EQUINIX INC
Form 424B2
October 31, 2005
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Filed Pursuant to Rule 424(b)(2)
Registration No. 333-128857

This prospectus supplement is related to an effective registration statement under the Securities Act of 1933, but is not complete and may be changed. The selling stockholder may not sell these securities until this prospectus supplement is delivered in final form. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED OCTOBER 31, 2005

PRELIMINARY PROSPECTUS SUPPLEMENT

TO PROSPECTUS DATED OCTOBER 28, 2005

4,300,000 Shares

Common Stock

This prospectus supplement relates to an aggregate of up to 4,300,000 shares of our common stock by the selling stockholder, i-STT Investments (Bermuda) Ltd., an indirect, wholly-owned subsidiary of STT Communications Ltd. We understand that i-STT Investments (Bermuda) Ltd. expects to enter into a prepaid forward purchase agreement with Credit Suisse First Boston Capital LLC, an affiliate of Credit Suisse First Boston LLC. Pursuant to that forward purchase agreement, i-STT Investments (Bermuda) Ltd. expects to sell between and 4,300,000 shares of our common stock (or to deliver the cash value thereof) on or about , 2008, based on the average of the volume weighted average price per share of our common stock on each of the 20 trading days immediately prior to, but not including, the second trading day preceding that date. In connection with that forward purchase agreement, we understand that Credit Suisse First Boston (USA), Inc. expects to issue and sell, in a registered offering, a series of debt securities (% Shared Appreciation Income Linked Securities due 2008, which we refer to as the SAILS) that will be mandatorily exchangeable into shares of our common stock (or the cash value thereof) based on the same formula as in the forward purchase agreement described above and on the same date on which the shares are to be delivered under that forward purchase agreement. As of September 30, 2005, STT Communications Ltd was our single largest stockholder and beneficially owned approximately 37% of our common stock.

The SAILS are being sold in an offering described in a separate prospectus supplement and accompanying prospectus of Credit Suisse First Boston (USA), Inc. This prospectus supplement and the accompanying prospectus relate only to shares of our common stock that may be delivered as described above. **We take no responsibility for any information included in or omitted from the prospectus supplement and accompanying prospectus for the SAILS.** That prospectus supplement and the accompanying prospectus of Credit Suisse First Boston (USA), Inc. do not constitute a part of and are not incorporated by reference into this prospectus supplement and the accompanying prospectus. All net proceeds from the sale of our common stock will go to the selling stockholder pursuant to this prospectus supplement.

In a concurrent offering, i-STT Investments Pte. Ltd. is offering 5,150,000 shares of our common stock (plus up to 739,549 additional shares that are subject to an over-allotment option) through the underwriters named in the prospectus supplement relating to that offering, which we refer to herein as the concurrent offering. See Prospectus Supplement Summary The Concurrent Offering on page S-4 of this prospectus supplement.

Our common stock is quoted on The Nasdaq National Market under the symbol EQIX. On October 27, 2005, the closing sale price of our common stock on The Nasdaq National Market was $38.34 per share.

Investing in our common stock involves certain risks. See Risk Factors beginning on page S-8.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the related prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus supplement is , 2005.

Credit Suisse First Boston

Citigroup **Goldman, Sachs & Co.**

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PROSPECTUS SUPPLEMENT

PROSPECTUS

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ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement supplements the prospectus dated October 28, 2005, which is a part of the Registration Statement (Registration No. 333-128857) and which relates to the offering of our common stock by the selling stockholder.

This document has two parts. The first part is the prospectus supplement, which describes the specific terms of this offering and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering. Unless the context otherwise indicates, references in this prospectus supplement to prospectus refer to this entire document, including the prospectus supplement and the accompanying prospectus. **To the extent there is a conflict between the information contained in this prospectus supplement, the information contained in the accompanying prospectus or the information contained in any document incorporated by reference herein or therein, the information contained in the most recently dated document shall control.**

It is important for you to read and consider all information contained in this prospectus supplement and the accompanying prospectus, including the documents incorporated by reference herein and therein, in making your investment decision. You should also read and consider the information in the documents we have referred you to in the section entitled Where You Can Find More Information.

You should rely only on the information contained, incorporated or deemed incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to give any information or to make any representation not contained, incorporated or deemed incorporated by reference in this prospectus supplement or the accompanying prospectus in connection with the offering of our common stock by the selling stockholder in this offering. You should not assume that the information contained in this prospectus supplement and the accompanying prospectus is correct as of any date after the respective dates of this prospectus supplement and the accompanying prospectus, even though this prospectus supplement and the accompanying prospectus are delivered or the shares are offered or sold on a later date.

Neither this prospectus supplement nor the accompanying prospectus is an offer to sell any security other than our common stock, and they are not soliciting an offer to buy any security other than our common stock. Neither this prospectus supplement nor the accompanying prospectus is an offer to sell the common stock to any person, and they are not soliciting an offer from any person to buy the common stock, in any jurisdiction where the offer or sale to that person is not permitted.

Unless the context otherwise requires, the terms we, our, us, the company and Equinix refer to Equinix, Inc., a Delaware corporation and its consolidated subsidiaries.

In addition, as used in this prospectus supplement, the term:

- selling stockholder or i-STT Investments (Bermuda) refers to i-STT Investments (Bermuda) Ltd., a Bermuda corporation, a direct, wholly owned subsidiary of i-STT Investments Pte. Ltd.; and

- STT Communications refers to STT Communications Ltd, a Singapore corporation, the sole, direct stockholder of i-STT Investments Pte. Ltd., and the sole, indirect stockholder of i-STT Investments (Bermuda) Ltd.

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PROSPECTUS SUPPLEMENT SUMMARY

The following should be read together with the other information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus. This section contains a general summary of the information contained in this prospectus supplement. It may not include all of the information that is important to you. You should read the entire prospectus supplement, the accompanying prospectus and the documents identified in the accompanying prospectus under the caption Where You Can Find More Information.

Equinix, Inc.

Equinix provides network neutral colocation, interconnection and managed services to enterprises, content companies, systems integrators and the world s largest network providers. Through our Internet Business Exchange hubs, or IBX hubs, in eleven markets in the U.S. and Asia-Pacific, customers can directly interconnect with each other for critical traffic exchange requirements. Direct interconnection to our aggregation of networks, which serve more than 90% of the world s Internet routes, allows our customers to increase performance while significantly reducing costs. Based on our network neutral model and the quality of our IBX hubs, we believe we have established a critical mass of customers. This critical mass and the resulting network effect combined with a strong financial position continue to drive new customer growth and bookings. As a result of our largely fixed cost model, any growth in revenue would likely drive incremental margins and increased operating cash flow.

Our network neutral business model is a key differentiator for us in the market. Because we do not operate a network, we are able to offer our customers direct interconnection to the largest aggregation of bandwidth providers and Internet service providers. The world s top tier Internet service providers, numerous access networks, second tier providers and international carriers, such as AOL, AT&T, British Telecom, Cable & Wireless, Comcast, Level 3, MCI, NTT, SingTel and Qwest are all currently located at our IBX hubs. Access to such a wide variety of networks has attracted 9 of the top 10 Internet properties and numerous other enterprise and government customers, including Amazon.com, Electronic Arts, Fox Sports, Fujitsu, Gannett, The Gap, Goldman Sachs, Google, IBM, MSN, NASA, Solo Cup, Sony, Washington Mutual, and Yahoo!.

Our services are comprised of three types: Colocation, Interconnection, and Managed IT Infrastructure services.

- Colocation services include cabinets, power, operations space and storage space for our customers colocation needs.
- Interconnection services provide scalable and reliable connectivity that allows our customers to exchange traffic directly with the service provider of their choice.
- Managed IT infrastructure services allow our customers to leverage our significant telecommunications expertise, maximize the benefits of our IBX hubs and optimize their infrastructure and resources.

The market for these services has historically been served by large telecommunications carriers who have bundled their telecommunications services and managed services with their colocation offerings. A number of these telecommunications carriers have recently eliminated or reduced their colocation footprint to focus on their core businesses. Additionally, many of the competitive providers have failed to scale their businesses and have been forced to exit the market. This reduction in supply in the industry has stabilized pricing and increased the demand for our centers because we have gained many of those customers displaced from these companies as access to their networks is also available in our IBX hubs. Strategically, we will continue to look at attractive opportunities to grow our market share and selectively improve our footprint and service offerings.

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Our Strategy

Our objective is to become the premier Internet exchange hub for content providers, enterprises and government customers to locate their network infrastructure and exchange traffic with the world s largest network providers. Key components of our strategy include the following:

Continue to Build upon our Critical Mass of Network Providers and Content Companies, and Grow our Position within Enterprise and Government. We have assembled a critical mass of premier network providers and content companies and have become one of the core hubs of the Internet. This critical mass is a key selling point since content companies want to connect with a diverse set of networks to provide the best connectivity to their end-customers, and network companies want to sell bandwidth to content customers and interconnect with other networks in the most efficient manner available. Currently, we service over 200 unique networks, including all of the top tier networks, allowing our customers to directly interconnect with providers that serve more than 90% of global Internet routes. We have a growing mass of key players in the enterprise sector, such as The Gap, Gannett, Goldman Sachs, IBM, SOLO Cup, Sony, Washington Mutual, XM Radio and others. Similarly, we have experienced increasing success in attracting customers from the government sector within defense and security, such as NASA. We expect these sectors to be a key growth driver in 2006 and beyond.

Leverage the Network Effect. As network providers, content providers, enterprise and government customers locate in our IBX hubs, it benefits their suppliers and business partners to do so as well to gain the full economic and performance benefits of direct interconnection. These partners, in turn, pull in their business partners, creating a network effect of customer adoption. Our interconnection services enable scalable, reliable and cost-effective interconnection and traffic exchange thus lowering our customers overall cost while increasing their flexibility.

Promote our IBX Hubs as the Highest Performance Points on the Internet. Data center reliability is one of the most important attributes when customers are choosing a data center provider. Our premier IBX hubs are next-generation data centers and offer customers advanced security, reliability and redundancy. Our security design includes five levels of biometrics security to access customer cages. Our power infrastructure includes N+1 redundancy for all systems and has delivered 99.999% uptime over the period January 1, 2002 through September 30, 2005. Our support staff, trained to aid customers with operational support, are available 24 hours a day, 365 days a year.

Provide New Products and Services within our IBX Hubs. We plan to continue to offer additional products and services that are most valuable to our customers as they manage their Internet and network businesses and, specifically, as they attempt to effectively utilize multiple networks.

Ensure Continuous Growth for our Customers. We plan to expand in key markets based on customer demand to ensure a smooth growth path for our customers. For example, we have acquired six new IBX centers in our key markets over the last two years, increasing our customer cabinet capacity by 50%. Our strategy is to continue to grow in our existing markets and possibly expand to additional markets. We expect to execute this expansion strategy in a cost-effective and prudent manner through a combination of acquiring existing centers through lease or purchase, or building new centers based on key criteria in each market.

Recent Developments

In October 2005, we entered into a purchase and sale agreement to sell our Los Angeles IBX data center for $38.7 million and to lease it back from the purchaser pursuant to a long-term lease. We refer to this transaction as the Los Angeles IBX sale-leaseback transaction. The Los Angeles IBX sale-leaseback transaction is subject to certain closing contingencies. Although there can be no assurance that these contingencies will be met, it is

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expected that these conditions will be removed on November 1, 2005 and the Los Angeles IBX sale-leaseback transaction will close before the end of 2005.

In October 2005, we purchased an office/warehouse complex known as the Beaumeade Business Park located in Ashburn, Virginia, which we refer to as the Ashburn campus. We purchased the entire 32.6-acre Ashburn campus containing six buildings with approximately 462,000 rentable square feet that is approximately 95% leased. We refer to this transaction as the Ashburn IBX property acquisition. We currently occupy approximately 269,000 square feet within three of the buildings. Payments due under the Ashburn IBX property acquisition total $53.0 million plus closing costs, which we paid for in full in October 2005. We will continue to operate our existing data centers within the Ashburn campus. We intend to sell those buildings that will not be used for our current operations or expansion plans. In addition, we have entered into a non-binding letter of intent to finance the Ashburn campus with a $60.0 million, 8% mortgage to be amortized over 20 years. We refer to this transaction as the Ashburn campus financing. The Ashburn campus financing is subject to the completion of definitive agreements, and although there is no assurance that the definitive agreements will be completed, we currently expect the Ashburn campus financing to close before the end of 2005.

In October 2005, we announced that we have entered into a non-binding letter of intent for the early termination of our 39 acre San Jose ground lease whereby we will pay $40.0 million over the next four years, commencing January 1, 2006, to terminate this lease, which would otherwise require significantly higher cumulative lease payments through 2020. We refer to this transaction as the San Jose ground lease termination. As a result of the San Jose ground lease termination, we expect to incur a significant restructuring charge in the fourth quarter of 2005. The San Jose ground lease termination is subject to the completion of definitive agreements, and although there is no assurance that the definitive agreements will be completed, we currently expect the San Jose ground lease termination to close before the end of 2005.

In October 2005, we elected to draw down a portion of the $50.0 million Silicon Valley Bank revolving credit line. We elected to borrow $30.0 million at a one-month LIBOR interest rate, inclusive of the applicable margin, of 5.72% per annum, which we refer to as the $30.0 million drawdown. The $30.0 million drawdown was used to fund a portion of the purchase of the Ashburn IBX property acquisition. On November 17, 2005, we may elect to either repay all or a portion of the $30.0 million drawdown, or convert the $30.0 million drawdown into a new borrowing at either the then applicable one, three or six month LIBOR rate plus an applicable margin or at the prime rate. Borrowings under the $50.0 million Silicon Valley Bank revolving credit line may be borrowed, repaid and reborrowed at a later date up to the final maturity date of the $50.0 million Silicon Valley Bank revolving credit line, which is Sept 16, 2008. As of October 28, 2005, in addition to the $30.0 million drawdown described above, we had utilized $5.2 million of the credit line through the issuance of letters of credit, and, as a result, we had $14.8 million remaining available for borrowing under the $50.0 million Silicon Valley Bank revolving credit line.

The Concurrent Offering

In the concurrent offering, i-STT Investments Pte. Ltd. is offering 5,150,000 shares of our common stock (plus up to 739,549 additional shares that are subject to an over-allotment option) through the underwriters named in the prospectus supplement relating to that offering.

Company Information

Our principal executive offices are located at 301 Velocity Way, Fifth Floor, Foster City, CA 94404 and our telephone number is (650) 513-7000. Our website is located at *www.equinix.com*. Information contained on or accessible through our website is not part of this prospectus supplement.

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THE OFFERING

We understand that Credit Suisse First Boston (USA), Inc. expects to issue and sell, in a registered offering, $ million aggregate principal amount of its % Shared Appreciation Income Linked Securities due 2008, which we refer to as the SAILS. The SAILS are a series of debt securities that will be mandatorily exchanged at maturity, which is scheduled to be , 2008, for between and 4,300,000 shares of our common stock (or the cash value thereof) based on the average of the volume weighted price per share of our common stock on each of the 20 trading days immediately prior to the second trading day preceding such maturity date. The closing of the sale of our common stock offered hereby is not contingent upon the closing of the offering of the SAILS.

In connection with the offering described in the preceding paragraph, the selling stockholder has advised us that it expects to enter into a forward purchase agreement with Credit Suisse First Boston Capital LLC. Pursuant to that forward purchase agreement, i-STT Investments (Bermuda) has agreed to deliver, subject to its right to cash settle such forward purchase agreement, an aggregate of between and 4,300,000 shares of our common stock, determined based on the same formula as in the SAILS and on the same dates on which Credit Suisse First Boston (USA), Inc. is required to deliver shares of our common stock to the holders of the SAILS. Under that forward purchase agreement, Credit Suisse First Boston Capital LLC will, on the closing date of the offering of the SAILS, pay i-STT Investments (Bermuda) a negotiated price for the shares of our common stock underlying the forward purchase agreement. i-STT Investments (Bermuda) expects to enter into a collateral agreement under which it will pledge to the collateral agent, to secure its obligations under the forward purchase agreement, the maximum number of shares it may be required to deliver thereunder, subject to certain adjustments. Until i-STT Investments (Bermuda) delivers shares of our common stock upon settlement of the forward purchase agreement, it will continue to beneficially own and vote the shares it expects to pledge under the collateral agreement. If i-STT Investments (Bermuda) elects to settle its obligations under the forward purchase agreement in cash instead of delivering shares of our common stock, it will continue to own those shares. i-STT Investments (Bermuda) will also continue to own any shares of our common stock that it has pledged but is not ultimately required to deliver under the forward purchase agreement due to the application of the formula therein.

Neither we nor i-STT Investments (Bermuda) will have any obligation to deliver additional shares of our common stock pursuant to the forward purchase agreement, or any obligation to deliver shares of our common stock to any holder of the SAILS.

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SUMMARY CONSOLIDATED FINANCIAL DATA

The following summary consolidated financial data should be read in conjunction with our consolidated financial statements and their related notes, Capitalization and Management s Discussion and Analysis of Financial Condition and Results of Operations located elsewhere in this prospectus supplement. The summary consolidated statement of operations data for the years ended December 31, 2000 to 2004 are derived from our audited consolidated financial statements and their related notes. The summary consolidated statement of operations data for the nine months ended September 30, 2005 and 2004 and the balance sheet data as of September 30, 2005 are derived from our unaudited condensed interim consolidated financial statements and their related notes. In the opinion of management, all financial information derived from such unaudited interim financial statements reflects all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of that information. Historical results are not necessarily indicative of future performance and results for the nine months ended September 30, 2005 are not necessarily indicative of results to be expected for the full year. The pro forma as adjusted column for the summary consolidated balance sheet dated as of September 30, 2005 gives effect to the conversion of the following instruments held by i-STT Investments Pte. Ltd. that are convertible into common stock as if they had converted on September 30, 2005: (i) 1,868,667 shares of common stock issuable upon conversion of outstanding shares of series A preferred stock; (ii) 237,309 shares of common stock issuable upon conversion of $2,058,000 of outstanding convertible secured notes (presented net of discount as $1,962,000 below) plus $120,000 of accrued but unpaid interest through September 30, 2005 (there are also $12,000 of unamortized debt issuance costs as of September 30, 2005 associated with these convertible secured notes) and (iii) 965,674 shares of common stock issuable upon exercise of an outstanding series A-1 preferred stock warrant and conversion of the series A-1 preferred stock issuable thereunder into shares of common stock (this warrant has an exercise price of $0.01 per share, which would result in cash proceeds to Equinix of approximately $10,000 upon exercise). We estimate that approximately $30,000 in additional interest will accrue with respect to the convertible secured notes assuming the conversion takes place on November 7, 2005, which would result in 3,269 additional shares of common stock being issued. This additional accrued interest is not reflected in the Pro Forma As Adjusted column.

	Years ended December 31,					Nine months ended September 30,	
	2000	2001	2002	2003	2004	2004	2005
	(in thousands, except per share data)						
Statement of Operations Data:							
Revenues	$ 13,016	$ 63,414	$ 77,188	$ 117,942	$ 163,671	$ 118,682	$ 159,259
Costs and operating expenses:							
Cost of revenues	43,401	94,889	104,073	128,121	136,950	102,245	116,639
Sales and marketing	20,139	16,935	15,247	19,483	18,604	13,498	14,793
General and administrative	56,585	58,286	30,659	34,293	32,494	24,544	33,594
Restructuring charges		48,565	28,885		17,685		
Total costs and operating expenses	120,125	218,675	178,864	181,897	205,733	140,287	165,026
Loss from operations	(107,109)	(155,261)	(101,676)	(63,955)	(42,062)	(21,605)	(5,767)
Interest income	16,430	10,656	998	296	1,291	819	2,644
Interest expense	(29,111)	(43,810)	(35,098)	(20,512)	(11,496)	(8,765)	(6,332)
Gain (loss) on debt extinguishment and conversion			114,158		(16,211)	(16,211)	
Income taxes					(153)	(200)	(553)
Net loss	$ (119,790)	$ (188,415)	$ (21,618)	$ (84,171)	$ (68,631)	$ (45,962)	$ (10,008)
Net loss per share:							
Basic and diluted	$ (111.23)	$ (76.62)	$ (7.23)	$ (8.76)	$ (3.87)	$ (2.65)	$ (0.43)

Weighted average shares	1,077	2,459	2,990	9,604	17,719	17,370	23,335
Pro forma net loss per share (unaudited) (1):							
Basic and diluted					$ (2.82)		$ (0.38)
Weighted average shares					24,300		26,263

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	As of September 30, 2005	
	Actual	Pro Forma as Adjusted (2)
	(dollars in thousands)	
Balance Sheet Data:		
Cash, cash equivalents and short-term and long-term investments	$ 108,290	$ 108,300
Accounts receivable, net	16,199	16,199
Property and equipment, net	371,005	371,005
Total assets	533,380	533,378
Debt facility and capital lease obligation, less current portion	48,748	48,748
Convertible secured notes	1,962	
Convertible subordinated debentures	86,250	86,250
Total stockholders equity	315,076	317,156

(1) Pro forma net loss per share reflects the conversion of the following instruments held by i-STT Investments Pte. Ltd. that are convertible into common stock as if they had been converted on January 1, 2004: (i) 1,868,667 shares of common stock upon conversion of outstanding shares of series A preferred stock, (ii) 3,746,167 shares of common stock issuable upon conversion of $33,598,000 of the selling stockholder s convertible secured notes plus $784,000 of accrued but unpaid interest that were outstanding as of December 31, 2003 (because the selling stockholder converted 95% of its outstanding convertible secured notes and associated interest during the quarter ended March 31, 2005, for purposes of the pro forma net loss per share amount for the nine months ended September 30, 2005, only 93,117 shares were added to the weighted average shares outstanding for that period) and (iii) 965,674 shares of common stock issuable upon exercise of an outstanding series A-1 preferred stock warrant and conversion of the series A-1 preferred stock issuable thereunder into shares of common stock.

(2) The pro forma as adjusted column does not reflect any of the recent developments discussed elsewhere in this prospectus supplement including: (i) the Los Angeles sale-leaseback transaction, (ii) the Ashburn IBX property acquisition and the Ashburn campus financing, (iii) the San Jose ground lease termination and (iv) the $30.0 million drawdown from our $50.0 million Silicon Valley Bank revolving credit line.

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RISK FACTORS

In addition to the other information contained in this prospectus supplement, the accompanying prospectus, and in the documents incorporated by reference therein, respectively, the following risk factors should be considered carefully in evaluating our business, us and the sale of shares of our common stock contemplated hereby.

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, 2004 and 2003, we incurred net losses of $68.6 million and $84.2 million, respectively. For the nine months ended September 30, 2005, we incurred a net loss of $10.0 million. In light of new rules regarding the expensing of stock-based compensation, we do not expect to become net income positive for the foreseeable future. In addition, if we acquire or build-out additional IBX centers, we will have additional depreciation and amortization expenses that will negatively impact our ability to achieve and sustain profitability. Even without giving effect to the expensing of stock-based compensation, there can be no guarantee that we will become profitable, and we may continue to incur additional losses. Even if we achieve profitability, given the competitive and evolving nature of the industry in which we operate, we may not be able to sustain or increase profitability on a quarterly or annual basis.

We expect our operating results to fluctuate.

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

- financing or other expenses related to the acquisition, purchase or construction of additional IBX centers;
- mandatory expensing of employee stock-based compensation, including restricted shares;
- demand for space, power and services at our IBX centers;
- changes in general economic conditions and specific market conditions in the telecommunications and Internet industries;
- costs associated with the write-off 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 become fully utilized;
- competition in the markets in which we operate;
- conditions related to international operations;
- the timing and magnitude of operating expenses, including taxes, capital expenditures and expenses related to the expansion of sales, marketing, operations and acquisitions, if any, of complementary businesses and assets; and
- the cost and availability of adequate public utilities, including power.

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

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

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

We believe that the sale of all or substantially all of the securities held by STT Communications in this offering and the concurrent offering would also trigger a new limitation under the Code. As a result of our market capitalization, however, such a limitation is not expected to have a material impact on our ability to use the NOLs generated up to the date of such a sale.

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

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

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

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

For the years ended December 31, 2004 and 2003, we recognized 13% and 15%, respectively, of our revenues outside North America. For the nine months ended September 30, 2005, we recognized 13% 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 and may continue to undertake foreign exchange hedging transactions to reduce foreign currency transaction exposure, we do not currently intend to eliminate all foreign currency transaction exposure. Where our prices are denominated in U.S. dollars, our sales could be adversely affected by declines in foreign currencies relative to the U.S. dollar, thereby making our products more expensive in local currencies. Our international operations are generally subject to a number of additional risks, including:

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

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

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

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

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

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

- the possible loss or reduction in value of acquired businesses;
- the possibility that our customers may not accept either the existing equipment infrastructure or the look-and-feel of a new or different IBX center;
- the possibility that carriers may find it cost-prohibitive or impractical to bring fiber and networks into a new IBX center;
- the possibility of preexisting undisclosed liabilities regarding the property or IBX center, including but not limited to environmental or asbestos liability, of which our insurance may be insufficient or for which we may be unable to secure insurance coverage; and
- the possibility that the concentration of our IBX centers in the Silicon Valley may increase our exposure to seismic activity and that these facilities may be located on or near the fault zones for which we may not have adequate levels of earthquake insurance.

We cannot assure you that the price for any future acquisitions will be similar to 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 our designed capacity in these facilities. 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 facilities.

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

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

In each of our markets, we rely on third parties to provide a sufficient amount of power for current and future customers. At the same time, power and cooling requirements are growing on a per unit basis. As a result, some customers are consuming an increasing amount of power per cabinet. We generally do not control the amount of 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.

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

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

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

We agreed to a covenant in the combination agreement (which we refer to as the FIRPTA covenant) that we would use all commercially reasonable efforts to ensure that at all times from and after the closing of the combination, none of our capital stock issued to STT Communications would constitute United States real property interests within the meaning of Section 897(c) of the Code. Under Section 897(c) of the Code, our capital stock issued to STT Communications would generally constitute United States real property interests at such point in time that the fair market value of the United States real property interests owned by us equals or exceeds 50% of the sum of the aggregate fair market values of (a) our United States real property interests, (b) our interests in real property located outside the U.S., and (c) any other assets held by us which are used or held for use in our trade or business. Currently, the fair market value of our United States real property interests is significantly below the 50% threshold. However, in order to assure compliance with the FIRPTA covenant, we may be limited with respect to the business opportunities we may pursue, particularly if the business opportunities would increase the amounts of United States real property interests owned by us or decrease the amount of other assets owned by us. In addition, we may take proactive steps to avoid our capital stock being deemed United States real property interest, including, but not limited to, (a) a sale-leaseback transaction with respect to some or all of our real property interests, or (b) the formation of a holding company organized under the laws of the Republic of Singapore which would issue shares of its capital stock in exchange for all of our outstanding stock (this reorganization would require the submission of that transaction to our stockholders for their approval and the consummation of that exchange). We will take these actions only if such actions are commercially reasonable for us and our stockholders. We have entered into an agreement with STT Communications and its affiliate pursuant to which, and effective only upon the closing of any offering of our common stock under this prospectus supplement, we will no longer be bound by the FIRPTA covenant as of September 30, 2009.

If regulated materials are discovered at facilities 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 the selling stockholder.

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 facilities 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 facilities. The services we provide in each of our IBX centers are subject to failure resulting from numerous factors, including:

- human error;
- physical or electronic security breaches;
- fire, earthquake, flood and other natural disasters;
- water damage;

- fiber cuts;
- power loss;
- sabotage and vandalism; and
- failure of business partners who provide our resale products.

Problems at one or more of our IBX centers, whether or not within our control, could result in service interruptions or significant equipment damage. We have service level commitment obligations to certain of our customers, including our significant customers. As a result, service interruptions or significant equipment

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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 associated with two separate power outages that affected our Chicago and Washington, D.C. metro area IBX centers. If we incur significant financial commitments to our customers in connection with a loss of power, or our failure to meet other service level commitment obligations, our liability insurance and revenue reserves may not be adequate. In addition, any loss of services, equipment damage or inability to meet our service level commitment obligations could reduce the confidence of our customers and could consequently impair our ability to obtain and retain customers, which would adversely affect both our ability to generate revenues and our operating results.

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

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

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

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

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

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

For the nine months ended September 30, 2005 and 2004, IBM accounted for 11% and 13%, respectively, of our revenues. We expect that IBM will continue to account for a significant portion of our revenue for the foreseeable future. Although the term of our IBM contract runs through 2009, IBM currently has the right to reduce its commitment to us pursuant to the terms and requirements of its customer agreement. If we lose IBM as a customer 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

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

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

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

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

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

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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.

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

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

Risks Related to Our Industry

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

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

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

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

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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.

Risks Related to the Offering

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 $46.39 per share. The market price of the shares of our common stock has been and may continue to be highly volatile. Actual sales, or the market s perception with respect to possible sales, of a substantial number of shares of our common stock within a narrow period of time could cause our stock price to fall. Announcements by us or others may also have a significant impact on the market price of our common stock. These announcements may include:

- our operating results;
- new issuances of equity, debt or convertible debt;
- developments in our relationships with corporate customers;
- announcements by our customers or competitors;
- announcements with respect to the intentions of STT Communications, our principal stockholder, with respect to its holdings of our common stock;

- changes in regulatory policy or interpretation;
- changes in the ratings of our stock by securities analysts;
- purchase or development of real estate and/or additional IBX centers;
- announcements with respect to the operational performance of our IBX centers;
- market conditions for telecommunications stocks in general; and
- general economic and market conditions.

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

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

We issued a large number of shares of our capital stock to the former Pihana stockholders, STT Communications, and holders of our senior notes in connection with the combination, financing and senior note exchange, to Crosslink Capital, Inc. and its affiliates (collectively, Crosslink) in connection with Crosslink s purchase of our Series A-2 Convertible Secured Notes, and to the public and STT Communications in connection with our follow-on equity offering in late 2003. The shares of common stock issued in the senior note exchange are currently freely tradable. The shares of common stock issued in connection with the combination have been registered for resale as of June 30, 2003, the shares of common stock issued upon exercise of the warrants issued in connection with the Crosslink financing have been registered for resale as of September 22, 2003 and the shares of common stock issued upon conversion of the convertible secured notes issued in the Crosslink financing have been registered for resale as of July 30, 2004. The shares sold to the public and STT Communications in connection with our follow-on equity offering in November 2003 are freely tradable by the public, subject, in the case of STT Communications, to compliance with Rule 144 resale restrictions applicable to affiliates. In February 2004, we issued $86,250,000 in aggregate principal amount of 2.5% Convertible Subordinated Debentures due 2024. These debentures are convertible into 2,183,548 shares of our common stock. Holders of these debentures may convert their debentures into shares of our common stock during any calendar quarter if the sale price of our common stock is greater than or equal to 120% of the conversion price per share of our common stock for 20 out of any 30 consecutive trading days or if the trading price of our debentures falls below specified prices. In January 2005, 95% of STT Communications outstanding convertible secured notes and associated interest were converted into shares of our non-voting series A-1 preferred stock. In February 2005, STT Communications elected to convert all of the shares of series A-1 preferred stock into 4.1 million shares of our common stock. Sales or distributions of all or a significant portion of these shares of our common stock could reduce the market price of our common stock.

An offering of these shares and the related transactions may affect the market for our common stock for some period of time.

The shares being offered pursuant to this prospectus supplement and in the concurrent offering represent a substantial portion of our outstanding common stock and will substantially increase the number of publicly traded shares of our common stock. No prediction can be made about the effect, if any, of this offering on the market price for our common stock. Sales or distributions of substantial amounts of our common stock, or the perception that such sales or distributions may occur, could adversely affect prevailing market prices for our common stock.

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

Although STT Communications intends to sell substantially all of its holdings of our common stock in this offering and the concurrent offering, it will continue to beneficially own and vote the shares of our common stock (i) pledged to secure the forward purchase agreement, which will represent approximately 16% of our outstanding shares of common stock, (ii) not sold in this offering or the concurrent offering or (iii) not delivered in connection with the settlement of the forward purchase agreement related to this offering. STT Communications is not prohibited from buying shares of our common stock in public or private transactions. As a result, STT Communications will continue to be able to exercise significant control over all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, which could prevent or delay a third party from acquiring or merging with us.

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FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus, and the documents incorporated by reference, contain 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 such statements 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 Risk Factors and Liquidity and Capital Resources located elsewhere in this prospectus supplement. All forward-looking statements in this document are based on information available to us as of the date hereof and we assume no obligation to update any such forward-looking statements. You should carefully consider the risks described in the Risk Factors section, in addition to the other information set forth in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference in the accompanying prospectus, before making an investment decision.

USE OF PROCEEDS

All net proceeds from the sale of our common stock will go to the selling stockholder.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our common stock and we do not anticipate paying cash dividends in the foreseeable future. We currently intend to retain our earnings, if any, for future growth. Future dividends on our common stock, if any, will be at the discretion of our board of directors and will depend on, among other things, our operations, capital requirements and surplus, general financial condition, contractual restrictions and such other factors as our board of directors may deem relevant. Our ability to pay cash dividends is limited under our line of credit with Silicon Valley Bank, such that, without the prior written consent of Silicon Valley Bank, the aggregate amount of any cash dividends may not exceed 25% of our assets.

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COMMON STOCK PRICE RANGE

Our common stock is quoted on The Nasdaq National Market under the symbol of EQIX. Our common stock began trading in August 2000. The following table sets forth on a per share basis the high and low closing sale prices for our common stock as reported on The Nasdaq National Market during the periods indicated below.

Period	Price Range of Common Stock	
	High	**Low**
2003		
First Quarter	$ 7.70	$ 2.95
Second Quarter	10.40	2.90
Third Quarter	23.37	8.03
Fourth Quarter	28.25	17.04
2004		
First Quarter	$ 36.87	$ 26.49
Second Quarter	35.84	27.86
Third Quarter	33.52	26.59
Fourth Quarter	43.10	31.44
2005		
First Quarter	$ 46.27	$ 40.67
Second Quarter	44.11	31.61
Third Quarter	45.09	38.28
Fourth Quarter (through October 27, 2005)	41.74	35.31

The closing sale price of our common stock on The Nasdaq National Market on October 27, 2005, was $38.34 per share. As of September 30, 2005, there were 442 registered holders of our common stock.

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CAPITALIZATION

The following unaudited table sets forth our capitalization as of September 30, 2005 on both:

- an actual basis; and
- a pro forma as adjusted basis to reflect the conversion into common stock of various instruments held by i-STT Investments Pte. Ltd. as if they had been converted on September 30, 2005, including (i) 1,868,667 shares of common stock issuable upon conversion of outstanding shares of series A preferred stock; (ii) 237,309 shares of common stock issuable upon conversion of $2,058,000 of outstanding convertible secured notes (presented net of discount as $1,962,000 below) plus $120,000 of accrued but unpaid interest through September 30, 2005 (there are also $12,000 of unamortized debt issuance costs as of September 30, 2005 associated with these convertible secured notes) and (iii) 965,674 shares of common stock issuable upon exercise of an outstanding series A-1 preferred stock warrant and conversion of the series A-1 preferred stock issuable thereunder into shares of common stock (this warrant has an exercise price of $0.01 per share, which would result in cash proceeds to Equinix of approximately $10,000 upon exercise). We estimate that approximately $30,000 in additional interest will accrue with respect to the convertible secured notes assuming the conversion takes place on November 7, 2005, which would result in 3,269 additional shares of common stock being issued. This additional accrued interest is not reflected in the Pro Forma As Adjusted column.

Please read the capitalization table provided below together with the sections of this prospectus supplement entitled Selected Consolidated Financial Data and Management s Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included elsewhere in this prospectus supplement.

	As of September 30, 2005	
	Actual	Pro Forma As Adjusted(1)
	(dollars in thousands, except per share data)	
Cash, cash equivalents and short-term and long-term investments	$ 108,290	$ 108,300
Current portion of debt facility and capital lease obligation	$ 955	$ 955
Long-term debt, net of current portion:		
Debt facility and capital lease obligation	$ 48,748	$ 48,748
Convertible secured notes (2)	1,962	
Convertible subordinated debentures (3)	86,250	86,250
Total long-term debt	136,960	134,998
Stockholders equity:		
Preferred stock, $0.001 par value per share; 100,000,000 shares authorized actual and pro forma as adjusted; 1,868,667 shares issued and outstanding actual; zero shares issued and outstanding pro forma as adjusted (4)	2	

Common stock, $0.001 par value per share; 300,000,000 shares authorized actual and pro forma as adjusted; 24,188,739 shares issued and outstanding actual; and 27,260,389 shares issued and outstanding pro forma as adjusted (5)(6)	24	27
Additional paid-in capital	836,108	838,187
Deferred stock-based compensation	(7,458)	(7,458)
Accumulated other comprehensive income	843	843
Accumulated deficit	(514,443)	(514,443)
Total stockholders equity	315,076	317,156
Total capitalization (excludes current portion of long-term debt)	$ 452,036	$ 452,154

(1) The pro forma as adjusted column does not reflect any of the recent developments discussed elsewhere in this prospectus supplement including: (i) the Los Angeles sale-leaseback transaction, (ii) the Ashburn IBX property acquisition and the Ashburn campus financing, (iii) the San Jose ground lease termination and (iv) the $30.0 million drawdown from our $50.0 million Silicon Valley Bank revolving credit line.

(2) Convertible secured notes are convertible into 224,229 shares of common and preferred stock as of September 30, 2005 (237,309 shares including accrued and unpaid interest through September 30, 2005).

(3) Convertible subordinated debentures are convertible into 2,183,548 shares of common stock as of September 30, 2005.

(4) Excludes 965,674 shares of preferred stock issuable upon the exercise of an outstanding warrant held by i-STT Investments Pte. Ltd. on an actual basis as of September 30, 2005. All shares of preferred stock are convertible into shares of common stock on a one for one basis.

(5) Excludes on an actual basis as of September 30, 2005, 4,48