred by Lenders as a result of the conversion of LIBOR Advances to Prime Rate Advances pursuant to the circumstances set forth in **Sections 3.4(d)(i)-(iii)** shall be conclusive absent manifest error.

(e) Notwithstanding anything to the contrary contained herein, no Lender shall be required to purchase United States Dollar deposits in the London interbank market or other applicable LIBOR market to fund any LIBOR Advances, but the provisions hereof shall be deemed to apply as if such Lender had purchased such deposits to fund the LIBOR Advances.

3.5 Special Provisions Governing LIBOR Advances.

Notwithstanding any other provision of this Agreement to the contrary, the following provisions shall govern with respect to LIBOR Advances as to the matters covered:

(a) Determination of Applicable Interest Rate. As soon as practicable on each Interest Rate Determination Date, Agent shall determine (which determination shall, absent manifest error in calculation, be final, conclusive and binding upon all parties) the interest rate that shall apply to the LIBOR Advances for which an interest rate is then being determined for the applicable Interest Period and shall promptly give notice thereof (in writing or by telephone confirmed in writing) to Borrowers.

(b) Inability to Determine Applicable Interest Rate. In the event that Agent shall have determined (which determination shall be final and conclusive and binding upon all parties hereto), on any Interest Rate Determination Date with respect to any LIBOR Advance, that by reason of circumstances affecting the London interbank market adequate and fair means do not exist for ascertaining the interest rate applicable to such Advance on the basis provided for in the definition of LIBOR, Agent shall on such date give notice (by telefacsimile or by telephone confirmed in writing) to Borrowers of such determination, whereupon (i) no Advances may be made as, or converted to, LIBOR Advances until such time as Agent notifies Borrowers that the circumstances giving rise to such notice no longer exist, and (ii) any Notice of Borrowing or Notice of Conversion/Continuation given by Borrowers with respect to Advances in respect of which such determination was made shall be deemed to be rescinded by Borrowers and, with respect to a Notice of Conversion/Continuation, be deemed a request to convert or continue Advances referred to therein as Prime Rate Advances.

(c) Compensation for Breakage or Non-Commencement of Interest Periods. Borrowers shall compensate Lenders, upon written request by Lenders (which request shall set forth the manner and method of computing such compensation), for all reasonable losses, expenses and liabilities, if any (including any interest paid by Lenders to lenders of funds borrowed by it to make or carry its LIBOR Advances and any loss, expense or liability incurred by Lenders in connection with the liquidation or re-employment of such funds) such that Lenders may incur: (i) if for any reason (other than a default by Lenders or due to any failure of Lenders to fund LIBOR Advances due to illegality under **Section 3.6(e)** or impracticability under **Section 3.6(d)**) a borrowing or a conversion to or continuation of any LIBOR Advance does not occur on a date specified in a Notice of Borrowing or a Notice of Conversion/Continuation, as the case may be, or (ii) if any principal payment or any conversion of any of its LIBOR Advances occurs on a date prior to the last day of an Interest Period applicable to that Advance.

Concurrently with any demand for compensation under this **Section 3.5(c)**, the affected Lender will furnish Borrower with a statement setting forth the basis and amount of such request by such Lender for such compensation. Determinations by Lenders for purposes of this **Section 3.5(c)** of the amounts required to compensate Lenders in respect of any loss, expense or liability incurred by Lenders as a result of the circumstances set forth in **Sections 3.5(c)(i)-(ii)** shall be conclusive absent manifest error.

(d) Assumptions Concerning Funding of LIBOR Advances. Calculation of all amounts payable to Lenders under this **Section 3.5** and under **Section 3.3** shall be made as though Lenders had actually funded each of its relevant LIBOR Advances through the purchase of a Eurodollar deposit bearing interest at the rate obtained pursuant to the definition of LIBOR Rate in an amount equal to the amount of such LIBOR Advance and having a maturity comparable to the relevant Interest Period; *provided, however*, that a Lender may fund each of its LIBOR Advances in any manner it sees fit and the foregoing assumptions shall be utilized only for the purposes of calculating amounts payable under this **Section 3.5** and under **Section 3.3**.

(e) LIBOR Advances After Event of Default. After the occurrence of and during the continuation of an Event of Default, (i) Borrowers may not elect to have an Advance be made or continued as, or converted to, a LIBOR Advance after the expiration of any Interest Period then in effect for such Advance, and (ii) subject to the provisions of **Section 3.5(c)**, any Notice of Conversion/Continuation given by Borrowers with respect to a requested conversion/continuation that has not yet occurred shall be deemed to be rescinded by Borrowers and be deemed a request to convert or continue Advances referred to therein as Prime Rate Advances.

3.6 Additional Requirements/Provisions Regarding LIBOR Advances.

(a) If for any reason (including voluntary or mandatory prepayment or acceleration), Agent receives all or part of the principal amount of a LIBOR Advance prior to the last day of the Interest Period for such Advance, Borrowers shall immediately notify Agent and, within fifteen (15) days after written demand by Agent, pay Agent for the benefit of Lenders the amount (if any) by which (i) the additional interest which would have been payable on the amount so received had it not been received until the last day of such Interest Period exceeds (ii) the interest which would have been recoverable by Lenders by placing the amount so received on deposit in the certificate of deposit markets, the offshore currency markets, or United States Treasury investment products, as the case may be, for a period starting on the date on which it was so received and ending on the last day of such Interest Period at the interest rate determined by each Lender in its reasonable discretion. Each Lender's determination as to such amount shall be conclusive absent manifest error.

(b) Borrowers shall pay Lenders, within fifteen (15) days after written demand by Agent, from time to time such amounts as each Lender may determine to be necessary to compensate it for any costs incurred by Lenders that any such Lender determines are attributable to its making or maintaining of any amount receivable by Lenders hereunder in respect of any Advances relating thereto (such increases in costs and reductions in amounts receivable being herein called "***Additional Costs***"), in each case resulting from any Regulatory Change which:

(i) changes the basis of taxation of any amounts payable to Lenders under this Agreement in respect of any Advances (other than changes which affect taxes measured by or imposed on the overall net income or capital of Lenders by the jurisdiction in which each Lender has its principal office);

(ii) imposes or modifies any reserve, special deposit or similar requirements relating to any extensions of credit or other assets of, or any deposits with, or other liabilities of Lenders (including any Advances or any deposits referred to in the definition of LIBOR); or

(iii) imposes any direct costs on Lenders in respect of any Advances.

Lenders will notify Borrower of any event occurring after the Effective Date which will entitle Lenders to compensation pursuant to this**Section 3.6(b)** as promptly as practicable after it obtains knowledge thereof and determines to request such compensation. Concurrently with any demand for compensation under this **Section 3.6(b)**, each affected Lender will furnish Borrowers with a statement setting forth the basis and amount of such request by such Lender for such compensation. Determinations and allocations by a Lender for purposes of this **Section 3.6(b)** of the effect of any Regulatory Change on its costs of maintaining its obligations to make Advances, of making or maintaining Advances, or on amounts receivable by it in respect of Advances, and of the additional amounts required to compensate such Lender in respect of any Additional Costs, shall be conclusive absent manifest error.

(c) If any Lender shall determine that the adoption or implementation of any applicable law, rule, regulation, or treaty regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank, or comparable agency charged with the interpretation or administration thereof, or compliance by such Lender (or its applicable lending office) with any respect or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank, or comparable agency, has or would have the effect of reducing the rate of return on capital of Lender or any person or entity controlling Lender (a "***Parent***") as a consequence of its obligations hereunder to a level below that which Lender (or its Parent) could have achieved but for such adoption, change, or compliance (taking into consideration policies with respect to capital adequacy) by an amount deemed by Lender to be material, then from time to time, within fifteen (15) days after written demand by Lender, Borrowers shall pay to such Lender such additional amount or amounts as will compensate such Lender for such reduction. Concurrently with any demand for compensation under this **Section 3.6(c)**, each affected Lender will furnish Borrowers with a statement setting forth the basis and amount of such request by such Lender for such compensation, which statement shall be conclusive absent manifest error.

(d) If, at any time, (i) the amount of LIBOR Advances for periods equal to the corresponding Interest Periods is not available to any Lender in the offshore currency interbank markets, or (ii) LIBOR does not accurately reflect the cost to any Lender of lending the LIBOR Advances, then such Lender shall promptly give notice thereof to Borrower. Upon the giving of such notice, such Lender's obligation to make the LIBOR Advances shall terminate.

(e) If it shall become unlawful for any Lender to continue to fund or maintain any LIBOR Advances, or to perform its obligations hereunder, upon demand by a Lender, Borrowers shall prepay the Advances in full with accrued interest thereon and all other amounts payable by Borrowers hereunder (including, without limitation, any amount payable in

connection with such prepayment pursuant to **Section 3.6(a)**). Notwithstanding the foregoing, to the extent a determination by a Lender as described above relates to a LIBOR Advance then being requested by Borrowers pursuant to a Notice of Borrowing or a Notice of Conversion/Continuation, Borrowers shall have the option, subject to the provisions of **Section 3.5(c)**, to (i) rescind such Notice of Borrowing or Notice of Conversion/Continuation by giving notice (by telefacsimile or by telephone confirmed in writing) to Agent of such rescission on the date on which any Lender gives notice of its determination as described above, or (ii) modify such Notice of Borrowing or Notice of Conversion/Continuation to obtain a Prime Rate Advance or to have outstanding Advances converted into or continued as Prime Rate Advances by giving notice (by telefacsimile or by telephone confirmed in writing) to Agent of such modification on the date on which such Lender gives notice of its determination as described above.

(f) Failure or delay on the part of any Lender to demand compensation pursuant to the provisions of **Sections 3.6(b)** or **3.6(c)** shall not constitute a waiver of such Lender's right to demand such compensation, *provided* that Borrowers shall not be required to compensate such Lender pursuant to the provisions of **Sections 3.6(b)** or **3.6(c)** for any costs incurred or reductions suffered more than 90 days prior to the date that such Lender or Agent notifies Borrowers of the Regulatory Change giving rise to such increased costs or reductions and of a Lender's intention to claim compensation therefor.

3.7 Calculation of Interest and Fees.

Interest on the Advances and all fees payable hereunder shall be computed on the basis of a 360-day year and the actual number of days elapsed (other than Prime Rate Advances, which shall be computed on the basis of a 365-day year and the actual number of days elapsed) in the period during which such interest accrues. In computing interest on any Advance, the date of the making of such Advance shall be included and the date of payment shall be excluded; *provided, however,* that if any Advance is repaid on the same day on which it is made, such day shall be included in computing interest on such Advance.

(a) Prime Rate Advances. Each change in the interest rate of the Prime Rate Advances based on changes in the Prime Rate shall be effective on the effective date of such change and to the extent of such change. Interest on Prime Rate Advances is payable quarterly by debit to the Designated Deposit Account on each Interest Payment Date.

(b) LIBOR Advances. The interest rate applicable to each LIBOR Advance shall be determined in accordance with **Section 3.5(a)** hereunder. Subject to **Sections 3.5** and **3.6**, such rate shall apply during the entire Interest Period applicable to such LIBOR Advance, and interest calculated thereon shall be payable on the Interest Payment Date applicable to such LIBOR Advance.

3.8 Increase in Committed Revolving Line.

(a) Request for Increase. Provided there exists no Default or Event of Default, upon notice to Agent (which shall promptly notify Lenders), Borrowers may on a one-time basis, request an increase in the Committed Revolving Line by an amount not

exceeding $25,000,000. At the time of sending such notice, Borrowers (in consultation with Agent) shall specify the time period within which each Lender is requested to respond (which shall in no event be less than ten Business Days from the date of delivery of such notice to Lenders) if it is willing to increase its Commitment. In the event more than one Lender is willing to increase its Commitment, such Lenders shall share in the increase in the Committed Revolving Line ratably in accordance with their combined Commitments prior to any increase. In no event shall the Committed Revolving Line be increased by an amount exceeding $25,000,000 without the consent of all Lenders.

(b) Lender Elections to Increase. Each Lender shall notify Agent within such time period whether or not it agrees to increase its Commitment and, if so, by what amount. Any Lender not responding within such time period shall be deemed to have declined to increase its Commitment.

(c) Notification by Agent; Additional Lenders. Agent shall notify Borrowers and each Lender of Lenders' responses to each request made hereunder.

(d) Effective Date and Allocations. If the Committed Revolving Line is increased in accordance with this Section, Agent and Borrowers shall determine the effective date (the "***Revolving Credit Increase Effective Date***") and the final allocation of such increase. Agent shall promptly notify Borrowers and Lenders of the final allocation of such increase and the Revolving Credit Increase Effective Date.

(e) Conditions to Effectiveness of Increase. As a condition precedent to such increase, Borrowers shall deliver to Agent a certificate of Borrowers and each Guarantor (if any) dated as of the Revolving Credit Increase Effective Date (in sufficient copies for each Lender) signed by a Responsible Officer of such Person (i) certifying and attaching the resolutions adopted by it approving or consenting to such increase, and (ii) in the case of Borrowers, certifying that, before and after giving effect to such increase, (A) the representations and warranties contained in **Section 5** and the other Loan Documents are true and correct on and as of the Revolving Credit Increase Effective Date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date, and (B) no Default or Event of Default exists.

3.9 Application and Allocation of Payments.

All payments and prepayments shall be applied ratably to the portion thereof held by each Lender as determined by its Pro Rata Share. As to any other payment, and as to all payments made when an Event of Default has occurred and is continuing or following the Revolving Maturity Date, Borrowers hereby irrevocably waive the right to direct the application of any and all payments received from or on behalf of Borrowers, and Borrowers hereby irrevocably agree that Agent shall have the continuing exclusive right to apply any and all such payments against the Obligations as Agent may deem advisable. In all circumstances, after acceleration or maturity of the Obligations, all payments and proceeds of Collateral shall be applied to amounts then due and payable in the following order: (a) to fees and Agent's expenses reimbursable hereunder; (b) to interest on the Advances; (c) to principal payments on the Advances, and to provide cash collateral for contingent Letters of Credit, ratably to the aggregate, combined principal balance of the Advances and the aggregate face amount of the outstanding Letters of Credit; and (d) to all other Obligations including expenses of Lenders.

4. CREATION OF SECURITY INTEREST

4.1 Grant of Security Interest.

Each Borrower hereby grants Agent, for the benefit of Lenders, to secure the payment and performance in full of all of the Obligations and the performance of each of Borrowers' duties under the Loan Documents, a continuing security interest in the Collateral and all proceeds and products thereof. Borrowers warrant and represent that the security interest granted herein shall be a perfected first priority security interest in the Filing Collateral (which security interest shall be perfected by the filing of any financing statements required by the Code) and in the Domestic Collateral Accounts (which security interest shall be perfected by "control" pursuant to Section 9104 or Section 9106 of the Code, as applicable), subject only to Permitted Liens.

Borrowers agree that any disposition of the Collateral in violation of this Agreement, by either Borrowers or any other Person, shall be deemed to violate the rights of Agent and Lenders under the Code. If the Agreement is terminated, Agent's lien and security interest in the Collateral shall continue until Borrowers fully satisfy their Obligations. If a Borrower shall at any time, file a commercial tort claim in any court where the amount of damages claimed exceeds $500,000, such Borrower shall promptly notify Agent in a writing signed by such Borrower of the brief details thereof and grant to Agent for the benefit of Lenders in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance reasonably satisfactory to Agent.

Once the Obligations have been indefeasibly paid in full (other than inchoate indemnity obligations) or otherwise performed in full and Lenders' obligations to provide Credit Extensions hereunder have terminated, (i) Agent's security interest in the Collateral shall automatically terminate, (ii) all rights to the Collateral shall automatically revert to Borrowers and (iii) Agent shall promptly return any pledged Collateral to Borrowers, or to the Person or Persons legally entitled thereto, and shall promptly endorse, execute, deliver, record and file all financing statements, reconveyances, instruments and documents, and do all other acts and things, reasonably required for the return of the Collateral to Borrowers, or to the Person or Persons legally entitled thereto, and to evidence or document the release, reconveyance and termination of Agent's interests arising under this Agreement, all as reasonably requested by, and at the expense of, Borrowers. Agent's Lien on any Collateral sold or otherwise transferred by Borrowers in a transaction which is not a Default or Event of Default under this Agreement shall terminate effective upon such sale or other transfer. Upon such termination or Agent's release of any Collateral prior to indefeasible payment or performance in full of the Obligations, Agent shall execute and deliver to Borrowers (or to a party designated by Borrowers) such documents as may be appropriate to confirm such termination or release, including documents necessary to reconvey interests in real property, terminate financing statements or to evidence the release (or partial release) of Collateral under financing statements filed under the Code.

4.2 Authorization to File Financing Statements.

Borrowers hereby authorize Agent to file financing statements with all appropriate jurisdictions, to perfect or protect Agent's interest or rights hereunder.

5. REPRESENTATIONS AND WARRANTIES

Each Borrower represents and warrants as follows:

5.1 Due Organization and Authorization.

Each Borrower and each Subsidiary is duly existing and, in any jurisdiction in which such legal concept is applicable, in good standing in its jurisdiction of organization and is qualified and licensed to do business in, and, in any jurisdiction in which such legal concept is applicable, is in good standing in, any jurisdiction in which the conduct of its business or its ownership of property requires that it be qualified, except where the failure to do any of the foregoing could not reasonably be expected to cause a Material Adverse Change. In connection with this Agreement, each Borrower has delivered to Lenders a certificate signed by such Borrower and entitled "Collateral Information Certificate". Each Borrower represents and warrants to Agent and Lenders that: (a) such Borrower's exact legal name is that indicated on the Collateral Information Certificate and on the signature page hereof; (b) such Borrower is an organization of the type, and is organized in the jurisdiction, set forth in the Collateral Information Certificate; (c) the Collateral Information Certificate accurately sets forth such Borrower's organizational identification number or accurately states that such Borrower has none; and (d) the Collateral Information Certificate accurately sets forth such Borrower's place of business, or, if more than one, its chief executive office as well as such Borrower's mailing address if different, and (e) all other information set forth on the Collateral Information Certificate pertaining to such Borrower is accurate and complete. If any Borrower does not now have an organizational identification number, but later obtains one, such Borrower shall promptly notify Agent of such organizational identification number.

The execution, delivery and performance of the Loan Documents have been duly authorized by each Borrower, and do not conflict with any Borrower's organizational documents, nor constitute an event of default under any material agreement by which any Borrower is bound. No Borrower is in default under any agreement to which or by which it is bound in which the default could reasonably be expected to cause a Material Adverse Change.

5.2 Collateral.

Borrowers have good title to the Collateral, free of Liens except Permitted Liens. Borrowers maintains their primary operating accounts with SVB or with SVB's Affiliates and all other deposit or investment accounts of Borrowers are disclosed in the Collateral Information Certificates or have otherwise been disclosed to Agent in writing. The Domestic Accounts are bona fide, existing obligations, and the service or property has been performed or delivered to the account debtor or its agent for immediate shipment to and unconditional acceptance by the account debtor. Except as otherwise disclosed in writing to Agent, no Collateral consisting of Inventory with an aggregate value in excess of $200,000 is in the possession of any third party bailee (such as a warehouse). Except as hereafter disclosed to Agent in writing by Borrowers

pursuant to and within the timeframe provided by **Section 6.2(d)(i)**, none of the components of the Collateral with an aggregate value in excess of $200,000 is maintained at locations other than as provided in the Collateral Information Certificates. In the event that Borrowers, after the date hereof, intend to deliver possession of any Collateral consisting of Inventory with an aggregate value in excess of $200,000 to a bailee, then Borrowers shall first obtain the written consent of Agent, and such bailee must acknowledge in writing that the bailee is holding such Collateral for the benefit of Agent. All Inventory is in all material respects of good and marketable quality, free from material defects.

5.3 Litigation.

Except as shown in the Collateral Information Certificates, there are no actions or proceedings pending or, to the knowledge of Borrowers' Responsible Officers or legal counsel, threatened in writing by or against Borrowers or any Subsidiary which could reasonably be expected to cause a Material Adverse Change.

5.4 No Material Deterioration in Financial Statements.

Except as set forth in the Collateral Information Certificates, all consolidated financial statements for Borrowers, and any Subsidiary, delivered to Agent fairly present in all material respects Borrowers' consolidated financial condition and Borrowers' consolidated results of operations as of the date of such financial statements. Except as set forth in the Collateral Information Certificates, there has not been a Material Adverse Change since the date of the most recent financial statements submitted to Agent.

5.5 Solvency.

The fair salable value of Borrowers' assets (including goodwill minus disposition costs) exceeds the fair value of its liabilities; no Borrower is left with unreasonably small capital after the transactions in this Agreement; and each Borrower is able to pay its debts (including trade debts) as they mature.

5.6 Regulatory Compliance.

No Borrower is an "investment company" under the Investment Company Act. No Borrower is engaged as one of its important activities in extending credit for margin stock (under Regulations T and U of the Federal Reserve Board of Governors). Each Borrower has complied in all material respects with the Federal Fair Labor Standards Act. Except as set forth in the Collateral Information Certificates, no Borrower has violated any laws, ordinances or rules, the violation of which could reasonably be expected to cause a Material Adverse Change. None of Borrowers' or any Subsidiary's properties or assets has been used by Borrowers or any Subsidiary or, to the best of Borrowers' knowledge, by previous Persons, in disposing, producing, storing, treating, or transporting any hazardous substance other than legally. Except as set forth in the Collateral Information Certificates, each Borrower and each Subsidiary have timely (taking into account any extensions of time granted to Borrower) filed all required tax returns and paid, or made adequate provision to pay, all material taxes, except those being contested in good faith with adequate reserves under GAAP. Except as set forth in the Collateral Information Certificates, each Borrower and each Subsidiary have obtained all consents,

approvals and authorizations of, made all declarations or filings with, and given all notices to, all government authorities that are necessary to continue its business as currently conducted, except where the failure to make such declarations, notices or filings would not reasonably be expected to cause a Material Adverse Change.

5.7 Subsidiaries.

Except as shown in the Collateral Information Certificate or as Borrowers may otherwise notify Agent in writing from time to time, Borrowers do not own any stock, partnership interest or other equity securities except for Permitted Investments.

5.8 Full Disclosure.

No written representation, warranty or other statement of Borrowers in any certificate or written statement given to Agent or Lenders (taken together with all such written certificates and written statements given to Agent and Lenders) contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained in the certificates or statements not misleading, it being recognized by Agent and Lenders that the projections and forecasts provided by Borrowers in good faith and based upon reasonable assumptions are not viewed as facts and that actual results during the period or periods covered by such projections and forecasts may differ from the projected or forecasted results.

6. AFFIRMATIVE COVENANTS

Each Borrower shall, and, where indicated, shall cause each of its Domestic Subsidiaries to, do all of the following for so long as Lenders have an obligation to lend or there are outstanding Obligations:

6.1 Government Compliance.

(a) Except as to Subsidiaries in connection with a transaction permitted by **Section 7.1(f)** or a merger permitted by **Section 7.4**, maintain its and all its Domestic Subsidiaries' legal existence and, to the extent such legal concept is applicable, good standing in their respective jurisdictions of organization except where the failure to do so could not reasonably be expected to cause a Material Adverse Change;

(b) Maintain its and its Domestic Subsidiaries' qualification to do business (to the extent such legal concept is applicable) in each jurisdiction where the failure to so qualify could reasonably be expected to cause a Material Adverse Change; and

(c) Comply, and have each of its Domestic Subsidiaries comply, with all laws, ordinances and regulations to which it is subject, for which noncompliance or would reasonably be expected to cause a Material Adverse Change.

6.2 Financial Statements, Reports, Certificates.

(a) Deliver to each Lender: (i) as soon as available, but no later than forty-five (45) days after the last day of each quarter (other than the fiscal quarter ending

December 31), a company prepared consolidated balance sheet and income statement covering Borrowers' consolidated operations during the period certified by a Responsible Officer and in a form acceptable to Lenders; (ii) as soon as available, but no later than ninety (90) days after the last day of Borrowers' fiscal year, audited consolidated financial statements prepared under GAAP, consistently applied, together with an opinion on the financial statements from a nationally-recognized, independent, certified public accounting firm; (iii) within five (5) Business Days of filing, copies of all reports on Forms 10-K and 10-Q filed with the Securities and Exchange Commission; (iv) a prompt report of any legal actions pending or threatened in writing against any Borrower or any Subsidiary that could result in damages or costs to a Borrower or any Subsidiary of Three Million Dollars ($3,000,000) or more; (v) as soon as available, but no later than ninety (90) days after the end of each fiscal year, a one (1) year (prepared on a quarterly basis) financial projections of Borrowers on a consolidated basis, including a balance sheet and statements of income and cash flows prepared in accordance with GAAP and showing projected operating revenues, expenses and debt service of Borrowers on a consolidated basis; and (vi) budgets, sales projections, operating plans or other financial information reasonably requested by any Lender.

Documents required to be delivered pursuant to this**Section 6.2(a)** (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date on which Borrowers post such documents, or provides a link thereto on the Borrowers' website on the Internet at Borrowers' website address of www.equinix.com (or such other website address as Borrowers may provide to Agent in writing from time to time); *provided* that: (x) to the extent Agent is otherwise unable to receive any such electronically delivered documents, Borrowers shall, upon request by Agent, deliver paper copies of such documents to Agent, in number sufficient for each Lender, until a written request to cease delivering paper copies is given by Agent and (y) Borrowers shall notify Agent (by telecopier or electronic mail) of the posting of any such documents or provide to Agent by electronic mail electronic versions (i.e., soft copies) of such documents.

(b) Borrowers shall deliver to Agent, (i) as soon as available, but no later than forty-five (45) days after the last day of each fiscal quarter (other than the fiscal quarter ending December 31) and (ii) together with the annual financial statements set forth in **clause (a)(ii)** above, a Compliance Certificate signed by a Responsible Officer in the form of Exhibit C.

(c) Borrowers shall, during normal business hours, from time to time upon five (5) Business Days' prior notice: (i) provide Agent, each Lender and any of their officers, employees and agents access to its properties, facilities, advisors, officers and employees of Borrowers and to the Collateral, (ii) permit Agent, each Lender, and any of their officers, employees and agents, to inspect, audit and make extracts from Borrowers' books and records, and (iii) permit Agent, each Lender, and their officers, employees and agents, to inspect, review, evaluate and make test verifications and counts of the Domestic Accounts, Inventory and other Collateral of Borrowers. So long as no Default or Event of Default shall have occurred and be continuing, Borrowers shall reimburse Agent and Lenders for not more than one (1) inspection in any calendar year in an amount not to exceed $10,000. If an Event of Default has occurred and is continuing, Borrowers shall provide access to (x) their properties, facilities, advisors, officers and employees and to the Collateral at all times and without advance notice,

and (y) its suppliers and customers upon request from Agent. Borrowers shall promptly make available to Agent, each Lender and their counsel originals or copies of all books and records that Agent or any Lender may reasonably request.

(d) Borrowers shall provide written notice to Agent (i) such notice to be delivered at the end of the fiscal quarter in which the following such relocation or additions occur, if any Borrower relocates its chief executive office, or adds any new offices or business locations, including warehouses (unless such new offices or business locations contain less than $200,000 in such Borrower's assets or property), (ii) such notice to be delivered at least thirty (30) days prior to the effective date of the following changes, if any Borrower changes (1) its jurisdiction of organization, (2) its organizational structure or type, (3) its legal name, or (4) the organizational number (if any) assigned by its jurisdiction of organization.

6.3 Inventory; Returns.

Keep all Inventory in good and marketable condition, free from material defects. Returns and allowances between any Borrower and its account debtors shall follow Borrowers' customary practices. Borrowers must promptly notify Agent of all returns, recoveries, disputes and claims, that involve more than $250,000.

6.4 Taxes.

Make, and cause each Subsidiary to make, timely (taking into account any extensions of time granted to Borrowers) payment of all material federal, state, and local taxes or assessments (other than taxes and assessments which a Borrower is contesting in good faith, with reserves maintained to the extent required by GAAP) and will deliver to Agent, on demand, appropriate certificates attesting to such payments.

6.5 Insurance.

Keep its business and the Collateral insured for such risks and in such amounts as is customary for Persons similarly situated as Borrowers. All property policies shall have a lenders' loss payable endorsement showing Agent as an additional loss payee; all liability policies shall show Agent as an additional insured; all policies shall provide that the insurer must give Agent at least twenty (20) days notice before canceling its policy. At Agent's request, Borrowers shall deliver certified copies of policies and evidence of all premium payments. Following the occurrence and during the continuance of an Event of Default, proceeds payable under any policy shall, at Requisite Lenders' option be payable to Lenders on account of the Obligations.

6.6 Primary Accounts.

(a) Maintain Borrowers' primary operating accounts with SVB or any Affiliate of SVB (collectively, "***SVB Accounts***") and not less than 90% of Borrowers' total cash in Domestic Collateral Accounts; and

(b) Provide Agent five (5) Business Days advance written notice before establishing any Domestic Collateral Account at or with any bank or financial institution

(other than SVB). In addition, for each Domestic Collateral Account that Borrowers at any time maintain, Borrowers shall cause each applicable bank or financial institution (other than SVB) at or with which any Domestic Collateral Account is maintained to execute and deliver a Control Agreement or other appropriate instrument with respect to such Domestic Collateral Account to perfect Agent's security interest in such Domestic Collateral Account.

6.7 Financial Covenants.

(a) At each date that is a quarter-end, Equinix and its consolidated Subsidiaries shall maintain a Quick Ratio of not less than 2.0:1.0.

(b) At each date that is a fiscal quarter-end, Equinix and its consolidated Subsidiaries shall have achieved EBITDA for a trailing two fiscal quarter period ending on such date equal to or greater than the amounts set forth below opposite each time period set forth below:

Period	Minimum EBITDA
For the two fiscal quarters ending on 6/30/06 and 9/30/06	$ 30,000,000
For the two fiscal quarters ending 12/31/06 and each fiscal quarter end thereafter	$ 40,000,000

(c) At each date that is a fiscal quarter-end, the Total Senior Funded Debt*divided by* the trailing two fiscal quarter annualized EBITDA of Equinix and its consolidated Subsidiaries (the ***"Senior Leverage Ratio"***) shall be less than or equal to the ratio set forth below opposite each time period set forth below:

Period	Maximum Senior Leverage Ratio
For the fiscal quarters ending through 6/30/07	3.25:1.0
For the fiscal quarters ending 9/30/07 through 12/31/07	3.00:1.0
For the fiscal quarters ending 3/31/08 and thereafter	2.75:1.00

(d) At each date that is a fiscal quarter-end, the Total Funded Debt*divided by* the trailing two fiscal quarter annualized EBITDA of Equinix and its consolidated Subsidiaries (the ***"Total Leverage Ratio"***) shall be less than or equal to the ratio set forth below opposite each time period set forth below:

Period	Maximum Total Leverage Ratio
For the fiscal quarters ending through 6/30/07	4.25:1.0*
For the fiscal quarters ending 9/30/07 and each fiscal quarter end thereafter	3.75:1.0*

* In the event Approved Subordinated Debt is issued:

(a)	For the four fiscal quarters following the date of issuance	7.00:1.00
(b)	For the next four fiscal quarters thereafter	6.00:1:00
(c)	For all fiscal quarters commencing with the ninth fiscal quarter after the date of issuance	5.00:1.00

6.8 Intentionally Omitted.

6.9 Further Assurances.

Borrowers shall execute any further instruments and take further action as Agent or any Lender reasonably requests to perfect or continue Agent's security interest in the Collateral or to effect the purposes of this Agreement.

7. NEGATIVE COVENANTS

Borrowers shall not, and, where indicated, shall not permit any of their Subsidiaries to, do any of the following without the prior written consent of Requisite Lenders, for so long as any Lender has an obligation to lend or there are any outstanding Obligations:

7.1 Dispositions.

Convey, sell, lease, transfer or otherwise dispose of (collectively a ***"Transfer"***), or permit any of its Subsidiaries to Transfer, all or any part of its business or property, except for (a) Transfers of Inventory in the ordinary course of business; (b) non-exclusive licenses, leases, and similar arrangements for the use of the property of Borrowers or their Subsidiaries in the ordinary course of business; (c) Transfers of worn-out, surplus, damaged, or obsolete Equipment; (d) Transfers associated with the making or disposition of a Permitted Investment; (e) dispositions of cash or Permitted Investments in a manner not prohibited by this Agreement; (f) mergers or consolidations of any Subsidiary into a Borrower or another Subsidiary or liquidations of or dissolutions of Subsidiaries; (g) Transfers in connection with transaction permitted under **Section 7.4**; (h) Transfers of unimproved real property; (i) Transfers of any Facility if as of the date of such Transfer such Facility is a Non-Performing Facility; (j) Transfers in connection with Permitted Sale-Leaseback Transactions; (k) Transfers that are Permitted

Liens; (l) Transfers (including the “Beaumeade Transfer”, as defined in the Consent Letter) arising in connection with the Identified iStar Transactions (to the extent, if any, that such Transfers are not otherwise permitted under this **Section 7.1**); and (m) Transfers not otherwise permitted in this **Section 7.1**, *provided*, that the aggregate book value of all such other Transfers by Borrowers and their Subsidiaries, together, shall not exceed $5,000,000 in any fiscal year.

7.2 Changes in Business.

Engage in or permit any of their Subsidiaries to engage in any business other than the businesses currently engaged in by Borrowers or reasonably related thereto.

7.3 Dissolution.

Dissolve or elect to dissolve.

7.4 Mergers; Consolidations.

Merge or consolidate with another corporation or entity, or acquire all or substantially all of the capital stock or property of a Person; provided that a Borrower may merge or consolidate with another corporation or entity or acquire all or substantially all of the capital stock or property of a Person, if (a) a Default or an Event of Default shall not have occurred and be continuing and would not occur as a result of such transaction, as evidenced by a certificate of a Responsible Officer of Borrower attaching pro forma covenant calculations through the Revolving Maturity Date, and (b) a Borrower is the sole survivor after giving effect to the transaction.

7.5 Indebtedness.

Create, incur, assume, or be liable for any Indebtedness, or permit any Subsidiary to do so, other than Permitted Indebtedness.

7.6 Encumbrance.

Create, incur, or allow any Lien on any of its property, or assign or convey any right to receive income, including the sale of any Accounts, or permit any of its Subsidiaries to do so, except for Permitted Liens, or permit any Collateral not to be subject to the first priority security interest granted herein, subject only to Permitted Liens. In addition, Borrowers shall not enter into any agreement, document, instrument or other arrangement after the date hereof (except with or in favor of Agent for the benefit of Lenders) with any Person which directly or indirectly prohibits or has the effect of prohibiting Borrowers from transferring, assigning, mortgaging, pledging, granting a security interest in or upon, or otherwise encumbering, any of Borrowers’ real property to or in favor of Agent; *provided*, *however*, that Agent shall, at the request of Borrowers at or prior to the time that Borrowers or any Subsidiary enters into any lease with respect to real property or incurs any Permitted Indebtedness secured by real property (including accessions, additions, parts, replacements, fixtures, improvements and attachments thereto, and equipment associated therewith, and the proceeds thereof), negotiate in good faith with the related landlord or lender the form and substance of a deed of trust or mortgage, together with any related documents reasonably required by Agent or such landlord or lender, pursuant to which any Lien in favor of Agent on such real property would be permitted under the terms of such lease or Permitted Indebtedness.

7.7 Distributions; Investments.

Directly or indirectly acquire or own any Person, or make any Investment in any Person, other than Permitted Investments, or permit any of its Domestic Subsidiaries to do so; or pay any dividends or make any distribution or payment or redeem, retire or purchase any capital stock except for Permitted Distributions.

7.8 Transactions with Affiliates.

Directly or indirectly enter into or permit to exist any material transaction with any Affiliate of Borrowers except for transactions that are in the ordinary course of Borrowers' business, or upon fair and reasonable terms that are no less favorable to Borrowers than would be obtained in an arm's length transaction with a non-affiliated Person.

7.9 Subordinated Debt.

Make or permit any payment on any Subordinated Debt, except under the terms of the Subordinated Debt or any intercreditor agreement to which Agent and Lenders are party, or amend any provision in any document relating to the Subordinated Debt without prior written consent.

7.10 Compliance.

Become an "investment company" under the Investment Company Act of 1940 or undertake as one of its important activities extending credit to purchase or carry margin stock, or use the proceeds of any Credit Extension for that purpose; fail to meet the minimum funding requirements of ERISA, permit a Reportable Event or Prohibited Transaction, as defined in ERISA, to occur; fail to comply with the Federal Fair Labor Standards Act or violate any other law or regulation, if the violation could reasonably be expected to have a material adverse effect on Borrowers' business or operations or would reasonably be expected to cause a Material Adverse Change, or permit any Subsidiaries to do so.

8. EVENTS OF DEFAULT

Any one of the following is an Event of Default:

8.1 Payment Default.

If Borrowers fail to pay (a) the principal portion of any Credit Extension when due, or (b) the interest portion of any Credit Extension within three (3) Business Days after the date due, or (c) any other monetary Obligations within three (3) Business Days after payment of such other Obligation becomes delinquent. During any cure period, the failure to cure the payment default is not an Event of Default (but no Credit Extensions will be made during the cure period).

8.2 Covenant Default.

(a) If Borrowers fail to perform any obligation under **Section 6.7** or violates any of the covenants contained in **Section 7** of this Agreement other than **Sections 7.5, 7.6 or 7.7**, or

(b) If Borrowers fail or neglect to perform, keep, or observe any other material term, provision, condition, covenant, or agreement contained in this Agreement, in any other Loan Document, or in any other present or future agreement between Borrowers and Agent or any Lender and as to any default under such other term, provision, condition, covenant or agreement that can be cured, has failed to cure such default within fifteen (15) days after a Responsible Officer is aware of the occurrence thereof; *provided, however*, that if the default cannot by its nature be cured within the fifteen (15) day period or cannot after diligent attempts by Borrowers be cured within such fifteen (15) day period, and such default is likely to be cured within a reasonable time, then Borrowers shall have an additional reasonable period (which shall not in any case exceed thirty (30) days) to attempt to cure such default, and within such reasonable time period the failure to have cured such default shall not be deemed an Event of Default (but no Credit Extensions will be made during such cure period).

8.3 Material Adverse Change.

If a Material Adverse Change occurs.

8.4 Attachment.

If (a) any material portion of any Borrower's assets is attached, seized, levied on, or comes into possession of a trustee or receiver and the attachment, seizure or levy is not removed in fifteen (15) days; (b) the service of process upon any Borrower seeking to attach, by trustee or similar process, any material portion of funds of Borrowers on deposit with SVB, or any entity under the control of SVB (including a subsidiary); (c) any Borrower is enjoined, restrained, or prevented by court order from conducting a material part of its business; (d) a judgment or other claim becomes a Lien on a material portion of Borrowers' assets; or (e) a notice of lien, levy, or assessment is filed against any material portion of Borrowers' assets by any government agency and not paid within fifteen (15) days after Borrowers receive notice. These are not Events of Default if stayed or if a bond is posted pending contest by Borrowers (but no Credit Extensions shall be made during the cure period). For purposes of this **Section 8.4**, "material portion" means an amount equal to or in excess of Three Million Dollars ($3,000,000).

8.5 Insolvency.

If (a) any Borrower is unable to pay its debts (including trade debts) as they mature; (b) Borrower begins an Insolvency Proceeding; or (c) an Insolvency Proceeding is begun against any Borrower and not dismissed or stayed within sixty (60) days (but no Credit Extensions shall be made before any Insolvency Proceeding is dismissed).

8.6 Other Agreements.

If there is a default in any agreement (other than a lease of real property under which a bona fide dispute exists between any Borrower and the landlord regarding the existence of a default and for which adequate reserves are maintained) to which any Borrower is a party with a third party or parties resulting in a right by such third party or parties, whether or not exercised, to accelerate the maturity of any Indebtedness in an amount in excess of Three Million Dollars ($3,000,000) or that could result in a Material Adverse Change.

8.7 Judgments.

If a judgment or judgments for the payment of money in an amount, individually or in the aggregate, of at least Three Million Dollars ($3,000,000) shall be rendered against any Borrower and shall (a) remain unsatisfied and unstayed for a period of ten (10) days and (b) not be appealed within the shorter of forty-five (45) days or the time period during which such appeal is required to be brought under applicable law (provided that no Credit Extensions will be made prior to the satisfaction or stay of such judgment).

8.8 Misrepresentations.

If any Borrower or any Person acting for any Borrower makes any material misrepresentation or material misstatement now or later in any warranty or representation in this Agreement or in any writing delivered to Agent or Lenders or to induce Agent and Lenders to enter this Agreement or any Loan Document.

9. RIGHTS AND REMEDIES

9.1 Rights and Remedies.

When an Event of Default occurs and continues Agent shall, at the request of, or may, with the consent of, Requisite Lenders, without notice or demand, do any or all of the following:

(a) declare all Obligations immediately due and payable (but if an Event of Default described in**Section 8.5** occurs, all Obligations are immediately due and payable without any action by Agent);

(b) stop advancing money or extending credit for Borrowers' benefit under this Agreement;

(c) settle or adjust disputes and claims directly with account debtors for amounts, on terms and in any order that Agent considers advisable and notify any Person owing Borrowers money of Agent's security interest in such funds and collect and verify the amount of such account. Borrowers shall collect all payments in trust for Agent and, if requested by Agent, immediately deliver the payments to Agent in the form received from the account debtor, with proper endorsements for deposit;

(d) make any payments and do any acts it considers necessary or reasonable to protect its security interest in the Collateral. Borrowers shall assemble the

Collateral if Agent requests and make it available as Agent designates. Agent or its representatives may enter premises where the Collateral is located, take and maintain possession of any part of the Collateral, and pay, purchase, contest, or compromise any Lien which appears to be prior or superior to its security interest and pay all expenses incurred. Each Borrower grants Agent a license to enter and occupy any of its premises, without charge, to exercise any of Agent's and Lenders' rights or remedies;

(e) apply to the Obligations any (i) balances and deposits of Borrowers it holds, or (ii) any amount held by SVB or any Lender owing to or for the credit or the account of Borrowers;

(f) ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, advertise for sale, and sell the Collateral. Agent is hereby granted a non-exclusive, royalty-free license or other right to use, without charge, Borrowers' labels, patents, copyrights, mask works, rights of use of any name, trade secrets, trade names, trademarks, service marks, and advertising matter, or any similar property as it pertains to the Collateral, in completing production of, advertising for sale, and selling any Collateral and, in connection with Agent's exercise of its rights under this Section, Borrowers' rights under all licenses and all franchise agreements inure to Agent for the benefit of Lenders;

(g) place a "hold" on any account maintained with SVB or any Lender and/or deliver a notice of exclusive control, any entitlement order, or other directions or instructions pursuant to any control agreement or similar agreements providing control of any Collateral;

(h) exercise any of its rights and remedies under the Leasehold Deeds of Trust;

(i) require Borrowers to provide cash collateral in the face amount of all undrawn Letters of Credit; and

(j) dispose of the Collateral according to the Code.

9.2 Power of Attorney.

Each Borrower hereby irrevocably appoints Agent as its lawful attorney-in-fact, to be effective upon the occurrence and during the continuance of an Event of Default, to: (a) endorse Borrower's name on any checks or other forms of payment or security; (b) sign Borrower's name on any invoice or bill of lading for any Account or drafts against account debtors, (c) settle and adjust disputes and claims about the Accounts directly with account debtors, for amounts and on terms Agent determines reasonable; (d) make, settle, and adjust all claims under Borrower's insurance policies; and (e) transfer the Collateral into the name of Agent or a third party as the Code permits. Each Borrower hereby appoints Agent as its lawful attorney-in-fact to sign Borrower's name on any documents necessary to perfect or continue the perfection of any security interest regardless of whether an Event of Default has occurred until all Obligations have been satisfied in full and Lenders are under no further obligation to make Credit Extensions hereunder. Agent's foregoing appointment as Borrower's attorney in fact, and all of Agent's rights and powers, coupled with an interest, are irrevocable until all Obligations have been fully repaid and performed and Lenders' obligation to provide Credit Extensions terminates.

9.3 Intentionally Omitted.

9.4 Bank Expenses.

If Borrowers fail to pay any amount or furnish any required proof of payment to third persons Agent may make all or part of the payment or obtain insurance policies required in **Section 6.5**. Any amounts paid by Agent as provided herein are Bank Expenses and are immediately due and payable and shall bear interest at the highest applicable default rate and be secured by the Collateral. No payments by Agent shall be deemed an agreement to make similar payments in the future or Agent's or any Lender's waiver of any Event of Default.

9.5 Agent's Liability for Collateral.

So long as Agent complies with reasonable banking practices regarding the safekeeping of Collateral, Agent shall not be liable or responsible for: (a) the safekeeping of the Collateral; (b) any loss or damage to the Collateral; (c) any diminution in the value of the Collateral; or (d) any act or default of any carrier, warehouseman, bailee, or other Person. Borrowers bear all risk of loss, damage or destruction of the Collateral.

9.6 Remedies Cumulative.

Agent's and Lenders' rights and remedies under this Agreement, the other Loan Documents, and all other agreements among Borrowers, Agent and Lenders, are cumulative. Agent has all rights and remedies provided under the Code, by law, or in equity. Agent's exercise of one right or remedy is not an election, and Agent's or Lenders' waiver of any Event of Default is not a continuing waiver. Agent's delay in enforcing its rights is not a waiver, election, or acquiescence.

9.7 Demand Waiver.

Each Borrower waives demand, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension, or renewal of accounts, documents, instruments, chattel paper, and guarantees held by Agent and Lenders on which Borrowers are liable.

10. NOTICES

Notices or demands by either party about this Agreement must be in writing and personally delivered or sent by an overnight delivery service, or by certified mail, postage prepaid, return receipt requested, or by facsimile at the addresses and facsimile numbers listed below. For purposes of **Section 2.3**, Agent may send notice to Borrowers by electronic mail at the email address set forth below (provided that a copy of such notice shall be mailed promptly thereafter to Borrowers at the address set forth below). Failure to provide copies of notices to Borrowers or Agent or Lenders to the Persons named below to receive copies shall not invalidate

the notice to Borrowers or to Agent or Lenders, as applicable. A party may change its notice address by written notice to the other parties.

If to Borrowers:	Equinix, Inc. Equinix Operating Co., Inc. 301 Velocity Way, 5th Floor Foster City, California 94404 Attn: Treasurer Fax: (650) 513-7913 Email:mmock@equinix.com
with a copy to:	Equinix, Inc. 301 Velocity Way, 5th Floor Foster City, California 94404 Attn: General Counsel Fax: (650) 513-7913
and to:	Orrick, Herrington & Sutcliffe LLP 405 Howard Street San Francisco, California 94105 Attn: Richard S. Grey, Esq. Fax: (415) 773-5759
If to Agent or SVB:	Silicon Valley Bank 2400 Geng Road, Suite 200 Palo Alto, California 94303 Attn: Maria Leaf Fax: (650) 320-0016
with a copy to:	Bingham McCutchen LLP 1900 University Avenue East Palo Alto, California 94303 Attn: Pamela J. Martinson, Esq. Fax: (650) 849-4800
If to GE:	General Electric Capital Corporation 100 California Street, 10th Floor San Francisco, CA 94111 Attn: Ali Mirza Fax: (513) 794-8596

11. CHOICE OF LAW , VENUE AND JURY TRIAL WAIVER

California law governs the Loan Documents without regard to principles of conflicts of law. Borrowers, Agent and Lenders each submit to the exclusive jurisdiction of the State and

Federal courts in California, and each Borrower accepts jurisdiction of the courts and venue in Santa Clara County, California. NOTWITHSTANDING THE FOREGOING, AGENT AND LENDERS SHALL HAVE THE RIGHT TO BRING ANY ACTION OR PROCEEDING AGAINST BORROWERS OR THEIR PROPERTY IN THE COURTS OF ANY OTHER JURISDICTION WHICH AGENT OR LENDERS DEEM NECESSARY OR APPROPRIATE IN ORDER TO REALIZE ON THE COLLATERAL OR TO OTHERWISE ENFORCE AGENT'S AND LENDERS' RIGHTS AGAINST BORROWERS OR THEIR PROPERTY.

BORROWERS, AGENT AND LENDERS EACH WAIVE THEIR RIGHT TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION ARISING OUT OF OR BASED UPON THIS AGREEMENT, THE LOAN DOCUMENTS OR ANY CONTEMPLATED TRANSACTION, INCLUDING CONTRACT, TORT, BREACH OF DUTY AND ALL OTHER CLAIMS. THIS WAIVER IS A MATERIAL INDUCEMENT FOR BOTH PARTIES TO ENTER INTO THIS AGREEMENT. EACH PARTY HAS REVIEWED THIS WAIVER WITH ITS COUNSEL.

WITHOUT INTENDING IN ANY WAY TO LIMIT THE PARTIES' AGREEMENT TO WAIVE THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY, if the above waiver of the right to a trial by jury is not enforceable, the parties hereto agree that any and all disputes or controversies of any nature between them arising at any time shall be decided by a reference to a private judge, mutually selected by the parties (or, if they cannot agree, by the Presiding Judge of the Santa Clara County, California Superior Court) appointed in accordance with California Code of Civil Procedure Section 638 (or pursuant to comparable provisions of federal law if the dispute falls within the exclusive jurisdiction of the federal courts), sitting without a jury, in Santa Clara County, California; and the parties hereby submit to the jurisdiction of such court. The reference proceedings shall be conducted pursuant to and in accordance with the provisions of California Code of Civil Procedure §§ 638 through 645.1, inclusive. The private judge shall have the power, among others, to grant provisional relief, including without limitation, entering temporary restraining orders, issuing preliminary and permanent injunctions and appointing receivers. All such proceedings shall be closed to the public and confidential and all records relating thereto shall be permanently sealed. If during the course of any dispute, a party desires to seek provisional relief, but a judge has not been appointed at that point pursuant to the judicial reference procedures, then such party may apply to the Santa Clara County, California Superior Court for such relief. The proceeding before the private judge shall be conducted in the same manner as it would be before a court under the rules of evidence applicable to judicial proceedings. The parties shall be entitled to discovery which shall be conducted in the same manner as it would be before a court under the rules of discovery applicable to judicial proceedings. The private judge shall oversee discovery and may enforce all discovery rules and order applicable to judicial proceedings in the same manner as a trial court judge. The parties agree that the selected or appointed private judge shall have the power to decide all issues in the action or proceeding, whether of fact of law, and shall report a statement of decision thereon pursuant to the California Code of Civil Procedure § 644(a). Nothing in this paragraph shall limit the right of any party at any time to exercise self-help remedies, foreclosure against collateral, or obtain provisional remedies. The private judge shall also determine all issues relating to the applicability, interpretation and enforceability of this paragraph.

12. AGENCY PROVISIONS

12.1 Appointment. SVB is hereby appointed to act on behalf of all Lenders as Administrative and Collateral Agent (the "Agent") under the Loan Agreement and the other Loan Documents. GE is hereby appointed to act on behalf of all Lenders and Agent as Documentation Agent under the Loan Agreement and the Loan Documents, provided, however, that GE shall have no powers, duties or responsibilities under this Agreement or any of the Loan Documents except in its capacity as a Lender. The provisions of this **Section 12.1** are solely for the benefit of Agent and Lenders and neither of Borrowers nor any other Person shall have any rights as a third party beneficiary of any of the provisions hereof. In performing its functions and duties under this Agreement and the other Loan Documents, Agent shall act solely as an agent of Lenders and does not assume and shall not be deemed to have assumed any obligation toward or relationship of agency or trust with or for any Loan Party or any other Person. Agent shall have no duties or responsibilities except for those expressly set forth in this Agreement and the other Loan Documents. The duties of Agent shall be mechanical and administrative in nature and Agent shall not have, or be deemed to have, by reason of this Agreement, any other Loan Document or otherwise a fiduciary relationship in respect of any Lender. Except as expressly set forth in this Agreement and the other Loan Documents, Agent shall not have any duty to disclose, and shall not be liable for failure to disclose, any information relating to any Loan Party or any of their respective Subsidiaries that is communicated to or obtained by SVB or any of its Affiliates in any capacity. Neither Agent nor any of its Affiliates nor any of their respective officers, directors, employees, agents or representatives shall be liable to any Lender for any action taken or omitted to be taken by it hereunder or under any other Loan Document, or in connection herewith or therewith, except for damages caused by its or their own gross negligence or willful misconduct.

If Agent shall request instructions from Requisite Lenders or all affected Lenders with respect to any act or action (including failure to act) in connection with this Agreement or any other Loan Document, then Agent shall be entitled to refrain from such act or taking such action unless and until Agent shall have received instructions from Requisite Lenders or all affected Lenders, as the case may be, and Agent shall not incur liability to any Person by reason of so refraining. Agent shall be fully justified in failing or refusing to take any action hereunder or under any other Loan Document (a) if such action would, in the opinion of Agent, be contrary to law or the terms of this Agreement or any other Loan Document, or (b) if Agent shall not first be indemnified to its satisfaction against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Without limiting the foregoing, no Lender shall have any right of action whatsoever against Agent as a result of Agent acting or refraining from acting hereunder or under any other Loan Document in accordance with the instructions of Requisite Lenders or all affected Lenders, as applicable.

12.2 Agent's Reliance, Etc. Neither Agent nor any of its Affiliates nor any of their respective directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement or the other Loan Documents, except for damages caused by its or their own gross negligence or willful misconduct. Without limiting the generality of the foregoing, Agent: (a) may consult with legal counsel, independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of

such counsel, accountants or experts; (b) makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties or representations made in or in connection with this Agreement or the other Loan Documents; (c) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement or the other Loan Documents on the part of any Loan Party or to inspect the Collateral (including the books and records) of any Loan Party; (d) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or the other Loan Documents or any other instrument or document furnished pursuant hereto or thereto; and (e) shall incur no liability under or in respect of this Agreement or the other Loan Documents by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopy, telegram, cable or telex) believed by it to be genuine and signed or sent by the proper party or parties.

12.3 SILICON VALLEY BANK AND AFFILIATES. WITH RESPECT TO ITS COMMITMENTS HEREUNDER, SVB SHALL HAVE THE SAME RIGHTS AND POWERS UNDER THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AS ANY OTHER LENDER AND MAY EXERCISE THE SAME AS THOUGH IT WERE NOT AGENT; AND THE TERM "LENDER" OR "LENDERS" SHALL, UNLESS OTHERWISE EXPRESSLY INDICATED, INCLUDE SVB IN ITS INDIVIDUAL CAPACITY. SVB AND ITS AFFILIATES MAY LEND MONEY TO, INVEST IN, AND GENERALLY ENGAGE IN ANY KIND OF BUSINESS WITH, ANY LOAN PARTY, ANY OF THEIR AFFILIATES AND ANY PERSON WHO MAY DO BUSINESS WITH OR OWN SECURITIES OF ANY LOAN PARTY OR ANY SUCH AFFILIATE, ALL AS IF SVB WERE NOT AGENT AND WITHOUT ANY DUTY TO ACCOUNT THEREFOR TO LENDERS. SVB AND ITS AFFILIATES MAY ACCEPT FEES AND OTHER CONSIDERATION FROM ANY LOAN PARTY FOR SERVICES IN CONNECTION WITH THIS AGREEMENT OR OTHERWISE WITHOUT HAVING TO ACCOUNT FOR THE SAME TO LENDERS EXCEPT AS OTHERWISE PROVIDED IN THE OTHER LOAN DOCUMENTS.

12.4 Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon Agent or any other Lender and based on the financial statements referred to in **Section 6.2** and such other documents and information as it has deemed appropriate, made its own credit and financial analysis of the Loan Parties and its own decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement. Each Lender acknowledges the potential conflict of interest of each other Lender as a result of Lenders holding disproportionate interests in the Loans, and expressly consents to, and waives any claim based upon, such conflict of interest.

12.5 Indemnification. Lenders agree to indemnify Agent (to the extent not reimbursed by Loan Parties and without limiting the obligations of Loan Parties hereunder), ratably according to their respective Commitment Percentage, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against Agent in any way relating to or arising out of this Agreement or any other Loan Document or any action taken or omitted to be taken by Agent in connection therewith;

provided, that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from Agent's gross negligence or willful misconduct. Without limiting the foregoing, each Lender agrees to reimburse Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including reasonable counsel fees) incurred by Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement and each other Loan Document, to the extent that Agent is not reimbursed for such expenses by Loan Parties.

12.6 Successor Agent. Agent may resign at any time by giving not less than thirty (30) days' prior written notice thereof to Lenders and Borrowers. Upon any such resignation, the Requisite Lenders shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Requisite Lenders and shall have accepted such appointment within thirty (30) days after the resigning Agent's giving notice of resignation, then the resigning Agent may, on behalf of Lenders, appoint a successor Agent, which shall be a Lender, if a Lender is willing to accept such appointment, or otherwise shall be a commercial bank or financial institution or a subsidiary of a commercial bank or financial institution if such commercial bank or financial institution is organized under the laws of the United States of America or of any State thereof and has a combined capital and surplus of at least $300,000,000. If no successor Agent has been appointed pursuant to the foregoing, within thirty (30) days after the date such notice of resignation was given by the resigning Agent, such resignation shall become effective and the Requisite Lenders shall thereafter perform all the duties of Agent hereunder until such time, if any, as the Requisite Lenders appoint a successor Agent as provided above. Any successor Agent appointed by Requisite Lenders hereunder shall be subject to the approval of Borrower, such approval not to be unreasonably withheld or delayed; *provided* that such approval shall not be required if a Default or an Event of Default has occurred and is continuing. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall succeed to and become vested with all the rights, powers, privileges and duties of the resigning Agent. Upon the earlier of the acceptance of any appointment as Agent hereunder by a successor Agent or the effective date of the resigning Agent's resignation, the resigning Agent shall be discharged from its duties and obligations under this Agreement and the other Loan Documents, except that any indemnity rights or other rights in favor of such resigning Agent shall continue. After any resigning Agent's resignation hereunder, the provisions of this **Section 12.6** shall inure to its benefit as to any actions taken or omitted to be taken by it while it was acting as Agent under this Agreement and the other Loan Documents.

12.7 Setoff and Sharing of Payment. In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, upon the occurrence and during the continuance of any Event of Default and subject to **Section 12.8(g),** each Lender is hereby authorized at any time or from time to time, without prior notice to any Borrower or to any Person other than Agent, any such notice being hereby expressly waived, to offset and to appropriate and to apply any and all balances held by it at any of its offices for the account of Borrower (regardless of whether such balances are then due to Borrowers) and any other properties or assets at any time held or owing by that Lender or that holder to or for the credit or for the account of Borrowers against and on account of any of the Obligations that are not paid when due; provided that the Lender exercising such offset rights shall give notice

thereof to the affected Borrower promptly after exercising such rights. Any Lender exercising a right of setoff or otherwise receiving any payment on account of the Obligations in excess of its Pro Rata Share thereof shall purchase for cash (and the other Lenders or holders shall sell) such participations in each such other Lender's or holder's Pro Rata Share of the Obligations as would be necessary to cause such Lender to share the amount so offset or otherwise received with each other Lender or holder in accordance with their respective Pro Rata Shares. Borrowers agree, to the fullest extent permitted by law, that (a) any Lender may exercise its right to offset with respect to amounts in excess of its Pro Rata Share of the Obligations and may sell participations in such amounts so offset to other Lenders and holders and (b) any Lender so purchasing a participation in the Loans made or other Obligations held by other Lenders or holders may exercise all rights of offset, bankers' lien, counterclaim or similar rights with respect to such participation as fully as if such Lender or holder were a direct holder of the Loans and the other Obligations in the amount of such participation. Notwithstanding the foregoing, if all or any portion of the offset amount or payment otherwise received is thereafter recovered from the Lender that has exercised the right of offset, the purchase of participations by that Lender shall be rescinded and the purchase price restored without interest.

12.8 Advances; Payments; Non-Funding Lenders; Risk Participations; Information; Actions in Concert.

(a) Advances; Payments.

(i) Each Lender shall make an amount equal to such Lender's Commitment Percentage of each Advance (such amount, with respect to any Advance, shall be referred to herein as such Lender's **"Advance Amount"**) available to Agent in same day funds by wire transfer to Agent's account as provided to each Lender not later than 12:00 p.m. (Pacific time) on the requested funding date. After receipt of such wire transfers (or, in the Agent's sole discretion, before receipt of such wire transfers), subject to the terms hereof, Agent shall make the requested Advance to Borrowers. All payments by each Lender shall be made without setoff, counterclaim or deduction of any kind.

(ii) Agent will promptly distribute to each Lender its Commitment Percentage (or other applicable share as provided herein) of all payments made by or on behalf of the Borrowers in like funds as received by the Agent. To the extent that any Lender (a **"Non-Funding Lender"**) has failed to fund all payments and Advances to be made by it or failed to fund the purchase of all participations required to be purchased by it, Agent shall be entitled to set off the funding short-fall against that Non-Funding Lender's Pro Rata Share of all payments received from Borrowers.

(b) Availability of Lenders' Advance Amount. Agent may assume that each Lender will make its Advance Amount of each Advance available to Agent on each funding date. If such Advance Amount is not, in fact, paid to Agent by such Lender when due, Agent will be entitled to recover such amount on demand from such Lender without setoff, counterclaim or deduction of any kind. If any Lender fails to pay its Advance Amount forthwith upon Agent's demand, Agent shall promptly notify Borrowers and Borrowers shall immediately repay such amount to Agent. Nothing in this **Section 12.8(b)** or elsewhere in this Agreement or the other Loan Documents shall be deemed to require Agent to advance funds on behalf of any

Lender or to relieve any Lender from its obligation to fulfill its Commitments hereunder or to prejudice any rights that Borrower may have against any Lender as a result of any default by such Lender hereunder. To the extent that Agent advances funds to Borrower on behalf of any Lender and is not reimbursed therefor on the same Business Day as such Advance is made, Agent shall be entitled to retain for its account all interest accrued on such Advance until reimbursed by the applicable Lender.

(c) Return of Payments.

(i) If Agent pays an amount to a Lender under this Agreement in the belief or expectation that a related payment has been or will be received by Agent from Borrowers and such related payment is not received by Agent, then Agent will be entitled to recover such amount from such Lender on demand without setoff, counterclaim or deduction of any kind.

(ii) If Agent determines at any time that any amount received by Agent under this Agreement must be returned to Borrowers or paid to any other Person pursuant to any insolvency law or otherwise, then, notwithstanding any other term or condition of this Agreement or any other Loan Document, Agent will not be required to distribute any portion thereof to any Lender. In addition, each Lender will repay to Agent on demand any portion of such amount that Agent has distributed to such Lender, together with interest at such rate, if any, as Agent is required to pay to Borrowers or such other Person, without setoff, counterclaim or deduction of any kind.

(d) Non-Funding Lenders. The failure of any Non-Funding Lender to make any Advance or any payment required by it hereunder, shall not relieve any other Lender (each such other Lender, an **"Other Lender"**) of its obligations to make such Advance on such date, but neither any Other Lender nor Agent shall be responsible for the failure of any Non-Funding Lender to make an Advance or make any other payment required hereunder. Notwithstanding anything set forth herein to the contrary, a Non-Funding Lender shall not have any voting or consent rights under or with respect to any Loan Document or constitute a "Lender" (or be included in the calculation of "Requisite Lenders" hereunder) for any voting or consent rights under or with respect to any Loan Document. At Borrowers' request, Agent or a Person acceptable to Agent shall have the right with Agent's consent and in Agent's sole discretion (but shall have no obligation) to purchase from any Non-Funding Lender, and each Non-Funding Lender agrees that it shall, at Agent's request, sell and assign to Agent or such Person, all of the Commitments of that Non-Funding Lender for an amount equal to the principal balance of all Loans held by such Non-Funding Lender and all accrued interest and fees with respect thereto through the date of sale, such purchase and sale to be consummated pursuant to an executed Assignment Agreement.

(e) Letter of Credit Risk Participations. Immediately upon the issuance of any Letter of Credit in accordance with**Section 2.1.2**, each Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from SVB in its capacity as the issuer of the Letter of Credit a risk participation in such Letter of Credit in an amount equal to the product of such Lender's Commitment Percentage *times* the face amount of such Letter of Credit. In the event of an unreimbursed drawing under any Letter of Credit, each Lender shall,

upon notice from Agent, make funds available to Agent for reimbursement of the issuer in an amount equal to its Commitment Percentage of the unreimbursed drawing amount, in accordance with **Section 12.8(a)(i)** above.

(f) Dissemination of Information. Agent shall use reasonable efforts to provide Lenders with any notice of Default or Event of Default received by Agent from, or delivered by Agent to, any Borrower, with notice of any Event of Default of which Agent has actually become aware and with notice of any action taken by Agent following any Event of Default; provided, that Agent shall not be liable to any Lender for any failure to do so, except to the extent that such failure is attributable to Agent's gross negligence or willful misconduct. Lenders acknowledge that Borrowers are required to provide financial statements and other reports to Lenders in accordance with **Section 6.2** and agree that Agent shall have no duty to provide the same to Lenders.

(g) Actions in Concert. Anything in this Agreement to the contrary notwithstanding, each Lender hereby agrees with each other Lender that no Lender shall take any action to protect or enforce its rights arising out of this Agreement or the Loan Documents (including exercising any rights of setoff) without first obtaining the prior written consent of Agent and Requisite Lenders, it being the intent of Lenders that any such action to protect or enforce rights under this Agreement and the Loan Documents shall be taken in concert and at the direction or with the consent of Agent or Requisite Lenders.

13. GENERAL PROVISIONS

13.1 Successors and Assigns; Assignments and Participations.

(a) No Assignment by Borrowers. This Agreement binds and is for the benefit of the successors and permitted assigns of each party. Borrowers may not assign this Agreement or any rights or Obligations under it without Agent's and Lenders' prior written consent which may be granted or withheld in their sole discretion.

(b) Assignments. Subject to the terms of this **Section 13.1(b)**, any Lender may make an assignment to a Qualified Assignee of, or sale of participations in, at any time or times, the Loan Documents, Advances and any Commitment or any portion thereof or interest therein, including any Lender's rights, title, interests, remedies, powers or duties thereunder. Any assignment by a Lender shall: (i) require the consent of Agent (which consent shall not be unreasonably withheld or delayed with respect to a Qualified Assignee) and the execution of an assignment agreement (an **"Assignment Agreement"** substantially in the form attached hereto as Exhibit E) and otherwise in form and substance reasonably satisfactory to, and acknowledged by, Agent; (ii) be conditioned on such assignee Lender representing to the assigning Lender and Agent that it is purchasing the applicable Loans to be assigned to it for its own account, for investment purposes and not with a view to the distribution thereof; (iii) after giving effect to any such partial assignment, the assignee Lender shall have Commitments in an amount at least equal to $5,000,000 and the assigning Lender shall have retained Commitments in an amount at least equal to $5,000,000; (iv) include a payment to Agent of an assignment fee of $3,500 and (v) so long as no Event of Default has occurred and is continuing, require the consent of Borrowers, which shall not be unreasonably withheld or delayed; provided that no

such consent shall be required for an assignment to a Qualified Assignee. In the case of an assignment by a Lender under this **Section 13.1(b)**, the assignee shall have, to the extent of such assignment, the same rights, benefits and obligations as all other Lenders hereunder. The assigning Lender shall be relieved of its obligations hereunder with respect to its Commitments or assigned portion thereof from and after the date of such assignment. Each Borrower hereby acknowledges and agrees that any assignment shall give rise to a direct obligation of Borrowers to the assignee and that the assignee shall be considered to be a "Lender". In all instances, each Lender's liability to make Advances hereunder shall be several and not joint and shall be limited to such Lender's Commitment Percentage. In the event Agent or any Lender assigns or otherwise transfers all or any part of the Obligations, Agent or any such Lender shall so notify Borrowers and Borrowers shall, upon the request of Agent or such Lender, execute new Notes in exchange for the Notes, if any, being assigned. Notwithstanding the foregoing provisions of this **Section 13.1(b)**, any Lender may at any time pledge the Obligations held by it and such Lender's rights under this Agreement and the other Loan Documents to a Federal Reserve Bank, and any lender that is an investment fund may assign the Obligations held by it and such Lender's rights under this Agreement and the other Loan Documents to another investment fund managed by the same investment advisor; *provided*, that no such pledge to a Federal Reserve Bank shall release such Lender from such Lender's obligations hereunder or under any other Loan Document.

(c) Participations. Any participation by a Lender of all or any part of its Commitments shall be made with the understanding that all amounts payable by Borrowers hereunder shall be determined as if that Lender had not sold such participation, and that the holder of any such participation shall not be entitled to require such Lender to take or omit to take any action hereunder except actions directly affecting (i) any reduction in the principal amount of, or interest rate or Bank Expenses payable with respect to, any Loan in which such holder participates, (ii) any extension of the scheduled amortization of the principal amount of any Loan in which such holder participates or the final maturity date thereof, and (iii) any release of all or substantially all of the Collateral (other than in accordance with the terms of this Agreement, the Collateral Documents or the other Loan Documents). Neither Borrowers nor any other Loan Party shall have any obligation or duty to any participant. Neither Agent nor any Lender (other than the Lender selling a participation) shall have any duty to any participant and may continue to deal solely with the Lender selling a participation as if no such sale had occurred.

(d) Continuing Obligations. Except as expressly provided in this **Section 13.1**, no Lender shall, as between Borrowers and that Lender, or Agent and that Lender, be relieved of any of its obligations hereunder as a result of any sale, assignment, transfer or negotiation of, or granting of participation in, all or any part of the Advances or other Obligations owed to such Lender.

(e) Loan Party Assistance. Each Loan Party shall assist any Lender permitted to sell assignments or participations under this **Section 13.1** as reasonably required to enable the assigning or selling Lender to effect any such assignment or participation, including the execution and delivery of any and all agreements, notes and other documents and instruments as shall be requested and the preparation of informational materials for, and the participation of management in meetings with, potential assignees or participants. Each Loan Party shall certify the correctness, completeness and accuracy of all descriptions of the Loan Parties and their respective affairs contained in any selling materials provided by it and all other information provided by it and included in such materials.

(f) Confidentiality. A Lender may furnish any information concerning Loan Parties in the possession of such Lender from time to time to assignees and participants (including prospective assignees and participants); provided that such Lender shall obtain from assignees or participants confidentiality covenants substantially equivalent to those contained in **Section 13.11** below.

13.2 Indemnification.

Borrowers hereby indemnify, defend and hold Agent and Lenders and their respective officers, employees, and agents harmless against: (a) all obligations, demands, claims, and liabilities asserted by any other party in connection with the transactions contemplated by the Loan Documents; and (b) all losses, or Bank's Expenses incurred, or paid by Agent and Lenders from, following, or consequential to transactions among Agent, Lenders and Borrowers (including reasonable attorneys' fees and expenses), except to the extent any of the foregoing are caused by Agent's or Lenders' gross negligence or willful misconduct.

13.3 Attorneys' Fees, Costs and Expenses.

In any action or proceeding between Borrowers and Agent or any Lender arising out of the Loan Documents the prevailing party will be entitled to recover its reasonable attorneys' fees and other reasonable costs and expenses incurred, in addition to any other relief to which it may be entitled.

13.4 Right of Set-Off.

Borrower hereby grants to Agent and each Lender, a lien, security interest and right of set-off as security for all Obligations to Agent and Lenders hereunder, whether now existing or hereafter arising upon and against all deposits, credits, collateral and property, now or hereafter in the possession, custody, safekeeping or control of Agent and each Lender any entity under the control of Agent and each Lender (including an Affiliate) or in transit to any of them. At any time after the occurrence and during the continuance of an Event of Default, without demand or notice, Agent and each Lender may set-off the same or any part thereof and apply the same to any liability or obligation of Borrowers and any guarantor even though unmatured and regardless of the adequacy of any other collateral securing the Obligations. ANY AND ALL RIGHTS TO REQUIRE AGENT OR LENDERS TO EXERCISE ITS RIGHTS OR REMEDIES WITH RESPECT TO ANY OTHER COLLATERAL WHICH SECURES THE OBLIGATIONS, PRIOR TO EXERCISING ITS RIGHT OF SETOFF WITH RESPECT TO SUCH DEPOSITS, CREDITS OR OTHER PROPERTY OF BORROWERS OR ANY GUARANTOR, ARE HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVED.

13.5 Time of Essence.

Time is of the essence for the payment and performance of all Obligations in this Agreement.

13.6 Severability of Provisions.

Each provision of this Agreement is severable from every other provision in determining the enforceability of any provision.

13.7 Amendments and Waivers.

(a) Except for actions expressly permitted to be taken by Agent, no amendment, modification, termination or waiver of any provision of this Agreement or any other Loan Document, or any consent to any departure by any Loan Party therefrom, shall in any event be effective unless the same shall be in writing and signed by Agent and Borrowers, and by Requisite Lenders or all affected Lenders, as applicable. Except as set forth in **Section 13.7(c)** below, all such amendments, modifications, terminations or waivers requiring the consent of any Lenders shall require the written consent of Requisite Lenders.

(b) No amendment, modification, termination or waiver of or consent with respect to any provision of the Loan Agreement that waives compliance with the conditions precedent set forth in **Sections 3.1 or 3.2** to the making of any Credit Extension shall be effective unless the same shall be in writing and signed by Agent, Requisite Lenders and Borrowers. Notwithstanding anything contained in this Agreement to the contrary, no waiver or consent with respect to any Default or any Event of Default shall be effective for purposes of the conditions precedent to the making of Credit Extensions set forth in **Section 3.1 or 3.2** unless the same shall be in writing and signed by Agent, Requisite Lenders and Borrowers.

(c) No amendment, modification, termination or waiver shall, unless in writing and signed by Agent and each Lender directly affected thereby: (i) increase the principal amount of any Lender's Commitment (which action shall be deemed to directly affect all Lenders only in the event that the sum of all Lenders' Commitments is increased to be in excess of the maximum Committed Revolving Line); (ii) reduce the principal of, rate of interest on or Fees payable with respect to any Credit Extension of any affected Lender; (iii) extend any scheduled payment date or final maturity date of the principal amount of any Advances of any affected Lender; (iv) waive, forgive, defer, extend or postpone any payment of interest or fees as to any affected Lender; (v) release any Guarantor or, except as otherwise permitted herein or in the other Loan Documents, release, or permit any Loan Party to sell or otherwise dispose of, any Collateral with a value exceeding $500,000 in the aggregate (which action shall be deemed to directly affect all Lenders); (vi) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Advances that shall be required for Lenders or any of them to take any action hereunder; and (vii) amend or waive this **Section 13.7(c)** or the definition of the term "Requisite Lenders" insofar as such definition affects the substance of this **Section 13.7(c)**. Furthermore, no amendment, modification, termination or waiver affecting the rights or duties of Agent under this Agreement or any other Loan Document, including any increase in sublimits or any release of any Guarantor or Collateral requiring a writing signed by all Lenders, shall be effective unless in writing and signed by Agent in addition to Lenders required hereinabove to take such action. Each amendment, modification, termination or waiver shall be effective only in the specific instance and for the specific purpose for which it was given. No amendment, modification, termination or waiver shall be required for Agent to take additional Collateral pursuant to any Loan Document. No notice to or demand on any Borrower in any case shall

entitle such Borrower or any other Borrower to any other or further notice or demand in similar or other circumstances. Any amendment, modification, termination, waiver or consent effected in accordance with this **Section 13.7(c)** shall be binding upon each Lender, regardless of the point in time at which such Person first becomes a Lender under the Loan Agreement.

(d) If, in connection with any proposed amendment, modification, waiver or termination:

(i) requiring the consent of all affected Lenders, the consent of Requisite Lenders is obtained, but the consent of other Lenders whose consent is required is not obtained (any such Lender whose consent is not obtained as described in this clause (i) and in clause (ii) below being referred to as **"Non Consenting Lender"**); or

(ii) requiring the consent of Requisite Lenders, the consent of Lenders holding 51% or more of the aggregate Commitments is obtained, but the consent of Requisite Lenders is not obtained;

then, so long as Agent is not a Non Consenting Lender, at Borrowers' request Agent, or a Person reasonably acceptable to Agent and Borrowers, shall have the right with Agent's consent and in Agent's sole discretion (but shall have no obligation) to purchase from such Non Consenting Lenders, and such Non Consenting Lenders agree that they shall, upon Agent's request, sell and assign to Agent or such Person, all of the Commitments of such Non Consenting Lenders for an amount equal to the principal balance of all Loans held by the Non Consenting Lenders and all accrued interest and fees with respect thereto through the date of sale, such purchase and sale to be consummated pursuant to an executed Assignment Agreement.

13.8 Integration.

This Agreement and the Loan Documents represent the entire agreement about this subject matter, and supersede prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of this Agreement and the Loan Documents merge into this Agreement and the Loan Documents.

13.9 Counterparts.

This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, are an original, and all taken together, constitute one Agreement.

13.10 Survival.

All covenants, representations and warranties made in this Agreement continue in full force while any Obligations remain outstanding. The obligation of Borrowers in **Section 13.2** to indemnify Agent and Lenders shall survive until the statute of limitations with respect to such claim or cause of action shall have run.

13.11 Confidentiality.

In handling any confidential information, each of Agent and Lenders shall exercise the same degree of care that it exercises for its own proprietary information, but disclosure of information may be made: (a) to Agent's and Lenders' subsidiaries or affiliates in connection with their business with Borrowers; (b) to prospective transferees or purchasers of any interest in the Credit Extensions (provided, however, Agent and Lenders shall obtain such prospective transferee's or purchaser's agreement to the terms of this provision); (c) as required by law, regulation, subpoena, or other order; (d) as required in connection with any examination or audit of Agent or any Lender; and (e) as Agent and Lenders consider appropriate in exercising remedies under this Agreement. Confidential information does not include information that either: (x) is in the public domain or in Agent's or Lenders' possession when disclosed to it (other than information that becomes part of the public domain by reason of Agent's or Lenders' breach of this **Section 13.11**), or becomes part of the public domain after disclosure to Agent or Lenders; or (y) is disclosed to Agent and Lenders by a third party, if, at the time of disclosure, Agent and Lenders do not know that the third party is prohibited from disclosing the information.

13.2 Designation of Obligations as "Designated Senior Debt".

Borrowers, Agent and Lenders expressly agree that the Obligations constitute "Designated Senior Debt" for purposes of and as defined in that certain Indenture, dated as of February 11, 2004, between Equinix and U.S. Bank National Association, as Trustee, as amended, modified or supplemented from time to time.

13.13 USA PATRIOT Act Notice.

Agent hereby notifies Borrowers that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies Borrowers, which information includes the name and address of Borrowers and other information that will allow Agent to identify Borrowers in accordance with the Act.

14. CROSS-GUARANTY

14.1 Cross-Guaranty. Each Borrower hereby agrees that such Borrower is jointly and severally liable for, and hereby absolutely and unconditionally guarantees to Agent and Lenders and their respective successors and assigns, the full and prompt payment (whether at stated maturity, by acceleration or otherwise) and performance of, all Obligations owed or hereafter owing to Agent and Lenders by each other Borrower. Each Borrower agrees that its guaranty obligation hereunder is a continuing guaranty of payment and performance and not of collection, that its obligations under this **Section 14** shall not be discharged until payment and performance, in full, of the Obligations has occurred, and that its obligations under this **Section 14** shall be absolute and unconditional, irrespective of, and unaffected by,

(a) the genuineness, validity, regularity, enforceability or any future amendment of, or change in, this Agreement, any other Loan Document or any other agreement, document or instrument to which any Borrower is or may become a party;

(b) the absence of any action to enforce this Agreement (including this **Section 14**) or any other Loan Document or the waiver or consent by Agent and Lenders with respect to any of the provisions thereof;

(c) the existence, value or condition of, or failure to perfect its Lien against, any security for the Obligations or any action, or the absence of any action, by Agent and Lenders in respect thereof (including the release of any such security);

(d) the insolvency of any Loan Party; or

(e) any other action or circumstances that might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor.

Each Borrower shall be regarded, and shall be in the same position, as principal debtor with respect to the Obligations guaranteed hereunder.

14.2 Waivers by Borrowers. To the extent permitted by applicable law, each Borrower hereby waives any and all defenses and rights of discharge based upon suretyship or impairment of collateral (including lack of attachment or perfection with respect thereto) that it may now have or may hereafter acquire with respect to Agent or Lenders or any of its Obligations hereunder, under any Loan Document or under any other agreement that it may have or may hereafter enter into with Agent or Lenders. Each Borrower expressly waives all rights it may have now or in the future under any statute, or at common law, or at law or in equity, or otherwise, to compel Agent or Lenders to marshal assets or to proceed in respect of the Obligations guaranteed hereunder against any other Loan Party, any other party or against any security for the payment and performance of the Obligations before proceeding against, or as a condition to proceeding against, such Borrower. It is agreed among each Borrower, Agent and Lenders that the foregoing waivers are of the essence of the transaction contemplated by this Agreement and the other Loan Documents and that, but for the provisions of this **Section 14** and such waivers, Agent and Lenders would decline to enter into this Agreement.

14.3 Benefit of Guaranty. Each Borrower agrees that the provisions of this **Section 14** are for the benefit of Agent and Lenders and their respective successors, transferees, endorsees and assigns, and nothing herein contained shall impair, as between any other Borrower and Agent or Lenders, the obligations of such other Borrower under the Loan Documents.

14.4 Subordination of Subrogation, Etc. Notwithstanding anything to the contrary in this Agreement or in any other Loan Document, each Borrower hereby expressly and irrevocably subordinates to payment of the Obligations any and all rights at law or in equity to subrogation, reimbursement, exoneration, contribution, indemnification or set off and any and all defenses available to a surety, guarantor or accommodation co-obligor until the Obligations are indefeasibly paid in full in cash. Each Borrower acknowledges and agrees that this subordination is intended to benefit Agent and Lenders and shall not limit or otherwise affect such Borrower's liability hereunder or the enforceability of this **Section 14,** and that Agent, Lenders and their respective successors and assigns are intended third party beneficiaries of the waivers and agreements set forth in this **Section 14.4**.

14.5 Election of Remedies. If Agent or any Lender may, under applicable law, proceed to realize its benefits under any of the Loan Documents giving Agent or such Lender a Lien upon any Collateral, whether owned by any Borrower or by any other Person, either by judicial foreclosure or by non-judicial sale or enforcement, Agent or any Lender may, at its sole option, determine which of its remedies or rights it may pursue without affecting any of its rights and remedies under this **Section 14**. If, in the exercise of any of its rights and remedies, Agent or any Lender shall forfeit any of its rights or remedies, including its right to enter a deficiency judgment against any Borrower or any other Person, whether because of any applicable laws pertaining to "election of remedies" or the like, each Borrower hereby consents to such action by Agent or such Lender and waives any claim based upon such action, even if such action by Agent or such Lender shall result in a full or partial loss of any rights of subrogation that each Borrower might otherwise have had but for such action by Agent or such Lender. Any election of remedies that results in the denial or impairment of the right of Agent or any Lender to seek a deficiency judgment against any Borrower shall not impair any other Borrower's obligation to pay the full amount of the Obligations. In the event Agent or any Lender shall bid at any foreclosure or trustee's sale or at any private sale permitted by law or the Loan Documents, Agent or such Lender may bid all or less than the amount of the Obligations and the amount of such bid need not be paid by Agent or such Lender but shall be credited against the Obligations. The amount of the successful bid at any such sale, whether Agent, Lender or any other party is the successful bidder, shall be conclusively deemed to be the fair market value of the Collateral and the difference between such bid amount and the remaining balance of the Obligations shall be conclusively deemed to be the amount of the Obligations guaranteed under this Section 14, notwithstanding that any present or future law or court decision or ruling may have the effect of reducing the amount of any deficiency claim to which Agent or any Lender might otherwise be entitled but for such bidding at any such sale.

14.6 Liability Cumulative. The liability of Borrowers under this Section 14 is in addition to and shall be cumulative with all liabilities of each Borrower to Agent and Lenders under this Agreement and the other Loan Documents to which such Borrower is a party or in respect of any Obligations or obligation of the other Borrower, without any limitation as to amount, unless the instrument or agreement evidencing or creating such other liability specifically provides to the contrary.

15. DEFINITIONS

15.1 Definitions.

In this Agreement:

"Accounts" are all existing and later arising accounts, contract rights, and other obligations owed Borrower in connection with its sale or lease of goods (including licensing software and other technology) or provision of services, all credit insurance, guaranties, other security and all merchandise returned or reclaimed by Borrower and Borrower's Books relating to any of the foregoing, as such definition may be amended from time to time according to the Code.

"***Adjusted LIBOR***" means, for each Interest Period in respect of LIBOR Advances comprising part of the same Advances, an interest rate per annum (rounded upward to the nearest 1/16th of one percent (0.0625%)) equal to LIBOR for such Interest Period *divided by* one (1) *minus* the Reserve Requirement for such Interest Period.

"***Advance***" or "***Advances***" is a loan advance (or advances) under the Committed Revolving Line.

"Affiliate" of any Person is (a) any Person that owns or controls directly or indirectly such Person, (b) any Person that controls or is controlled by or is under common control with such Person, and (c) each of such Person's senior executive officers or directors, (d) for any Person that is a limited liability company, such Person's managers and members, and (e) for any Person that is a partnership, such Person's general partner.

"Agent" is Silicon Valley Bank, in its capacity as administrative agent for Lenders.

"*Applicable Margin*" means the per annum interest rate from time to time in effect and payable in addition to the Prime Rate or LIBOR Rate applicable to the Advances, as determined by reference to the table in **Section 2.4(a)** of the Agreement.

"ApprovedSubordinated Debt" has the meaning set forth in Schedule 6.7 hereto.

"Bank Expenses" are all audit fees and expenses and costs or expenses of Agent and Lenders (including reasonable attorneys' fees and expenses) for preparing, negotiating, administering, defending and enforcing the Loan Documents (including appeals or Insolvency Proceedings).

"Bank Products" means cash management services, foreign exchange contracts or similar products, including without limitation, merchant services, direct deposit of payroll, business credit cards, check cashing services, and clearing house and automated funds transfer services, to the extent provided by any Lender.

"Borrower's Books" are all Borrowers' books and records including ledgers, records regarding Borrowers' assets or liabilities, the Collateral, business operations or financial condition and all computer programs or discs or any equipment containing the information.

"Business Day" is any day that is not a Saturday, Sunday or a day on which SVB is closed.

"Cash Equivalents" are (a) marketable direct obligations issued or unconditionally guaranteed by the United States government or its agencies or any state or municipality maturing within one (1) year from its acquisition, (b) commercial paper maturing no more than one (1) year after its acquisition and having an A-1/P-1 or better rating from either Standard & Poor's Rating Services or Moody's Investors Service, Inc., (c) Bank's certificates of deposit issued by any Lender maturing no more than one (1) year after issue, (d) floating rate securities with a rating of Aaa/AAA, (e) corporate bonds or notes with a credit rating of Aa/AA, (f) shares in money market funds, and (g) any other investments administered through a Lender or its Affiliates.

"Change in Control" is a transaction in which (a) any "person" or "group" (within the meaning of Section 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Act")), other than STT or its Affiliates, becomes the "beneficial owner" (as defined in Rule 13d-3 under the Act), directly or indirectly, of greater than 35% of the shares of all classes of stock then outstanding of a Person ordinarily entitled to vote in the election of the directors of such Person; or (b) STT, considered together with its Affiliates, becomes the "beneficial owner" (as defined in Rule 13d-3 under the Act), directly or indirectly, of greater than 50% of the shares of all classes of stock then outstanding of a Person ordinarily entitled to vote in the election of the directors of such Person.

"Code" is the Uniform Commercial Code as adopted in California as amended and in effect from time to time.

"Collateral" is the property described on Exhibit D attached hereto.

"Collateral Information Certificates" are the Collateral Information Certificates delivered by Borrowers to Lenders on or before the Effective Date.

"***Committed Revolving Line***" is an aggregate principal amount of $75,000,000, or subject to the terms of **Section 3.8**, $100,000,000.

"Commitment" means, as to each Lender, its obligation to make Advances to the Borrower in an aggregate principal amount at any one time outstanding not to exceed the amount set forth opposite its name on Schedule 1 hereto, as such amount may be adjusted from time to time in accordance with this Agreement, and ***"Commitment Percentage"*** means, as to any Lender, an amount expressed as a percentage, equal to such Lender's Commitment divided by the Committed Revolving Line.

"Commodity Account" has the meaning ascribed to it in the Code.

"Consent Letter" means that certain letter agreement dated December 21, 2005 between SVB and Equinix relating to and describing certain transactions between Equinix and certain of its Subsidiaries, on the one hand, and iStar Financial Inc. and certain of its Affiliates, on the other hand.

"Contingent Obligation" is, for any Person, any direct or indirect liability, contingent or not, of that Person for (a) any indebtedness, lease, dividend, letter of credit or other obligation of another such as an obligation directly or indirectly guaranteed, endorsed, co-made, discounted or sold with recourse by that Person, or for which that Person is directly or indirectly liable; (b) any obligations for undrawn letters of credit for the account of that Person; and (c) all obligations from any interest rate, currency or commodity swap agreement, interest rate cap or collar agreement, or other agreement or arrangement designated to protect a Person against fluctuation in interest rates, currency exchange rates or commodity prices; but "Contingent Obligation" does not include endorsements in the ordinary course of business. The amount of a Contingent Obligation is the stated or determined amount of the primary obligation for which the Contingent Obligation is made or, if not determinable, the maximum reasonably anticipated liability for it determined by the Person in good faith; but the amount may not exceed the maximum of the obligations under the guarantee or other support arrangement.

"***Continuation Date***" means any date on which Borrowers elect to continue a LIBOR Advance into another Interest Period.

"***Control Agreement***" means, collectively, any control agreement entered into among Borrowers, Agent and the depositary bank, securities intermediary, or commodity intermediary at which a Borrower maintains a Deposit Account, Securities Account, or a Commodity Account, pursuant to which Agent obtains control (within the meaning of the applicable provision of the Code) over such Deposit Account, Securities Account, or Commodity Account.

"***Conversion Date***" means any date on which Borrowers elect to convert a Prime Rate Advance to a LIBOR Advance or a LIBOR Advance to a Prime Rate Advance.

"***Copyright***" means any of the following now owned or hereafter acquired or created (as a work for hire for the benefit of Borrowers) by Borrowers or in which any Borrower now holds or hereafter acquires or receives any right or interest, in whole or in part: (a) any copyright, whether registered or unregistered, held pursuant to the laws of the United States or of any other country or foreign jurisdiction, (b) registration, application or recording in the United States Copyright Office or in any similar office or agency of the United States or any other country or foreign jurisdiction, (c) any continuation, renewal or extension thereof, and (d) any registration to be issued in any pending application, and shall include any right or interest in and to work protectable by any of the foregoing which are presently or in the future owned, created or authorized (as a work for hire for the benefit of Borrowers) or acquired by any Borrower, in whole or in part.

"***Credit Extension***" is each Advance, Letter of Credit, or any other extension of credit by any Lender for Borrower's benefit.

"***Default***" means an event, condition, or act which with notice or the passage of time, or both, would constitute an Event of Default.

"***Deposit Accounts***" means all present and future "deposit accounts" as defined in the Code in effect on the date hereof with such additions to such term as may hereafter be made, and includes without limitation all general and special bank accounts, demand accounts, checking accounts, savings accounts and certificates of deposit, whether maintained with Agent, any Lender or other institutions.

"***Designated Deposit Account***" means that certain deposit account maintained with SVB in the name of Equinix, account number [*]

"***Domestic Accounts***" means Accounts for which the account debtor has its principal place of business in the United States.

---

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

"Domestic Collateral Account" is any Deposit Account, Securities Account or Commodity Account established by Borrowers at or with any bank or financial institution located in the United States.

"Domestic Subsidiary" means any direct or indirect Subsidiary of a Borrower or Guarantor which is organized under the laws of the United States or any State thereof.

"EBITDA" means Borrowers' consolidated profit or loss from operations *plus* depreciation, amortization, accretion, stock-based compensation expense, non-cash restructuring charges, and such other cash restructuring charges as agreed by Agent in writing.

***"Effective Amount*"** means with respect to any Advances on any date, the aggregate outstanding principal amount thereof after giving effect to any borrowing and prepayments or repayments thereof occurring on such date.

"Effective Date" means the date that Agent signs this Agreement as indicated on the signature page hereof.

"Equinix" has the meaning set forth in the introductory paragraph to this Agreement.

"Equipment" is all present and future machinery, equipment, tenant improvements, furniture, fixtures, vehicles, tools, parts and attachments in which any Borrower has any interest.

"Facility" means any Internet Business Exchange™ (IBX) center owned or leased and under construction or operated by the Borrowers or any of their Subsidiaries together with any accessions, additions, parts, replacements, fixtures, improvements and attachments thereto, and equipment associated therewith, and the proceeds thereof.

"Facility Fee Percentage" means the percentage set forth in the table below, for each period during which the corresponding Senior Leverage Ratio is in effect:

If Borrowers' Senior Leverage Ratio is:	The Facility Fee Percentage per annum is:
less than or equal to 1.0x	0.20%
greater than 1.0x but less than or equal to 2.5x	0.30%
greater than 2.5x	0.35%

Any increase or decrease in the Facility Fee Percentage resulting from a change in the Senior Leverage Ratio, as evidenced by the most recently-delivered Compliance Certificate, shall be effective; *provided*, *however*, that if Borrowers fail to deliver a Compliance Certificate when due in accordance with **Section 6.2(b)**, then the Facility Fee Percentage shall be 0.35% per annum effective retroactively to the first day of the fiscal quarter in which such Compliance Certificate is required to be delivered and until such time that Borrowers shall deliver a Compliance Certificate evidencing that its Senior Leverage Ratio at the end of the immediately

preceding fiscal quarter was less than or equal to 2.5x (in which case the Facility Fee Percentage shall automatically adjust to the percentage corresponding to such Senior Leverage Ratio). The Facility Fee Percentage in effect from the Effective Date until Borrowers deliver the next Compliance Certificate required by the Original Loan Agreement or this Agreement thereafter shall be .30% per annum, whereupon any increase or decrease in the Facility Fee Percentage shall be computed in accordance with the immediately preceding sentence. In the event the Senior Leverage Ratio reported in any Compliance Certificate is later determined to have been inaccurate, the Facility Fee Percentage shall be adjusted retroactively to the date of delivery of such inaccurate Compliance Certificate to the percentage corresponding to the correct Senior Leverage Ratio for that date, and such adjusted Facility Fee Percentage shall be applicable for the same period as that determined based on the original inaccurate Senior Leverage Ratio.

"Fee Letter" has the meaning given it in **Section 2.7(c)**.

"Filing Collateral" means any Collateral in which a security interest may be perfected by the filing of a financing statement in the appropriate jurisdiction under the Code.

"Foreign Assets" means (a) any tangible assets not located within the United States; (b) Accounts that are not Domestic Accounts; (c) any Deposit Account, Securities Account, Commodity Account or Letter of Credit Right if the jurisdiction (as determined pursuant to Section 9304, 9305 or 9306, as applicable, of the Code) of the related depositary bank, securities intermediary, commodity intermediary or issuer is outside the United States; (d) any equity securities issued by a Subsidiary of a Borrower or Guarantor that is not a Domestic Subsidiary; and (e) any "instrument" (as defined in the Code) if the payor thereof does not have its principal place of business in the United States.

"Funding Date" is the date on which an Advance is made to or on account of Borrowers.

"GAAP" is generally accepted accounting principles in effect under the laws of the United States of America from time to time.

"GE" means General Electric Capital Corporation.

"General Intangibles" has the meaning ascribed to it in the Code.

"*Governmental Authority*" means (a) any foreign, federal, state, county, or municipal government, or political subdivision thereof, (b) any governmental or quasi-governmental agency, authority, board, bureau, commission, department, instrumentality or public body, (c) any court or administrative tribunal or (d) with respect to any Person, any arbitration tribunal or other non-governmental authority to whose jurisdiction that Person has consented.

"Guarantor" means any Person executing and delivering a guaranty agreement after the Effective Date with respect to the Obligations of Borrowers in favor of Agent and Lenders.

"Identified iStar Transactions" means the "Transactions", as that term is defined in the Consent Letter.

"Indebtedness" is (a) indebtedness for borrowed money or the deferred price of property or services, such as reimbursement and other obligations for surety bonds and letters of credit, (b) obligations evidenced by notes, bonds, debentures or similar instruments, (c) capital lease obligations and (d) Contingent Obligations.

"Insolvency Proceeding" is any proceeding by or against any Person under the United States Bankruptcy Code, or any other bankruptcy or insolvency law, including assignments for the benefit of creditors, compositions, extensions generally with its creditors, or proceedings seeking reorganization, arrangement, or other relief.

"Intellectual Property" means any intellectual property, in any medium, of any kind or nature whatsoever, now or hereafter owned or acquired or received by Borrowers or in which any Borrower now holds or hereafter acquires or receives any right or interest, and shall include, in any event, any Copyright, Trademark, Patent, trade secret, customer list, Internet domain name (including any right related to the registration thereof), proprietary or confidential information, Mask Works, source, object or other programming code, invention (whether or not patented or patentable), technical information, procedure, design, knowledge, know-how, software, data base, data, skill, expertise, recipe, experience, process, model, drawing, material or record, all claims for damages by way of past, present and future infringement of any of the rights included above and all licenses or other rights to use any property or rights of a type described above.

"*Interest Payment Date*" means, with respect to any LIBOR Advance, the last day of each Interest Period applicable to such LIBOR Advance and the 90th day following such Advance, if sooner, and, with respect to Prime Rate Advances, the last day of each fiscal quarter, and each date a Prime Rate Advance is converted into a LIBOR Advance to the extent of the amount converted to a LIBOR Advance.

***"Interest Period*"** means, as to any LIBOR Advance, the period commencing on the date of such LIBOR Advance, or on the conversion/continuation date on which the LIBOR Advance is converted into or continued as a LIBOR Advance, and ending on the date that is thirty (30), sixty (60), ninety (90), or one hundred eighty (180) days thereafter, in each case as Borrowers may elect in the applicable Notice of Borrowing or Notice of Conversion/Continuation; *provided, however,* that (a) no Interest Period with respect to any LIBOR Advance shall end later than the Revolving Maturity Date, (b) the last day of an Interest Period shall be determined in accordance with the practices of the LIBOR interbank market as from time to time in effect, (c) if any Interest Period would otherwise end on a day that is not a Business Day, that Interest Period shall be extended to the following Business Day, and (d) interest shall accrue from and include the first Business Day of an Interest Period but exclude the last Business Day of such Interest Period.

"Interest Rate Determination Date" means each date for calculating the LIBOR for purposes of determining the interest rate in respect of an Interest Period. The Interest Rate Determination Date shall be the second Business Day prior to the first day of the related Interest Period for a LIBOR Advance.

"Inventory" is present and future inventory in which any Borrower has any interest, including merchandise, raw materials, parts, supplies, packing and shipping materials, work in process and finished products intended for sale or lease or to be furnished under a contract of service, of every kind and description now or later owned by or in the custody or possession, actual or constructive, of Borrowers, including inventory temporarily out of its custody or possession or in transit and including returns on any accounts or other proceeds (including insurance proceeds) from the sale or disposition of any of the foregoing and any documents of title.

"Investment" is any beneficial ownership of (including stock, partnership interest or other securities) any Person, or any loan, advance or capital contribution to any Person.

"Investment Property" has the meaning ascribed to it in the Code.

"Leasehold Deed of Trust" means a Leasehold Deed of Trust or Mortgage, Security Agreement, Assignment of Rents and Leases and Fixture Filing with respect to a Real Property Lease listed on Exhibit D hereto.

"Lenders" means SVB and GE, and any other lender becoming a party to this Agreement.

"Letter of Credit" has the meaning ascribed to it in Section 2.1.2.

"Letter of Credit Rights" has the meaning ascribed to it in the Code.

"*LIBOR*" means, for any Interest Rate Determination Date with respect to an Interest Period for any Advance to be made, continued as or converted into a LIBOR Advance, the rate of interest per annum determined by Agent to be the per annum rate of interest at which deposits in United States Dollars are offered to Agent in the London interbank market in which Agent customarily participates at 11:00 a.m. (local time in such interbank market) two (2) Business Days prior to the first day of such Interest Period for a period approximately equal to such Interest Period and in an amount approximately equal to the amount of such Advance.

"LIBOR Advance" means an Advance that bears interest based on Adjusted LIBOR.

"Lien" is a mortgage, lien, deed of trust, charge, pledge, security interest or other encumbrance.

"Loan Documents" are, collectively, this Agreement, the Collateral Information Certificates, any note executed by Borrowers, any guaranty, the Leasehold Deeds of Trust and any other present or future agreement between Borrowers and/or for the benefit of Agent and Lenders in connection with this Agreement, all as amended, extended or restated.

"Loan Parties" means each Person that hereafter executes a signature page to this Agreement and thereby becomes a Borrower hereunder, with the consent of Agent and Lenders.

"Mask Works" are all mask works or similar rights available for the protection of semiconductor chips, now owned or later acquired.

"Material Adverse Change" is: (a) an impairment in the perfection or priority of Agent's security interest in a material portion of the Collateral or in the value of such Collateral; or (b) a material adverse change in the business, operations, or financial condition of Borrowers taken as a whole, which results in a material impairment of the prospect of repayment of any portion of the Obligations.

"Non-Performing Facility" means, as of any date of determination, a Facility with negative operating cash flow during the period consisting of the two immediately preceding quarters.

"*Notice of Borrowing*" means a notice given by Borrowers to Agent in accordance with **Section 3.2(a)**, substantially in the form of Exhibit A, with appropriate insertions.

"Notice of Conversion/Continuation" means a notice given by Borrowers to Agent in accordance with **Section 3.4**, substantially in the form of Exhibit B, with appropriate insertions.

"Obligations" are (a) debts, principal, interest, Bank Expenses, and other amounts Borrowers owe to Agent or any Lender now or later, arising under or in connection with the Loan Documents, including Letters of Credit, if any, and including interest accruing after Insolvency Proceedings begin and (b) Bank Products.

"Operating Documents" shall mean, for any Person, such Person's formation documents, as currently filed with the Secretary of State of such Person's state of formation, and, (a) if such Person is a corporation, its bylaws in current form, (b) if such Person is a limited liability company, its limited liability company agreement (or similar agreement), each of the foregoing with all current modifications and amendments thereto.

"Original Loan Agreement" has the meaning set forth in the introductory paragraph to this Agreement.

"Other Property" means (a) the following as defined in the Code in effect on the date hereof with such additions to such term as may hereafter be made, and all rights relating thereto: all present and future "commercial tort claims", "documents", "instruments", "promissory notes", "chattel paper", "letters of credit", "letter-of-credit rights", "fixtures", "farm products" and "money"; and (b) all other goods and personal property of every kind, tangible and intangible, whether or not governed by the Code, but shall not include Intellectual Property.

"Patent" means any of the following now hereafter owned or acquired or received by Borrowers or in which any Borrower now holds or hereafter acquires or receives any right or interest: (a) letters patent and right corresponding thereto, of the United States or any other country or other foreign jurisdiction, any registration and recording thereof, and any application for letters patent, and rights corresponding thereto, of the United States or any other country or other foreign jurisdiction, including, without limitation, registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or other foreign jurisdiction; (b) any reissue, continuation, continuation-in-part or extension thereof; (c) any petty patent, divisional, and patent of addition; and (d) any patent to issue in any such application.

"***Permitted Distributions***" means:

(a) purchases of capital stock from former employees, consultants and directors pursuant to repurchase agreements or other similar agreements;

(b) distributions or dividends consisting solely of a Borrower's capital stock;

(c) purchases for value of any rights distributed in connection with any stockholder rights plan;

(d) payments of dividends or distributions made by any Subsidiary of a Borrower to a Borrower or another Subsidiary of Borrowers;

(e) mandatory dividends provided for under any Borrower's Certificate of Incorporation as in existence as of the Effective Date;

(f) exchanges of equity securities of a Borrower for other equity securities of Borrower that do not provide for any mandatory dividend or redemption prior to the Revolving Maturity Date; and

(g) other distributions, dividends or purchases of Borrowers' capital stock in cash, provided that the aggregate amount of such distributions, dividends, or purchases made pursuant to this clause (g) not exceeding 25% of Borrowers' assets.

"Permitted Indebtedness" is:

(a) Borrowers' indebtedness to Lenders under this Agreement or the other Loan Documents;

(b) Indebtedness existing on the Effective Date and shown on the Collateral Information Certificate;

(c) Subordinated Debt;

(d) Indebtedness to trade creditors incurred in the ordinary course of business;

(e) capital leases with respect to Property;

(f) purchase money Indebtedness secured by Permitted Liens not exceeding $10,000,000;

(g) Indebtedness secured by Permitted Liens;

(h) Indebtedness under any performance, surety, statutory or appeal bonds or similar obligations incurred in the ordinary course of business

(i) (i) Indebtedness of any Borrower to any of its Subsidiaries to the extent it is Subordinated Debt; (ii) Indebtedness of any Subsidiary of a Borrower to another Subsidiary of a Borrower; and (iii) Indebtedness of any Subsidiary to a Borrower to the extent permitted under clause (h) of the definition of Permitted Investments;

(j) guaranty obligations of Borrowers or any Subsidiary in respect of Permitted Indebtedness of any wholly-owned Subsidiary of such Person;

(k) Indebtedness of any Persons acquired in connection with any merger or acquisition transaction permitted under this Agreement;

(l) Indebtedness incurred in connection with Rate Contracts;

(m) obligations resulting from the assumption of a real property lease or sublease to the extent such obligation is treated as a capital lease obligation for accounting purposes only;

(n) Indebtedness secured by Property if the Lien securing such Indebtedness is confined to such Property and either (i) such Indebtedness is non-recourse to Borrowers and their Subsidiaries or (ii) such Indebtedness does not exceed $30,000,000 in the aggregate outstanding at any one time and the holder of such Indebtedness has entered into an agreement in form and substance reasonably satisfactory to Agent providing that, to the extent of any deficiency existing after such holder has applied to the outstanding Indebtedness the proceeds of any collateral securing such Indebtedness, any recourse of such holder against the obligor of such Indebtedness shall be subordinate to the Obligations on terms acceptable to Agent;

(o) Permitted Sale-Leaseback Transactions;

(p) other Indebtedness not otherwise permitted by **Section 7.5** not exceeding $1,000,000 in the aggregate outstanding at any time;

(q) any Approved Subordinated Debt;

(r) Indebtedness arising in connection with the identified iStar Transactions (to the extent, if any, that such Indebtedness does not otherwise constitute "Permitted Indebtedness");

(s) Indebtedness consisting of obligations to any Lender in respect of Bank Products; and

(t) extensions, refinancings, modifications, amendments and restatements of any items of Permitted Indebtedness (a) through (k), (n), (o), (q) and (r) above, provided that the principal amount thereof is not increased or the terms thereof are not modified to impose more burdensome terms upon Borrowers or any Subsidiary, as the case may be.

"Permitted Investments" are:

(a) Investments shown on the Collateral Information Certificate and existing on the Effective Date;

(b) Cash Equivalents;

(c) Investments consisting of the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of Borrowers' business;

(d) Investments accepted in connection with Transfers permitted by **Section 7.1**;

(e) Investments consisting of extensions of credit to any Borrower's or its Subsidiaries' customers in the nature of accounts receivable, prepaid royalties or notes receivable arising from the sale or lease of goods, provision of services or licensing activities of such Borrower;

(f) Investments consisting of (i) travel advances and employee relocation loans and other employee loans and advances in the ordinary course of business, and (ii) loans to employees, officers or directors relating to the purchase of equity securities of any Borrower or its Subsidiaries pursuant to employee stock purchase plans or agreements approved by such Borrower's Board of Directors;

(g) Investments (including debt obligations) received in connection with the bankruptcy or reorganization of customers or suppliers and in settlement of delinquent obligations of, and other disputes with, customers or suppliers arising in the ordinary course of business;

(h) (i) Investments of Subsidiaries of Borrowers in or to Borrowers; (ii) Investments of Subsidiaries of Borrowers in or to other Subsidiaries of Borrowers; and (iii) Investments of Borrowers in or to Subsidiaries in an amount not to exceed in the aggregate $1,000,000 in any month and $12,000,000 in any fiscal year so long as no Event of Default exists or would result therefrom;

(i) Investments consisting of notes receivable of, or prepaid royalties and other credit extensions, to customers and suppliers who are not Affiliates, in the ordinary course of business; provided that this paragraph (i) shall not apply to Investments of Borrowers in any Subsidiary;

(j) Investments resulting from transactions not prohibited by **Section 7.4** or Investments acquired in connection with such transactions;

(k) Investments consisting of joint ventures entered into by Borrowers or any Subsidiary not exceeding $1,000,000 in the aggregate;

(l) deposits, prepayment and other credits to suppliers made in the ordinary course of business not in excess of $100,000; and

(m) Investments permitted by the investment policy adopted by Equinix's Board of Directors, a true and correct copy of which has been provided to Agent.

"Permitted Liens" are:

(a) Liens existing on the Effective Date and shown on the Collateral Information Certificate or arising under this Agreement or other Loan Documents;

(b) Liens for taxes, fees, assessments or other government charges or levies, either not delinquent or being contested in good faith and for which Borrowers maintain adequate reserves on their Books, if they have no priority over any of Agent's security interests;

(c) Liens (including with respect to capital leases) on Property, if the Lien is confined to such Property and the Indebtedness secured thereby is Permitted Indebtedness;

(d) Liens to secure existing Indebtedness of any Persons acquired in connection with any merger or acquisition transaction permitted under this Agreement;

(e) licenses or sublicenses granted in the ordinary course of Borrowers' business and any interest or title of a licensor or under any license or sublicense, if the licenses and sublicenses permit granting Agent a security interest;

(f) Liens incurred in the extension, renewal or refinancing of the Indebtedness secured by Liens described in (a) through (d), but any extension, renewal or replacement Lien must be limited to the property encumbered by the existing Lien and the principal amount of the indebtedness may not increase;

(g) Liens arising from judgments, decrees or attachments in circumstances not constituting an Event of Default under **Section 8.3** or **8.6**;

(h) carriers', warehousemen's, mechanics', materialmen's, repairmen's, landlord's or other like Liens arising in the ordinary course of business which are not overdue for a period of more than 30 days or which are being contested in good faith and by appropriate proceeding if adequate reserves with respect thereto are maintained on the books of the applicable Person;

(i) pledges or deposits in the ordinary course of business in connection with workers' compensation, unemployment insurance and other social security legislation;

(j) deposits to secure the performance of bids, trade contracts (other than for borrowed money), contracts for the purchase of property, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case, incurred in the ordinary course of business and not representing an obligation for borrowed money;

(k) easements, rights-of-way, restrictions and other similar encumbrances affecting real property which do not materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of the applicable Person;

(l) statutory, common law or contractual Liens of depository institutions or institutions holding securities accounts (including rights of set-off) provided they are subordinate to Agent's Liens pursuant to the terms of a control agreement;

(m) Liens in favor of customs or revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(n) Liens on insurance proceeds in favor of insurance companies granted solely to secure financed insurance premiums;

(o) purported Liens evidenced by the precautionary filing of UCC financing statements relating solely to operating leases of personal property entered into in the ordinary course of business;

(p) Liens arising in connection with the Identified iStar Transactions (to the extent, if any, that such Liens do not otherwise constitute "Permitted Liens"); and

(q) Liens on escrowed cash representing a portion of the proceeds of permitted sales of assets by Borrowers or any Subsidiary established to satisfy contingent post-closing obligations that it owes (including earn-outs, indemnities and working capital adjustments).

"***Permitted Sale-Leaseback Transaction***" means any transaction whereby Borrowers or a Subsidiary of a Borrower transfers its interest in any Property and immediately leases back from such Person such Property.

"Person" is any individual, sole proprietorship, partnership, limited liability company, joint venture, company association, trust, unincorporated organization, association, corporation, institution, public benefit corporation, firm, joint stock company, estate, entity or government agency.

"Prime Rate" is SVB's most recently announced "prime rate," even if it is not the lowest rate offered by SVB.

"*Prime Rate Advance*" means an Advance that bears interest based on the Prime Rate.

"Pro Rata Share" means the ratio of the aggregate outstanding principal amount of each Lender's Advances to Borrowers under this Agreement to the aggregate outstanding principal amount of all Advances to Borrowers under this Agreement.

"***Property***" means Borrowers' or any of their Subsidiaries' real property, together with any accessions, additions, parts, replacements, fixtures, improvements and attachments thereto, and equipment associated therewith, and the proceeds thereof (including, without limitation, any Facilities).

"Qualified Assignee" means (a) any Lender, any Affiliate of any Lender, and (b) any commercial bank or other entity which is an "accredited investor" (as defined in Regulation D of the Securities Act of 1933, as amended) which extends credit or buys loans as one of its businesses, including insurance companies and commercial finance companies.

"Quick Ratio" means the sum of Borrowers' and their consolidated Subsidiaries' domestic, unrestricted cash, cash equivalents, short term investments, net accounts receivable and 80% of long term investments *divided by* Borrowers' and their consolidated Subsidiaries'

current liabilities (computed in accordance with GAAP). For purposes of calculating current liabilities hereunder, amounts outstanding under the Committed Revolving Line shall be considered long term liabilities at all times that the Revolving Maturity Date is greater than one year from the date of determination.

"Rate Contract" means swap agreements (as that term is defined in Section 101 of the Federal Bankruptcy Reform Act of 1978, as amended) and any other agreements or arrangements designed to provide protection against fluctuations in interest or currency exchange rates.

"Real Property Leases" has the meaning set forth in Exhibit D hereto.

"*Regulatory Change*" means, with respect to any Lender, any change on or after the date of this Agreement in United States federal, state, or foreign laws or regulations, including Regulation D, or the adoption or making on or after such date of any interpretations, directives, or requests applying to a class of lenders including any Lender, of or under any United States federal or state, or any foreign laws or regulations (whether or not having the force of law) by any court or governmental or monetary authority charged with the interpretation or administration thereof.

"*Requirement of Law*" means, as to any Person, any law (statutory or common), treaty, rule, regulation, guideline or determination of an arbitrator or of a Governmental Authority, in each case applicable to or binding upon the Person or any of its Property or to which the Person or any of its Property is subject.

"Requisite Lenders" means Lenders having (a) more than 66 2/3% of the Commitments of all Lenders, or (b) if the Commitments have been terminated, more than 66 2/3% of the aggregate outstanding amount of the Advances, but in any event, if there are not more than two Lenders, "Requisite Lenders" means both of them.

"Reserve Requirement" means, for any Interest Period, the average maximum rate at which reserves (including any marginal, supplemental, or emergency reserves) are required to be maintained during such Interest Period under Regulation D against "Eurocurrency liabilities" (as such term is used in Regulation D) by member banks of the Federal Reserve System. Without limiting the effect of the foregoing, the Reserve Requirement shall reflect any other reserves required to be maintained by any Lender by reason of any Regulatory Change against (a) any category of liabilities which includes deposits by reference to which Adjusted LIBOR is to be determined as provided in the definition of LIBOR or (b) any category of extensions of credit or other assets which include Advances.

"Responsible Officer" is any of the Chief Executive Officer, President, Chief Financial Officer, Chief Accounting Officer, Controller, Vice President-Finance, or Treasurer of a Borrower.

"***Revolving Maturity Date***" is September 15, 2008.

"STT" means iSTT Investments Pte Ltd, a corporation organized under the laws of the Republic of Singapore.

"Securities Account" has the meaning ascribed to it in the Code.

"Senior Leverage Ratio" has the meaning ascribed to it in **Section 6.7(c)**.

"Subordinated Debt" is debt incurred by Borrowers subordinated to Borrowers' debt to Lenders (pursuant to a subordination agreement entered into among Lenders, Borrowers and the subordinated creditor), on terms reasonably acceptable to Requisite Lenders.

"Subsidiary" is any Person, corporation, partnership, limited liability company, joint venture, or any other business entity of which more than fifty percent (50%) of the voting stock or other equity interests is owned or controlled, directly or indirectly, by the Person or one or more Affiliates of the Person.

"Sublimit Utilization Amount" means the amount of all outstanding Letters of Credit (including drawn but unreimbursed Letters of Credit).

"Trademark" means any of the following now or hereafter owned or acquired or received by any Borrower or in which any Borrower now holds or hereafter acquires or receives any right or interest: (a) any trademark, trade name, corporate name, business name, trade style, service mark, logo, other source or business identifier, print or label on which any of the foregoing have appeared or appear, design or other general intangibles of like nature, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and any applications in connection therewith, including registration, recording and application in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or other foreign jurisdiction and (b) any reissue, extension or renewal of any of the foregoing.

"Total Funded Debt" means the sum of Total Senior Funded Debt and the principal amount of outstanding convertible subordinated debentures or notes issued by Borrowers.

"Total Senior Funded Debt" means all funded debt *plus* capitalized leases *plus* "synthetic" or other off-balance sheet lease obligations (unless in each case cash collateralized, and then only to the extent such obligations exceed the cash collateral), but shall exclude the principal amount of outstanding convertible subordinated debentures or notes issued by Borrowers.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the Effective Date.

BORROWERS **EQUINIX, INC.**

By: /s/ Keith D. Taylor
Name: Keith D. Taylor
Title: Chief Financial Officer

EQUINIX OPERATING CO., INC.

By: /s/ Keith D. Taylor
Name: Keith D. Taylor
Title: Chief Financial Officer

AGENT **SILICON VALLEY BANK**

By: /s/ Nick Tsiagkas
Name: Nick Tsiagkas
Title: Relationship Manager
Effective Date: August 10, 2006

LENDERS **SILICON VALLEY BANK**

By: /s/ Nick Tsiagkas
Name: Nick Tsiagkas
Title: Relationship Manager

GENERAL ELECTRIC CAPITAL CORPORATION

By: /s/ Ali Imran Mirza
Name: Ali Imran Mirza
Title: Duly Authorized Signatory

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: November 1, 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: November 1, 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 September 30, 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
November1, 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 September 30, 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
November 1, 2006