EQUINIX INC
Form 10-Q
October 29, 2010
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2010

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 x No ¨ and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company ¨

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

The number of shares outstanding of the registrant s Common Stock as of September 30, 2010 was 45,994,363.

Table of Contents

EQUINIX, INC.

INDEX

		Page No.
	Part I - Financial Information	
Item 1.	Condensed Consolidated Financial Statements (unaudited):	
	Condensed Consolidated Balance Sheets as of September 30, 2010 and December 31, 2009	3
	Condensed Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2010 and 2009	4
	Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2010 and 2009	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	55
Item 4.	Controls and Procedures	55
	Part II - Other Information	
Item 1.	Legal Proceedings	57
Item 1A.	Risk Factors	58
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	74
Item 3.	Defaults Upon Senior Securities	74
Item 4.	Removed and Reserved	74
Item 5.	Other Information	74
Item 6.	Exhibits	75
Signatures		81
Index to Exhibits		82

Table of Contents

PART I - FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

EQUINIX, INC.

Condensed Consolidated Balance Sheets

(in thousands)

	September 30, 2010	December 31, 2009
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 389,149	$ 346,056
Short-term investments	322,979	248,508
Accounts receivable, net	115,616	64,767
Other current assets	64,067	68,556
Total current assets	891,811	727,887
Long-term investments	3,223	9,803
Property, plant and equipment, net	2,582,890	1,808,115
Goodwill	778,258	381,050
Intangible assets, net	155,601	51,015
Other assets	69,108	60,280
Total assets	$ 4,480,891	$ 3,038,150
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 134,091	$ 99,053
Accrued property, plant and equipment	97,012	109,876
Current portion of capital lease and other financing obligations	7,624	6,452
Current portion of mortgage and loans payable	22,480	58,912
Other current liabilities	49,818	41,166
Total current liabilities	311,025	315,459
Capital lease and other financing obligations, less current portion	261,929	154,577
Mortgage and loans payable, less current portion	179,027	371,322
Senior notes	750,000	
Convertible debt	910,495	893,706
Other liabilities	214,442	120,603
Total liabilities	2,626,918	1,855,667
Commitments and contingencies (Note 9)		
Stockholders equity:		
Common stock	46	39
Additional paid-in capital	2,320,107	1,665,662

Accumulated other comprehensive loss	(103,321)	(97,238)
Accumulated deficit	(362,859)	(385,980)
Total stockholders equity	1,853,973	1,182,483
Total liabilities and stockholders equity	$ 4,480,891	$ 3,038,150

See accompanying notes to condensed consolidated financial statements

Table of Contents

EQUINIX, INC.

Condensed Consolidated Statements of Operations

(in thousands, except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
	(unaudited)			
Revenues	$ 330,347	$ 227,558	$ 875,090	$ 639,957
Costs and operating expenses:				
Cost of revenues	185,476	126,007	481,108	356,346
Sales and marketing	31,205	15,543	79,586	46,315
General and administrative	58,640	39,071	155,961	111,677
Restructuring charges	1,886		6,243	(6,053)
Acquisition costs	1,114	1,379	11,957	1,379
Total costs and operating expenses	278,321	182,000	734,855	509,664
Income from operations	52,026	45,558	140,235	130,293
Interest income	310	353	1,307	1,949
Interest expense	(38,363)	(22,256)	(101,653)	(51,619)
Other-than-temporary impairment recovery (loss) on investments	206		3,626	(2,687)
Loss on debt extinguishment and interest rate swaps, net			(4,831)	
Other income	1,654	2,484	193	3,675
Income before income taxes	15,833	26,139	38,877	81,611
Income tax expense	(4,637)	(7,327)	(15,756)	(29,902)
Net income	$ 11,196	$ 18,812	$ 23,121	$ 51,709
Earnings per share:				
Basic earnings per share	$ 0.24	$ 0.49	$ 0.54	$ 1.35
Weighted-average shares	45,745	38,787	42,961	38,270
Diluted earnings per share	$ 0.24	$ 0.47	$ 0.52	$ 1.32
Weighted-average shares	46,735	39,887	44,082	39,305

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,	
	2010	2009
	(unaudited)	
Cash flows from operating activities:		
Net income	$ 23,121	$ 51,709
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	175,359	126,958
Stock-based compensation	50,020	39,030
Restructuring charges	6,243	(6,053)
Amortization of intangible assets	9,378	4,100
Amortization of debt issuance costs and debt discounts	19,403	12,210
Accretion of asset retirement obligation and accrued restructuring charges	2,501	1,046
Loss on debt extinguishment and interest rate swaps, net	4,831	
Other items	2,357	3,464
Changes in operating assets and liabilities:		
Accounts receivable	(38,486)	(23)
Other assets	12,717	12,898
Accounts payable and accrued expenses	16,047	27,638
Other liabilities	(13,510)	5
Net cash provided by operating activities	269,981	272,982
Cash flows from investing activities:		
Purchases of investments	(599,845)	(309,666)
Sales of investments	24,778	24,697
Maturities of investments	506,811	26,387
Purchase of Switch and Data, net of cash acquired	(113,289)	
Purchase of Upminster, net of cash acquired		(28,176)
Purchases of property, plant and equipment	(436,046)	(267,802)
Purchase of restricted cash	(1,160)	(895)
Release of restricted cash	244	12,882
Other investing activities		79
Net cash used in investing activities	(618,507)	(542,494)
Cash flows from financing activities:		
Proceeds from employee equity awards	36,179	23,050
Proceeds from senior notes	750,000	
Proceeds from convertible debt		373,750
Proceeds from loans payable	115,811	28,679
Repayment of capital lease and other financing obligations	(14,114)	(3,765)
Repayment of mortgage and loans payable	(469,077)	(34,525)
Capped call costs		(49,664)
Debt issuance costs	(23,124)	(8,210)
Other financing obligations		(2,795)

Net cash provided by financing activities	395,675	326,520
Effect of foreign currency exchange rates on cash and cash equivalents	(4,056)	5,932
Net increase in cash and cash equivalents	43,093	62,940
Cash and cash equivalents at beginning of period	346,056	220,207
Cash and cash equivalents at end of period	$ 389,149	$ 283,147
Supplemental cash flow information:		
Cash paid for taxes	$ 3,129	$ 5,829
Cash paid for interest	$ 70,772	$ 36,016

See accompanying notes to condensed consolidated financial statements

Table of Contents

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

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 condensed consolidated balance sheet data at December 31, 2009 has been derived from audited consolidated financial statements at that date. The consolidated 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 in the United States of America. 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 February 22, 2010. Results for the interim periods are not necessarily indicative of results for the entire fiscal year.

On April 30, 2010, the Company completed its acquisition of Switch & Data Facilities Company, Inc. (Switch and Data), a publicly-held company headquartered in Tampa, Florida (the Switch and Data Acquisition) (see Note 2).

In May 2010, an indirect, wholly-owned subsidiary of the Company entered into a lease for a building for the Company s new headquarters, which is located at One Lagoon Drive, Redwood City, California (the Headquarters Lease). The Company took possession of this property in July 2010. The Headquarters Lease was accounted for as a capital lease and has an initial term of ten years with two five-year renewal options. In July 2010, in connection with the Headquarters Lease, the Company recorded a building asset and a corresponding financing obligation liability totaling $21,300,000. The Company plans to move to its new headquarters in November 2010.

Basis of Presentation and Consolidation

The accompanying condensed consolidated financial statements include the accounts of Equinix and its subsidiaries, including the operations of Switch and Data from the date of acquisition (see Note 2). All significant intercompany accounts and transactions have been eliminated in consolidation.

Reclassifications

Certain amounts in the accompanying condensed consolidated financial statements have been reclassified to conform to the consolidated financial statement presentation as of and for the three and nine months ended September 30, 2010.

Goodwill and Other Intangible Assets

The Company has three reportable segments comprised of the 1) North America, 2) Europe and 3) Asia-Pacific geographic regions. As of September 30, 2010, the Company had goodwill attributable to its North America reporting unit, Europe reporting unit and Asia-Pacific reporting unit (see Goodwill and Other Intangibles in Note 4). The Company will test the goodwill attributable to the North American reporting unit for impairment annually as of November 30th, commencing on November 30, 2010 (see Note 2). The Company has historically tested the goodwill attributable to the Europe and Asia-Pacific reporting units annually as of August 31st and December 31st, respectively. In the second quarter of 2010, the Company changed its method of applying the accounting principle related to annual goodwill impairment testing by conforming the testing of goodwill for all three reporting units to November 30th of each year, commencing November 30, 2010. As of September 30, 2010, the Company performed its annual impairment review of the Europe reporting unit as prescribed in the accounting standard related to goodwill impairment tests and concluded that its goodwill attributed to the Company s Europe reporting unit was not impaired as the fair value of its Europe reporting unit exceeded the carrying value of this reporting unit, including goodwill. In order to determine the fair value of the Company s reporting units, the Company utilizes the discounted

6

Table of Contents

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

cash flow and market methods. The Company has consistently utilized both methods in its goodwill impairment tests and weights both results equally. The Company uses both methods in its goodwill impairment tests as it believes both methods, in conjunction with each other, provide a reasonable estimate of the determination of fair value of the reporting unit the discounted cash flow method being specific to anticipated future results of the reporting unit and the market method, which is based on the Company s market sector including its competitors. The assumptions supporting the discounted cash flow method, including the discount rate, which was assumed to be 10.0%, were determined using the Company s best estimates as of the date of the impairment review. The Company has performed various sensitivity analyses on certain of the assumptions used in the discounted cash flow method, such as forecasted revenues and discount rate, and notes that no reasonably possible changes would reduce the fair value of the reporting unit to such a level that would cause an impairment charge. The Company will perform another review of the Europe reporting unit as of November 30, 2010, the same date that will be used for the annual goodwill impairment tests for the North America and Asia-Pacific reporting units.

Impairment assessments inherently involve judgment as to assumptions about expected future cash flows and the impact of market conditions on those assumptions. Future events and changing market conditions may impact the Company s assumptions as to prices, costs, growth rates or other factors that may result in changes in the Company s estimates of future cash flows. Although the Company believes the assumptions it used in testing for impairment are reasonable, significant changes in any one of the Company s assumptions could produce a significantly different result. Indicators of potential impairment that might lead the Company to perform interim goodwill impairment assessments include significant and unforeseen customer losses, a significant adverse change in legal factors or in the business climate, a significant adverse action or assessment by a regulator, a significant stock price decline or unanticipated competition.

For further information on goodwill and other intangible assets, see Note 4 below.

Earnings per Share

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

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Numerator:				
Numerator for basic earnings per share	$ 11,196	$ 18,812	$ 23,121	$ 51,709
Effect of assumed conversion of convertible debt:				
Interest expense, net of tax				23
Numerator for diluted earnings per share	$ 11,196	$ 18,812	$ 23,121	$ 51,732
Denominator:				
Weighted-average shares	45,745	38,787	42,961	38,270
Effect of dilutive securities:				
Convertible subordinated debentures				282
Employee equity awards	990	1,100	1,121	753
Total dilutive potential shares	990	1,100	1,121	1,035
Denominator for diluted earnings per share	46,735	39,887	44,082	39,305

Earnings per share:				
Basic	$ 0.24	$ 0.49	$ 0.54	$ 1.35
Diluted	$ 0.24	$ 0.47	$ 0.52	$ 1.32

Table of Contents

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Shares reserved for conversion of 2.50% convertible subordinated notes	2,232	2,232	2,232	2,232
Shares reserved for conversion of 3.00% convertible subordinated notes	2,945	2,945	2,945	2,945
Shares reserved for conversion of 4.75% convertible subordinated notes	4,433	4,433	4,433	1,851
Common stock warrants		1		1
Common stock related to employee equity awards	510	1,023	798	1,506
	10,120	10,634	10,408	8,535

Fair Value of Financial Instruments

The following table sets forth the estimated fair values of the Company s mortgage and loans payable, senior notes and convertible debt as of (in thousands):

	September 30, 2010		December 31, 2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Mortgage and Loans Payable:				
Mortgage payable	$ 89,663	$ 92,301	$ 91,756	$ 83,406
Chicago IBX financing			109,991	109,700
Asia-Pacific financing			64,559	60,827
New Asia-Pacific financing	111,844	114,062		
European financing			130,058	111,375
Netherlands financing			9,311	7,941
Singapore financing			24,559	21,739
	$ 201,507	$ 206,363	$ 430,234	$ 394,988
Senior Notes:				
Senior notes	$ 750,000	$ 801,228	$	$
Convertible Debt:				
2.50% convertible subordinated notes	$ 231,276	$ 245,469	$ 222,943	$ 228,935
3.00% convertible subordinated notes	395,986	437,881	395,986	461,324
4.75% convertible subordinated notes	283,233	353,815	274,777	307,248
	$ 910,495	$ 1,037,165	$ 893,706	$ 997,507

Income Taxes

The Company s effective tax rates were 40.5% and 36.6% for the nine months ended September 30, 2010 and 2009, respectively. The increase in the effective tax rate for the nine months ended September 30, 2010 as compared to the nine months ended September 30, 2009 was primarily due to an increase in foreign losses, which did not benefit the Company s effective tax rate.

The Company s unrecognized tax benefits increased by approximately $12,932,000 during the nine months ended September 30, 2010 due to the Switch and Data Acquisition. These unrecognized tax benefits served to reduce the deferred tax assets acquired from the Switch and Data Acquisition.

Table of Contents

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Interest Charges

The following table sets forth total interest costs incurred and total interest costs capitalized for the periods presented (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Interest expense	$ 38,363	$ 22,256	$ 101,653	$ 51,619
Interest capitalized	2,010	2,628	8,746	10,397
Interest charges incurred	$ 40,373	$ 24,884	$ 110,399	$ 62,016

Stock-Based Compensation

In February and March 2010, the Compensation Committee and the Stock Award Committee of the Board of Directors approved the issuance of an aggregate of 597,063 shares of restricted stock units to certain employees, including executive officers, pursuant to the 2000 Equity Incentive Plan as part of the Company s annual refresh program. All awards are subject to vesting provisions. All such equity awards described in this paragraph had a total fair value as of the dates of grant of $60,226,000, which is expected to be amortized over a weighted-average period of 2.56 years.

In April 2010, as a result of the Switch and Data Acquisition, the Company issued 476,943 options to purchase the Company s common shares and 98,509 restricted stock units of the Company common shares to Switch and Data employees in exchange for their outstanding options to purchase shares of and restricted stock units of Switch and Data (see Note 2). An aggregate fair value of approximately $35,395,000 was attributed to these equity awards, of which $16,508,000 was included as part of the consideration of the Switch and Data Acquisition and the remaining $18,887,000 is expected to be amortized over a weighted-average period of 2.14 years.

The following table presents, by operating expense category, the Company s stock-based compensation expense recognized in the Company s condensed consolidated statement of operations (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Cost of revenues	$ 1,619	$ 1,887	$ 4,957	$ 4,439
Sales and marketing	3,627	2,681	10,316	7,699
General and administrative	11,704	9,465	34,747	26,892
Restructuring charges	(3)[1]		1,488[1]	
	$ 16,947	$ 14,033	$ 51,508	$ 39,030

(1) See Switch and Data Restructuring Charge in Note 12.

Recent Accounting Pronouncements

In October 2009, the FASB issued Accounting Standards Update No. 2009-13 (ASU 2009-13), which addresses the accounting for multiple-deliverable arrangements to enable vendors to account for products or services (deliverables) separately rather than as a combined unit. ASU 2009-13 is effective prospectively for revenue arrangements entered into or materially modified beginning in fiscal years on or after June 15, 2010. Early adoption is permitted. The Company is currently evaluating the impact that the adoption of this standard will have on its condensed consolidated financial statements, if any.

Table of Contents

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In January 2010, the FASB issued Accounting Standards Update No. 2010-06 (ASU 2010-06), which amends the use of fair value measures and the related disclosures. ASU 2010-06 requires new disclosures for transfers in and out of Level 1 and Level 2 fair value measurements, which is effective for interim and annual periods beginning after December 15, 2009. ASU 2010-06 also requires disclosure of activity in Level 3 fair value measurements on a gross basis, which is effective for fiscal years beginning after December 15, 2010. The Company adopted ASU 2010-06 during the three months ended March 31, 2010 with respect to the new disclosures for transfers in and out of Level 1 and Level 2 fair value measurements, and its adoption did not have any significant impact on the Company s condensed consolidated financial statements. The Company is currently evaluating the impact that the disclosure of activity in Level 3 fair value measurements will have on its consolidated financial statements, if any.

2. Switch and Data Acquisition

On April 30, 2010 (the Acquisition Date), the Company acquired 100% of the issued and outstanding share capital of Switch and Data, a publicly-held company headquartered in Tampa, Florida. Switch and Data operated 34 data centers in the U.S. and Canada. The combined company operates under the Equinix name. There were no historical transactions between Equinix and Switch and Data.

The Company included Switch and Data s results of operations from May 1, 2010 and estimated the fair value of assets acquired and liabilities assumed in its condensed consolidated balance sheets beginning April 30, 2010. The Company incurred acquisition costs of $250,000 and $11,094,000, respectively, for the three and nine months ended September 30, 2010 related to the Switch and Data Acquisition which were included in the condensed consolidated statements of operations.

Additionally, as a result of the Switch and Data Acquistion, the Company incurred a restructuring charge of $4,905,000 during the nine months ended September 30, 2010 (see Note 12).

Fair Value of Consideration Transferred

Under the final terms of the Switch and Data Acquisition, each stock-electing share received 0.19409 shares of Equinix common stock, each cash-electing share received $19.06 in cash, and each non-electing share received 0.11321688 shares of Equinix common stock and $7.94189104 in cash, in each case subject to the terms of the merger agreement. Additionally, the Company assumed Switch and Data s outstanding employee equity awards. The following table presents the fair value of consideration transferred to acquire Switch and Data at the Acquisition Date (in thousands):

Cash (1)	$ 134,007
Common stock (2)	549,389
Switch and Data employee equity awards (3)	16,508
Total	$ 699,904

(1) Represents payment for approximately 20% of Switch and Data s total common stock outstanding as of the Acquisition Date.
(2) Fair value of 5,458,413 shares of the Company s common stock issued in exchange for approximately 80% of Switch and Data s total common stock outstanding as of the Acquisition Date. The value of the Company s common stock issued was determined based on the Company s closing share price on the Acquisition Date, or $100.65 per share.
(3)

Represents fair value attributed to vested shares of Switch and Data employee equity awards which the Company assumed. The Company issued 476,943 options to purchase the Company s common stock and 98,509 restricted stock units of the Company s common stock to Switch and Data employees with an aggregate fair value of $35,395,000 in exchange for their options to purchase shares of and restricted stock units of Switch and Data (see Note 1, Stock-Based Compensation).

Table of Contents

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Purchase Price Allocation

The Switch and Data Acquisition was accounted for using the acquisition method of accounting in accordance with the accounting standard for business combinations. Under the acquisition method of accounting, the total purchase price was allocated to Switch and Data s net tangible and intangible assets based upon their fair value as of the Acquisition Date. Based upon the purchase price and the valuation of Switch and Data, the purchase price allocation was as follows (in thousands):

Cash and cash equivalents	$ 20,718
Accounts receivable	12,763
Other current assets	2,125
Property, plant and equipment	464,640
Goodwill	407,383
Intangible asset customer contracts	98,920
Intangible asset favorable leases	13,680
Intangible asset other	3,370
Other assets	1,471
Total assets acquired	1,025,070
Accounts payable and accrued expenses	(24,512)
Accrued property, plant and equipment	(10,363)
Current portion of capital leases	(10,402)
Current portion of loan payable	(138,938)
Other current liabilities	(12,157)
Capital leases, less current portion	(38,998)
Unfavorable leases	(2,580)
Deferred tax liability	(66,422)
Other liabilities	(20,794)
Net assets acquired	$ 699,904

The following table presents certain information on the acquired identifiable intangible assets (dollars in thousands):

Intangible assets	Fair value	Estimated useful lives (years)	Weighted-average estimated useful lives (years)
Customer contracts	$ 98,920	11	11
Favorable leases	13,680	3 16	8.6
Other	3,370	0 10	4.9
Unfavorable leases	(2,580)	3 15	8.3

The fair value of customer contracts was estimated by applying an income approach. The fair value was determined by calculating the present value of estimated future operating cash flows generated from exisiting customers less costs to realize the revenue. The Company applied a discount rate of approximately 14%, which reflects the nature of the asset, to the estimated future operating cash flows. Other significant

assumptions used to estimate the fair value of the customer contracts include projected revenue growth, customer attrition rates, sales and marketing expenses and operating margins. The fair values of favorable and unfavorable leases were estimated by applying an income approach. The fair value was determined by calculating the difference between the discounted cash flows over the remaining term of each lease using contractual lease rates and market lease rates. The Company applied a discount rate ranging from 8.25% to 11.5% depending on the type, location and duration of each lease. Another significant assumption used in estimating the fair values of the favorable and unfavorable leases was the market lease rates. The fair value of the other acquired identifiable intangible assets were estimated by applying an income or cost approach as appropriate. The fair value measurements were based on significant inputs that are not observable in the market and thus represent Level 3 measurements as defined in the accounting standard for fair value measurements.

Table of Contents

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company determined the fair value of the term loan and revolving credit facility assumed in the Switch and Data Acquisition by estimating Switch and Data s debt rating and reviewed market data with a similar debt rating and other characteristics of the debt, including the maturity date and security type. The Company determined that the book value of $138,938,000 approximated the fair value as of the Acquisition Date.

The Company determined the fair value of the two property capital lease liabilities assumed in the Switch and Data Acquisition of $40,425,000 by calculating the present value of future cash flows using a discount rate of approximately 8.6%, which was equal to the average yield of industrial bonds with similar remaining terms as the leases. The Company determined that the fair value of the equipment capital lease liability assumed in the Switch and Data Acquisition was equal to the fair value of the underlying assets of $9,155,000 as of the Acquisition Date because the lease contained a bargain purchase option and the title of the leased property is expected to be transferred to the Company at the end of the lease term. A total of $407,383,000 has been allocated to goodwill. Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired. Goodwill is attributable to the workforce of Switch and Data and the significant synergies expected to arise after the Switch and Data Acquisition. Goodwill is not expected to be deductible for tax purposes. Goodwill will not be amortized and will be tested for impairment at least annually. Goodwill recorded as a result of the Switch and Data Acquisition is attributable to the Company s North American reportable segment (see Note 11) and reporting unit (see Note 4). The Company intends to test goodwill attributable to the North American reporting unit annually as of November 30th, commencing with November 30, 2010.

For additional information on the Switch and Data debt assumed, refer to Note 8.

The Company continues to evaluate certain assets and liabilities related to the Switch and Data Acquisition. Additional information, which existed as of the Acquisition Date but was unknown to the Company at that time, may become known to the Company during the remainder of the measurement period, a period not to exceed 12 months from the Acquisition Date. Changes to the assets and liabilities recorded may result in a corresponding adjustment to goodwill.

Unaudited Pro Forma Combined Condensed Consolidated Statements of Operations

The consolidated financial statements of the Company include the operations of Switch and Data from May 1, 2010 through September 30, 2010 for the nine months ended September 30, 2010. The following table sets forth the results of operations of Switch and Data which were included in the Company s consolidated financial statements (in thousands):

	Three months ended	Nine months ended
	September 30, 2010	
Revenues	$ 57,474	$ 95,066
Net income (loss)	1,165	(4,962)

The following unaudited pro forma combined consolidated financial information has been prepared to give effect to the Switch and Data Acquisition by the Company using the acquisition method of accounting and the Company s repayment of Switch and Data s outstanding debt and equipment capital lease (Note 8). The unaudited pro forma combined consolidated financial information reflect certain adjustments related to the Switch and Data Acquisition, such as additional depreciation and amortization expense on assets acquired from Switch and Data. These pro forma statements were prepared as if the Switch and Data Acquistion and the repayment of Switch and Data s outstanding debt and equipment capital lease had been completed as of the beginning of each period presented.

Table of Contents

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The unaudited pro forma combined consolidated financial information is presented for illustrative purposes only and is not necessarily indicative of the results of operations that would have actually been reported had the acquisition occurred on January 1, 2010 and 2009, nor is it necessarily indicative of the future results of operations of the combined company.

The following table sets forth the unaudited pro forma consolidated combined results of operations (in thousands, except per share data):

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Revenues	$ 330,347	$ 281,078	$ 951,045	$ 789,970
Net income	11,346	20,625	33,246	47,893
Earnings per share:				
Basic earnings per share	0.25	0.47	0.73	1.10
Diluted earnings per share	0.24	0.45	0.71	1.07

3. IBX Acquisitions and Expansions

Amsterdam IBX Expansion Project

In April 2010, an indirect, wholly-owned subsidiary of the Company amended its existing lease agreements for its two adjacent Amsterdam properties. One of these properties is the Company s existing Amsterdam IBX data center and the Company is now developing the second property to become its second Amsterdam IBX data center (the Amsterdam IBX Expansion Project). The Company s development plans involve modifying the two building structures to connect the two adjacent buildings into a single campus. The two Amsterdam properties were previously accounted for as operating leases. Pursuant to the accounting standards for lessee s involvement in asset construction and for leasing transactions involving special-purpose entities, the Company is now considered the owner of the two leased buildings during the construction phase due to the structural building work that the Company is now undertaking, while the underlying land is considered an operating lease. As a result, the Company recorded a building asset and a related financing obligation liability (the Amsterdam IBX Building Financing) totaling approximately $11,288,000 (using the exchange rate as of September 30, 2010).

Sydney 3 IBX Expansion Project

In June 2010, an indirect, wholly-owned subsidiary of the Company entered into a lease for a building that the Company and the landlord will both jointly develop to meet the Company s needs and which the Company will ultimately convert into its third IBX data center in Sydney, Australia (the Sydney 3 IBX Expansion Project and the Sydney 3 Lease). The Sydney 3 Lease has a term of 15 years and a total cumulative rent obligation of approximately $28,172,000 (using the exchange rate as of September 30, 2010) commencing September 2010. The landlord began modifying the building structure to the Company s specifications in June 2010. Pursuant to the accounting standards for lessee s involvement in asset construction and for leasing transactions involving special-purpose entities, the Company is now considered the owner of the building during the construction phase due to the structural building work that the landlord is now undertaking on the Company s behalf. As a result, the Company will be recording a building asset during the construction period and a related financing liability (the Sydney 3 IBX Building Financing), while the underlying land will be considered an operating lease. The building is expected to be completed during the first half of 2011. In connection with the Sydney 3 IBX Building Financing, the Company recorded a building asset and a corresponding financing obligation liability totaling approximately $9,068,000 (using the exchange rate as of September 30, 2010), representing the fair value of the existing building structure and the estimated percentage-of-completion of the building as of September 30, 2010.

13

Table of Contents

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Paris 3 IBX Lease Amendment

In April 2010, an indirect, wholly-owned subsidiary of the Company amended an existing lease for the Company s Paris 3 IBX data center (the Paris 3 IBX Lease) to take on additional space effective July 2010 (the Paris 3 IBX Lease Amendment), which the Company will use to expand its Paris 3 IBX data center. The Paris 3 IBX Lease Amendment has the same lease end date as the Paris 3 IBX Lease, which is through September 2020, and a total cumulative rent obligation of approximately $67,315,000 (using the exchange rate as of September 30, 2010). The Paris 3 IBX Lease was accounted for as a capital lease; however, due to structural work that was made to the property related to the new space, which the Company obtained in July 2010, pursuant to the accounting standards for lessee s involvement in asset construction and for leasing transactions involving special-purpose entities, the Company is now considered the owner of the property. As a result, the Company removed both the capital lease asset, which had a net book value totaling $35,149,000, and capital lease obligation totaling $37,706,000 in July 2010 and replaced them with a building asset totaling $56,370,000 and a related financing obligation liability (the Paris 3 IBX Building Financing) totaling $58,927,000 (using the exchange rate as of September 30, 2010).

4. Balance Sheet Components

Cash, Cash Equivalents and Short-Term and Long-Term Investments

Cash, cash equivalents and short-term and long-term investments consisted of the following as of (in thousands):

	September 30, 2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agency obligations	$ 562,500	$ 77	$ (3)	$ 562,574
Cash and money markets	147,186			147,186
Corporate bonds	3,448	34		3,482
Asset-backed securities	2,033	77	(1)	2,109
Total available-for-sale securities	715,167	188	(4)	715,351
Less amounts classified as cash and cash equivalents	(389,150)	(2)	3	(389,149)
Total securities classified as investments	326,017	186	(1)	326,202
Less amounts classified as short-term investments	(322,923)	(56)		(322,979)
Total long-term investments	$ 3,094	$ 130	$ (1)	$ 3,223

Table of Contents

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Cash, cash equivalents and short-term and long-term investments consisted of the following as of (in thousands):

	December 31, 2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agency obligations	$ 437,764	$ 162	$ (3)	$ 437,923
Cash and money markets	147,059			147,059
Corporate bonds	12,400	203		12,603
Asset-backed securities	5,543	134	(4)	5,673
Other securities	1,108	1		1,109
Total available-for-sale securities	603,874	500	(7)	604,367
Less amounts classified as cash and cash equivalents	(346,059)		3	(346,056)
Total securities classified as investments	257,815	500	(4)	258,311
Less amounts classified as short-term investments	(248,300)	(208)		(248,508)
Total long-term investments	$ 9,515	$ 292	$ (4)	$ 9,803

As of September 30, 2010 and December 31, 2009, cash equivalents included investments which were readily convertible to cash and had original maturity dates of 90 days or less. The maturities of securities classified as short-term investments were one year or less as of September 30, 2010 and December 31, 2009. The maturities of securities classified as long-term investments were greater than one year and less than three years as of September 30, 2010 and December 31, 2009.

In January 2010 and July 2010, the Company received additional distributions of $3,420,000 and $206,000, respectively, from its investment in the Reserve Primary Fund (the Reserve), a money market fund that suffered a decline in its Net Asset Value (NAV) of below $1 per share when the Reserve valued its exposure to investments held in Lehman Brothers Holdings, Inc. (Lehman Brothers) at zero. The Reserve held investments in commercial paper and short-term notes issued by Lehman Brothers, which filed for Chapter 11 bankruptcy protection in September 2008. During the years ended December 31, 2008 and 2009, the Company recorded other-than-temporary impairment losses on the Reserve. The Company also received distributions of its outstanding funds held by the Reserve during the years ended December 31, 2008 and 2009. As of December 31, 2009, the Company had no amounts remaining outstanding on its consolidated balance sheet for the Reserve. As a result, during the three months ended March 31, 2010 and September 30, 2010, the Company recorded a recovery of other-than-temporary impairment loss, which is included in the Company s condensed consolidated statement of operations. During the nine months ended September 30, 2009, the Company recorded an other-than-temporary impairment loss of $2,687,000 in connection with its investment in the Reserve, which is included in the Company s condensed consolidated statement of operations.

As of September 30, 2010, the Company s net unrealized gains (losses) on its available-for-sale securities were comprised of the following (in thousands):

	Unrealized gains	Unrealized losses	Net unrealized gains/(losses)

Cash and cash equivalents	$ 2	$ (3)	$ (1)
Short-term investments	56		56
Long-term investments	130	(1)	129
	$ 188	$ (4)	$ 184

While certain marketable securities carry unrealized losses, the Company expects that it will receive both principal and interest according to the stated terms of each of the securities and that the decline in market value is primarily due to changes in the interest rate environment from the time the securities were purchased as compared to interest rates at September 30, 2010.

Table of Contents

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table summarizes the fair value and gross unrealized losses related to 7 available-for-sale securities with an aggregate cost basis of $170,443,000, aggregated by type of investment and length of time that individual securities have been in a continuous unrealized loss position, as of September 30, 2010 (in thousands):

	Securities in a loss position for less than 12 months		Securities in a loss position for 12 months or more	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
U.S. government and agency obligations	$ 169,985	$ (3)	$	$
Asset-backed securities			454	(1)
	$ 169,985	$ (3)	$ 454	$ (1)

While the Company does not believe it holds investments that are other-than-temporarily impaired and believes that the Company s investments will mature at par, as of September 30, 2010, the Company believes that its investments are subject to the currently adverse market conditions. If market conditions were to deteriorate further, the Company could sustain other-than-temporary impairments to its investment portfolio which could result in additional realized losses being recorded or securities markets could become inactive which could affect the liquidity of the Company s investments. As securities mature, the Company has reinvested the proceeds in U.S. government securities, such as Treasury bills and Treasury notes, of a short-term duration and lower yield in order to meet its near term liquidity and capital expenditure requirements. As a result, the Company expects to recognize lower interest income in future periods.

Accounts Receivable

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

	September 30, 2010	December 31, 2009
Accounts receivable	$ 206,180	$ 126,122
Unearned revenue	(87,186)	(59,635)
Allowance for doubtful accounts	(3,378)	(1,720)
	$ 115,616	$ 64,767

Trade accounts receivable are recorded at the invoiced amount and generally do not bear interest. The Company generally invoices its customers at the end of a calendar month for services to be provided the following month, although this practice varies in the Company s Europe region. Accordingly, 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.

Table of Contents

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other Current Assets

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

	September 30, 2010	December 31, 2009
Deferred tax assets, net	$ 38,794	$ 46,822
Prepaid expenses	17,798	10,277
Taxes receivable	3,502	7,081
Other receivables	880	2,083
Foreign currency forward contract receivable	517	498
Other current assets	2,576	1,795
	$ 64,067	$ 68,556

Property, Plant and Equipment

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

	September 30, 2010	December 31, 2009
IBX plant and machinery	$ 1,415,423	$ 925,360
Leasehold improvements	936,442	552,548
Buildings	318,377	277,247
IBX equipment	222,943	175,030
Site improvements	245,526	231,437
Computer equipment and software	109,320	85,472
Land	83,572	84,681
Furniture and fixtures	13,864	11,428
Construction in progress	190,451	243,129
	3,535,918	2,586,332
Less accumulated depreciation	(953,028)	(778,217)
	$ 2,582,890	$ 1,808,115

Leasehold improvements, IBX plant and machinery, computer equipment and software and buildings recorded under capital leases aggregated $134,897,000 and $87,138,000 at September 30, 2010 and December 31, 2009, respectively. Amortization on the assets recorded under capital leases is included in depreciation expense and accumulated depreciation on such assets totaled $30,783,000 and $14,644,000 as of September 30, 2010 and 2009, respectively.

The Company s planned capital expenditures during the remainder of 2010 and thereafter in connection with recently acquired IBX properties and expansion efforts are substantial. For further information, refer to Other Purchase Commitments in Note 9.

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, 2010	December 31, 2009
Goodwill:		
North America	$ 407,383	$
Europe	351,145	362,569
Asia-Pacific	19,730	18,481
	778,258	381,050
Other intangibles:		
Intangible asset customer contracts	157,396	60,499
Intangible asset favorable leases	18,163	4,690
Intangible asset others	3,480	111
	179,039	65,301
Accumulated amortization	(23,438)	(14,286)
	155,601	51,015
	$ 933,859	$ 432,065

Changes in the carrying amount of goodwill by geographic regions are as follows (in thousands):

	North America	Europe	Asia-Pacific	Total
Balance at December 31, 2009	$	$ 362,569	$ 18,481	$ 381,050
Switch and Data acquisition (see Note 2)	407,383			407,383
Impact of foreign currency exchange		(11,424)	1,249	(10,175)
Balance at September 30, 2010	$ 407,383	$ 351,145	$ 19,730	$ 778,258

The Company s goodwill and intangible assets in Europe, denominated in British pounds and Euros, goodwill in Asia-Pacific, denominated in Singapore dollars, and certain intangible assets in North America, denominated in Canadian dollars, are subject to foreign currency fluctuations. The Company s foreign currency translation gains and losses, including goodwill and other intangibles, are a component of other comprehensive income and loss.

For the three and nine months ended September 30, 2010, the Company recorded amortization expense of $4,357,000 and $9,378,000, respectively, associated with its other intangible assets. For the three and nine months ended September 30, 2009, the Company recorded

amortization expense of $1,454,000 and $4,100,000, respectively, associated with its other intangible assets.

Changes in the gross book value of intangible assets by geographic regions are as follows (in thousands):

	North America	Europe	Asia-Pacific	Total
Intangible assets, gross at December 31, 2009	$ 2,293	$ 63,008	$	$ 65,301
Switch and Data acquisition (see Note 2)	115,970			115,970
Impact of foreign currency exchange	(180)	(2,052)		(2,232)
Intangible assets, gross at September 30, 2010	$ 118,083	$ 60,956	$	$ 179,039

Table of Contents

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company s estimated future amortization expense related to these intangibles is as follows (in thousands):

Year ending:	
2010 (three months remaining)	$ 4,334
2011	16,798
2012	16,647
2013	16,601
2014	16,352
2015 and thereafter	84,869
Total	$ 155,601

Other Assets

Other assets consisted of the following (in thousands):

	September 30, 2010	December 31, 2009
Debt issuance costs, net	$ 36,708	$ 19,762
Deposits	21,604	28,032
Restricted cash	3,937	3,021
Prepaid expenses, non-current	3,057	3,247
Deferred tax assets, non-current	2,408	5,171
Other assets, non-current	1,394	1,047
	$ 69,108	$ 60,280

Accounts Payable and Accrued Expenses

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

	September 30, 2010	December 31, 2009
Accounts payable	$ 11,646	$ 14,874
Accrued compensation and benefits	42,954	35,809
Accrued taxes	20,729	14,508
Accrued interest	20,522	6,235
Accrued utilities and security	18,854	13,526
Accrued acquisition costs	5,053	
Accrued professional fees	4,695	4,657

Accrued other	9,638	9,444
	$ 134,091	$ 99,053

Table of Contents

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other Current Liabilities

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

	September 30, 2010	December 31, 2009
Deferred installation revenue	$ 29,883	$ 26,319
Customer deposits	11,002	8,406
Accrued restructuring charges	4,013	2,043
Deferred recurring revenue	2,652	2,689
Deferred tax liabilities	814	814
Deferred rent	470	403
Other current liabilities	984	492
	$ 49,818	$ 41,166

Other Liabilities

Other liabilities consisted of the following (in thousands):

	September 30, 2010	December 31, 2009
Deferred tax liabilities, non-current	$ 91,121	$ 25,937
Asset retirement obligations	46,651	17,710
Deferred rent, non-current	41,093	34,288
Deferred installation revenue, non-current	20,296	18,228
Customer deposits, non-current	5,130	5,813
Deferred recurring revenue, non-current	5,028	5,160
Interest rate swap payable, non-current		8,496
Accrued restructuring charges, non-current	3,954	3,876
Other liabilities	1,169	1,095
	$ 214,442	$ 120,603

The increase in deferred tax liabilities, non-current was primarily due to a $66,422,000 deferred tax liability recorded in connection with the Switch and Data Acquisition (see Note 2).

The following table summarizes the activity of the Company s asset retirement obligation liability (in thousands):

Asset retirement obligations as of December 31, 2009	$ 17,710
Additions (1)	26,405
Accretion expense	2,301
Impact of foreign currency exchange	235
Asset retirement obligations as of September 30, 2010	$ 46,651

(1) Includes $20,262,000 assumed in connection with the Switch and Data Acquisition.

The Company currently leases the majority of its IBX data centers and certain equipment under non-cancelable operating lease agreements expiring through 2030. The IBX data center 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.

Table of Contents

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Fair Value Measurements

The Company s financial assets and liabilities measured at fair value on a recurring basis at September 30, 2010 were as follows (in thousands):

	Fair value at September 30, 2010	Fair value measurement using		
		Level 1	Level 2	Level 3
Assets:				
U.S. Government and Agency obligations	$ 562,574	$	$ 562,574	$
Cash and money markets	147,186	147,186		
Corporate bonds	3,482		3,482	
Asset-backed securities	2,109		2,109	
Derivative assets **(1)**	517		517	
	$ 715,868	$ 147,186	$ 568,682	$

(1) Included in the consolidated balance sheets within other current assets.

The Company s investments in money market funds, which are classified within Level 1 of the fair value hierarchy, are valued using quoted prices for identical instruments in active markets. The Company s investments in U.S. government and agency securities, corporate bonds and asset-back securities are classified within Level 2 of the fair value hierarchy. Level 2 investments are valued based upon published clearing prices for similar securities with recent trades.

For foreign currency derivatives, the Company s approach is to use forward contract and option valuation models employing market observable inputs, such as spot currency rates, time value and option volatilities with adjustments made to these values utilizing the credit default swap rates of our foreign exchange trading counterparties. Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit risk valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of September 30, 2010, the Company had assessed the significance of the impact of the credit risk valuation adjustments on the overall valuation of its derivative positions and had determined that the credit risk valuation adjustments were not significant to the overall valuation of its derivatives. Therefore, they are categorized as Level 2.

During the nine months ended September 30, 2010, the Company did not have any nonfinancial assets or liabilities measured at fair value on a recurring basis.

6. Derivatives and Hedging Activities

The Company uses foreign currency forward contracts to manage the foreign exchange risk associated with certain foreign currency-denominated assets and liabilities. As a result of foreign currency fluctuations, the U.S. dollar equivalent values of the foreign currency-denominated assets and liabilities change. Foreign currency forward contracts represent agreements to exchange the currency of one country for the currency of another country at an agreed-upon price on an agreed-upon settlement date.

The Company has not designated the foreign currency forward contracts as hedging instruments under the accounting standard for derivatives and hedging. Gains and losses on these contracts are included in other income (expense), net, along with those foreign currency gains and losses of the related foreign currency-denominated assets and liabilities associated with these foreign currency forward contracts. The Company entered into various foreign currency forward contracts during the nine months ended September 30, 2010 and 2009. As of September 30, 2010, the Company had gross assets totaling $2,257,000 and gross liabilities totaling $1,740,000 representing the fair values of these foreign currency forward contracts.

Table of Contents

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company recorded its foreign currency forward contracts, net, by counter party, within other current assets. The following table sets forth the Company s net gain (loss), which is reflected in other income (expense) on the accompanying condensed consolidated statement of operations, in connection with its foreign currency forward contracts (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Net gain (loss)	$ (1,677)	$ (820)	$ 19	$ (1,156)

During the nine months ended September 30, 2010, the Company terminated its outstanding interest rate swap instruments (see Note 8). As of September 30, 2010, there were no outstanding interest rate swap instruments.

7. Related Party Transactions

The Company has several significant stockholders and other related parties that are also customers and/or vendors. The Company s activity of related party transactions was as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Revenues	$ 5,758	$ 5,654	$ 16,792	$ 17,308
Costs and services	1,840	489	2,649	788

	September 30, 2010	September 30, 2009
Accounts receivable	$ 4,397	$ 3,070
Accounts payable	246	43

8. Debt Facilities and Other Financing Obligations

Senior Notes

In February 2010, the Company issued $750,000,000 aggregate principal amount of 8.125% Senior Notes due March 1, 2018 (the Senior Notes). Interest is payable semi-annually on March 1 and September 1 of each year, commencing on September 1, 2010.

The Senior Notes are governed by an Indenture dated March 3, 2010 between the Company, as issuer, and U.S. Bank National Association, as trustee (the Senior Notes Indenture). The Senior Notes Indenture contains covenants that limit the Company s ability and the ability of its subsidiaries to, among other things:

incur additional debt;

pay dividends or make other restricted payments;

purchase, redeem or retire capital stock or subordinated debt;

make asset sales;

enter into transactions with affiliates;

incur liens;

enter into sale-leaseback transactions;

provide subsidiary guarantees;

make investments; and

merge or consolidate with any other person.

Table of Contents

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Each of these restrictions has a number of important qualifications and exceptions. The Senior Notes are unsecured and rank equal in right of payment to the Company s existing or future senior debt and senior in right of payment to the Company s existing and future subordinated debt. The Senior Notes will be effectively junior to any of the Company s existing and future secured indebtedness and any indebtedness of its subsidiaries.

At any time prior to March 1, 2013, the Company may on any one or more occasions redeem up to 35% of the aggregate principal amount of the Senior Notes outstanding under the Senior Notes Indenture, at a redemption price equal to 108.125% of the principal amount of the Senior Notes to be redeemed, plus accrued and unpaid interest to, but not including, the redemption date, with the net cash proceeds of one or more equity offerings, provided that (i) at least 65% of the aggregate principal amount of the Senior Notes issued under the Senior Notes Indenture remains outstanding immediately after the occurrence of such redemption and (ii) the redemption must occur within 90 days of the date of the closing of such equity offerings. On or after March 1, 2014, the Company may redeem all or a part of the Senior Notes, on any one or more occasions, at the redemption prices set forth below plus accrued and unpaid interest thereon, if any, up to, but not including, the applicable redemption date, if redeemed during the one-year period beginning on March 1 of the years indicated below:

	Redemption price of the Senior Notes
2014	104.0625%
2015	102.0313%
2016 and thereafter	100.0000%

In addition, at any time prior to March 1, 2014, the Company may also redeem all or a part of the Senior Notes at a redemption price equal to 100% of the principal amount of the Senior Notes redeemed plus applicable premium (the Applicable Premium) and accrued and unpaid interest, if any, to, but not including, the date of redemption (the Redemption Date). The Applicable Premium means the greater of:

- 1.0% of the principal amount of the Senior Notes; and
- the excess of: (a) the present value at such redemption date of (i) the redemption price of the Senior Notes at March 1, 2014 as shown in the above table, plus (ii) all required interest payments due on the Senior Notes through March 1, 2014 (excluding accrued but unpaid interest, if any, to, but not including the redemption date), computed using a discount rate equal to the yield to maturity of the United States Treasury securities with a constant maturity most nearly equal to the period from the redemption date to March 1, 2014, plus 0.50%; over (b) the principal amount of the Senior Notes.

Upon a change in control, the Company will be required to make an offer to purchase each holder s Senior Notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest to the date of purchase.

Debt issuance costs related to the Senior Notes, net of amortization, were $13,504,000 as of September 30, 2010.

New Asia-Pacific Financing

In May 2010, five wholly-owned subsidiaries of the Company, located in Australia, Hong Kong, Japan and Singapore, completed a new multi-currency credit facility agreement for approximately $217,701,000 (the New Asia-Pacific Financing), comprising 79,153,000 Australian dollars, 370,433,000 Hong Kong dollars, 99,434,000 Singapore dollars and 1,513,400,000 Japanese yen. The New Asia-Pacific Financing replaced the Company s existing Asia-Pacific Financing and Singapore Financing. The New Asia-Pacific Financing has a five-year term with semi-annual principal payments and quarterly debt service and consists of two tranches: (i) Tranche A totaling approximately $88,532,000 was

available for immediate drawing upon satisfaction of certain conditions precedent and was used to refinance the existing Asia-Pacific

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Financing and Singapore Financing and (ii) Tranche B totaling approximately $129,169,000 is available for drawing in Australian, Hong Kong and Singapore dollars only for up to 24 months following the effective date of the New Asia-Pacific Financing. The New Asia Pacific Financing bears an interest rate of 3.50% above the local borrowing rates for the first 12 months and interest rates between 2.50%-3.50% above the local borrowing rates thereafter, depending on the leverage ratio within these five subsidiaries of the Company. The New Asia-Pacific Financing contains financial covenants with which the Company and its five subsidiaries must comply quarterly. The New Asia-Pacific Financing is guaranteed by the parent, Equinix, Inc., and is secured by certain of the Company s five subsidiaries assets and share pledges. During the nine months ended September 30, 2010, the Company s five subsidiaries used part of the proceeds from the partially-drawn down Tranche A and Tranche B under the New Asia-Pacific Financing for the prepayment and termination of the existing Asia-Pacific Financing and the Singapore Financing. As of September 30, 2010, the Company s five subsidiaries had fully utilized Tranche A and utilized approximately $33,936,000 of Tranche B under the New Asia-Pacific Financing. The loans payable under the New Asia-Pacific Financing have a final maturity date of March 2015. As of September 30, 2010, the Company and its five subsidiaries were in compliance with all financial covenants in connection with the New Asia-Pacific Financing. As of September 30, 2010, $111,844,000 was outstanding under the New Asia-Pacific Financing at an approximate blended interest rate of 4.58% per annum.

Debt issuance costs associated with the New Asia-Pacific Financing, net of amortization, were $8,286,000 as of September 30, 2010. Debt issuance costs associated with the previously-existing Asia-Pacific Financing and the Singapore Financing were written-off and recorded as losses on debt extinguishment (refer to Loss on Debt Extinguishment and Interest Rate Swaps, Net below).

Chicago IBX Financing

In March 2010, the Company prepaid and terminated the Chicago IBX Financing, of which principal of $109,991,000 was outstanding as of December 31, 2009. The Chicago IBX Financing was prepaid to the lender for an amount equal to 95.909% of the then outstanding principal balance outstanding, plus accrued and unpaid interest, resulting in a gain of $4,460,000. On the same date, the Company paid and terminated the interest rate swap associated with the Chicago IBX Financing totaling $3,160,000. For additional information, refer to Loss on Debt Extinguishment and Interest Rate Swaps, Net below.

European Financing

In April 2010, the Company prepaid and terminated the European Financing at par for a total payment of approximately $121,748,000 plus accrued and unpaid interest. On the same date, the Company terminated three interest rate swaps associated with the European Financing and paid a total of $4,272,000 to terminate these interest rate swaps. For additional information, refer to Loss on Debt Extinguishment and Interest Rate Swaps, Net below.

Netherlands Financing

In June 2010, the Company prepaid and terminated the Netherlands Financing at par for a total payment of approximately $7,965,000 plus accrued and unpaid interest.

Switch and Data Debt

In May 2010, the Company prepaid and terminated at par a term loan and revolving credit facility assumed in connection with the Switch and Data Acquisition for a total payment of $138,938,000 plus accrued and unpaid interest. On the same date, the Company terminated the associated interest rate swap acquired related to this credit facility for a total payment of $9,789,000. For additional information, refer to Loss on Debt Extinguishment and Interest Rate Swaps, Net below.

In May 2010, the Company prepaid and terminated an equipment capital lease assumed in connection with the Switch and Data Acquisition for a total payment of $9,191,000, resulting in a loss of $36,000. For additional information, refer to Loss on Debt Extinguishment and Interest Rate Swaps, Net below.

24

Table of Contents

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In April 2010, the Company assumed two other capital leases in connection with the Switch and Data Acquisition related to two properties in North Bergen, New Jersey (the New Jersey Capital Lease) and Sunnyvale, California (the Sunnyvale Capital Lease). The Company assumed a capital lease obligation for the New Jersey Capital Lease totaling $24,660,000 with monthly payments due through July 2023 at an effective interest rate of 8.6% per annum. The Company assumed a capital lease obligation for the Sunnyvale Capital Lease totaling $15,585,000 with monthly payments due through July 2022 at an effective interest rate of 8.6% per annum.

Bank of America Revolving Credit Line

In February 2010, the Company amended the Bank of America Revolving Credit Line and extended the maturity date to February 11, 2011. In addition, the Bank of America Revolving Credit Line was amended to permit the Company to fund the cash payment portion of the pending acquisition of Switch and Data and to repay or retire its outstanding loan obligations upon the closing of the Switch and Data Acquisition. The Bank of America Revolving Credit Line will be used primarily to fund the Company s working capital and to enable the Company to issue letters of credit. The effect of issuing letters of credit under the Bank of America Revolving Credit Line reduces the amount available for borrowing under the Bank of America Revolving Credit Line. The Company may borrow, repay and reborrow under the Bank of America Revolving Credit Line at either the prime rate or at a borrowing margin of 2.75% over one, three or six month LIBOR, subject to a minimum borrowing cost of 3.00%. The Bank of America Revolving Credit Line contains three financial covenants, which the Company must comply with quarterly, consisting of a tangible net worth ratio, a debt service ratio and a senior leverage ratio and is collateralized by the Company s domestic accounts receivable balances. As of September 30, 2010, the Company was in compliance with all financial covenants in connection with the Bank of America Revolving Credit Line. The Bank of America Revolving Credit Line is available for renewal subject to mutual agreement by both parties. As of September 30, 2010, the Company had issued 14 irrevocable letters of credit totaling $18,333,000 under the Bank of America Revolving Credit Line. As a result, the amount available to borrow was $6,667,000 as of September 30, 2010.

Loss on Debt Extinguishment and Interest Rate Swaps, Net

Loss on debt extinguishment and interest rate swaps, net for the nine months ended September 30, 2010 consisted of the following (in thousands):

Principal discount on the Chicago IBX financing	$ 4,460
Principal premium on the Switch and Data equipment capital lease	(36)
Write-off of unamortized debt issuance costs:	
Chicago IBX financing	(474)
Asia-Pacific financing	(720)
Singapore financing	(502)
Subtotal gain on debt extinguishment	2,728
Termination of interest rate swaps:	
Chicago IBX financing interest rate swap	(3,160)
European financing interest rate swaps	(4,272)
Switch and Data interest rate swap	(83)
Interest rate swap termination fees	(44)
Subtotal loss on interest rate swaps	(7,559)
Loss on debt extinguishment and interest rate swaps, net	$ (4,831)

25

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, 2010 were as follows (in thousands):

	Convertible debt (1)	Senior notes (1)	Mortgage and loans payable (1)	Capital lease and other financing obligations (2)	Total
2010 (three months remaining)	$	$	$ 733	$ 6,781	$ 7,514
2011			22,541	29,195	51,736
2012	250,000		26,851	29,752	306,603
2013			32,749	30,359	63,108
2014	395,986		30,078	31,107	457,171
2015 and thereafter	373,750	750,000	88,555	287,833	1,500,138
	1,019,736	750,000	201,507	415,027	2,386,270
Less amount representing interest				(227,770)	(227,770)
Less amount representing debt discount	(109,241)				(109,241)
Less estimated building costs				(4,906)	(4,906)
Plus amount representing residual property value				87,202	87,202
	910,495	750,000	201,507	269,553	2,131,555
Less current portion of principal			(22,480)	(7,624)	(30,104)
	$ 910,495	$ 750,000	$ 179,027	$ 261,929	$ 2,101,451

(1) Represents principal only.
(2) Represents principal and interest in accordance with minimum lease payments.

9. Commitments and Contingencies

Legal Matters

IPO Litigation

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 our initial public offering (the Underwriter Defendants). The cases were filed in the United States District Court for the Southern District of New York. Similar lawsuits were filed against approximately 300 other issuers and related parties. These lawsuits have been coordinated before a single judge. 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 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 the Company s initial public offering was false and misleading and in violation of the securities laws because it did not disclose these arrangements. The action seeks damages in an unspecified amount. On February 19, 2003, the court dismissed the Section 10(b) claim against the Company, but denied the motion to dismiss the Section 11 claim.

The parties in the approximately 300 coordinated cases, including the parties in the Equinix case, reached a settlement. It provides for releases of existing claims and claims that could have been asserted relating to the conduct alleged to be wrongful from the class of investors participating in the settlement. The insurers for the issuer defendants in the coordinated cases will make the settlement payment on behalf of

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

the issuers, including Equinix. On October 6, 2009, the Court granted final approval to the settlement. Six notices of appeal and one petition seeking permission to appeal were filed. Two objectors to the settlement have filed briefs in support of their appeals. The remaining objectors have withdrawn their appeals with prejudice.

Due to the inherent uncertainties of litigation, the Company cannot accurately predict the ultimate outcome of the matter. 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.

Pihana Litigation

On August 22, 2008, a complaint was filed against Equinix, certain former officers and directors of Pihana Pacific, Inc. (Pihana), certain investors in Pihana, and others. The lawsuit was filed in the First Circuit Court of the State of Hawaii, and arises out of December 2002 agreements pursuant to which Equinix merged Pihana and i-STT (a subsidiary of Singapore Technologies Telemedia Pte Ltd) into the internet exchange services business of Equinix. Plaintiffs, who were allegedly holders of Pihana common stock, allege that their rights as shareholders were violated, and the transaction was effectuated improperly, by Pihana s majority shareholders, officers and directors, with the alleged assistance of Equinix and others. Among other things, plaintiffs contend that they effectively had a right to block the transaction, that this supposed right was disregarded, and that they improperly received no consideration when the deal was completed. The complaint seeks to recover unspecified punitive damages, equitable relief, fees and costs, and compensatory damages in an amount that plaintiffs allegedly believe may be all or a substantial portion of the approximately $725,000,000 value of Equinix held by Defendants (a group that includes more than 30 individuals and entities). An amended complaint, which adds new plaintiffs (other alleged holders of Pihana common stock) but is otherwise substantially similar to the original pleading, was filed on September 29, 2008 (the Amended Complaint). On October 13, 2008, a complaint was filed in a separate action by another purported holder of Pihana common stock, naming the same defendants and asserting substantially similar allegations as the August 22, 2008 and September 29, 2008 pleadings. On December 12, 2008, the court entered a stipulated order, which consolidated the two actions under one case number and set January 22, 2009 as the last day for Defendants to move to dismiss or otherwise respond to the Amended Complaint, the operative complaint in this case. On January 22, 2009, motions to dismiss the Amended Complaint were filed by Equinix and other Defendants. On April 24, 2009, plaintiffs filed a Second Amended Complaint (SAC) to correct the naming of certain parties. The SAC is otherwise substantively identical to the Amended Complaint, and all motions to dismiss the Amended Complaint have been treated as responsive to the SAC. On September 1, 2009, the Court heard Defendants motions to dismiss the SAC and ruled at the hearing that all claims against all Defendants are time-barred. The Court also considered whether there were further independent grounds for dismissing the claims, and supplemental briefing was submitted with respect to claims against one defendant and plaintiffs renewed request for further leave to amend. On March 23, 2010, the Court entered final Orders granting the motions to dismiss as to all Defendants and issued a minute Order denying plaintiffs renewed request for further leave to amend. On May 21, 2010, plaintiffs filed a Notice of Appeal, and plaintiffs appeal is currently pending before the Hawaii Supreme Court. The Company believes that plaintiffs claims and alleged damages are without merit and it intends to continue to defend the litigation vigorously.

Due to the inherent uncertainties of litigation, the Company cannot accurately predict the ultimate outcome of the matter. 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.

Switch and Data Litigation

In the fourth quarter of 2009, three purported stockholder class action lawsuits were filed against the Company in connection with its proposed merger with Switch and Data. The first, filed October 27, 2009 in the Delaware Chancery Court, names Equinix, Sundance Acquisition Corporation, Switch and Data, and the members of Switch and Data s board of directors as defendants. The lawsuit alleges that the Switch and Data directors breached their fiduciary duties to Switch and Data s stockholders in connection with the proposed merger, and that Equinix aided and abetted these alleged breaches. The second complaint, filed October 30, 2009 in Florida state court, raises similar claims against the same defendants. The third

27

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

complaint, filed on December 7, 2009 in the United States District Court for the Middle District of Florida, likewise raises similar claims but did not name Sundance Acquisition Corporation as a defendant. Both the second and third complaints included claims alleging that Switch and Data had failed to disclose material information concerning the merger to stockholders.

On January 19, 2010, counsel for parties in all three lawsuits entered into a memorandum of understanding in which they agreed upon the terms of a settlement of all three lawsuits. Notice of the settlement was published and distributed to all record shareholders included in the Settlement Class. No objections to the settlement were filed. On August 9, 2010, the Florida state court granted final approval to the proposed settlement. Under the terms of the agreement, plaintiffs counsel received attorneys fees and costs in an aggregate amount of $900,000. Approximately 70 percent of these fees were paid by Switch and Data s insurance carrier; Equinix paid the remainder. Following the Florida State Court s final approval of the settlement, orders were entered in all three cases dismissing the actions with prejudice.

529 Bryant Litigation

On September 10, 2010, a lawsuit was filed in the Superior Court of California in Santa Clara County by 529 Bryant Street Partners LLC against the Company s wholly-owned subsidiaries Switch & Data CA Nine LLC (Tenant) and Switch & Data Facilities Company, Inc. (Guarantor). The lawsuit alleges that Tenant breached certain non-monetary obligations under its lease (the Lease) of the Company s data center located at 529 Bryant Street in Palo Alto, California (the Premises) and seeks monetary damages, specific performance of those non-monetary obligations and ejectment of Tenant from the Premises. The lawsuit also alleges that Guarantor has breached its obligations under its guaranty of the Lease. The Company is currently in discussions with plaintiff to reach a mutually agreeable settlement, but intends to defend the lawsuit vigorously.

Due to the inherent uncertainties of litigation, the Company cannot accurately predict the ultimate outcome of the matter. 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.

Litigation Summary

The Company believes that while an unfavorable outcome to these litigations is reasonably possible, a range of potential loss cannot be determined at this time with the exception of the Switch and Data and 529 Bryant litigation. As a result, the Company had not accrued for any amounts in connection with these legal matters as of September 30, 2010 with the exception of the 529 Bryant litigation. The Company and its officers and directors intend to continue to defend the actions vigorously.

Other Purchase Commitments

Primarily as a result of the Company s various IBX expansion projects, as of September 30, 2010, the Company was contractually committed for $61,180,000 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 had numerous other, non-capital purchase commitments in place as of September 30, 2010, such as commitments to purchase power in select locations through the remainder of 2010 and thereafter, and other open purchase orders for goods or services to be delivered or provided during the remainder of 2010 and thereafter. Such other miscellaneous purchase commitments totaled $128,989,000 as of September 30, 2010.

Table of Contents

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Other Comprehensive Income and Loss

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

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Net income	$ 11,196	$ 18,812	$ 23,121	$ 51,709
Unrealized gain (loss) on available for sale securities, net of tax of $1, $56, $123 and $462, respectively	(3)	78	(185)	635
Unrealized gain on interest rate swaps, net of tax of $0, $161, $3,469 and $532, respectively		221	4,933	660
Foreign currency translation gain (loss)	61,292	(5,665)	(10,831)	52,618
Comprehensive income	$ 72,485	$ 13,446	$ 17,038	$ 105,622

Changes in foreign currencies, particularly the British pound and Euro, can have a significant impact to the Company s consolidated balance sheets (as evidenced above in the Company s foreign currency translation gain or loss), as well as its consolidated results of operations, as amounts in foreign currencies are generally translating into more U.S. dollars when the U.S. dollar weakens or less U.S. dollars when the U.S. dollar strengthens. During the three months ended September 30, 2010, the U.S. dollar weakened against certain of the currencies of the foreign countries in which the Company operates. This has significantly impacted the Company s condensed consolidated balance sheets (as evidenced in the Company s foreign currency translation gain in this period), as well as its condensed consolidated statements of operations as amounts denominated in foreign currencies are generally translating into more U.S. dollars. To the extent that the U.S. dollar weakens or strengthens in future periods, this will continue to impact the Company s consolidated financial statements including the amount of revenue that the Company reports in future periods.

11. Segment Information

During the three months ended June 30, 2010, the Company changed its reportable segments as a result of the addition of Switch and Data s Canadian operations in connection with the Switch and Data Acquisition. The Company s prior U.S. segment was re-designated as the North America segment. The change in reportable segments did not impact the Company s prior periods segment disclosures. While the Company has a single line of business, which is the design, build-out and operation of IBX data centers, it has determined that it has three reportable segments comprised of its North America, Europe and Asia-Pacific geographic regions. The Company s chief operating decision-maker evaluates performance, makes operating decisions and allocates resources based on the Company s revenue and adjusted EBITDA performance both on a consolidated basis and based on these three geographic regions.

Table of Contents

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company provides the following segment disclosures as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Total revenues:				
North America	$ 215,325	$ 136,334	$ 555,527[1]	$ 390,974
Europe	72,794	60,806	203,042	163,662
Asia-Pacific	42,228	30,418	116,521	85,321
	$ 330,347	$ 227,558	$ 875,090	$ 639,957
Total depreciation and amortization:				
North America	$ 50,414	$ 25,473	$ 120,822[1]	$ 78,317
Europe	15,232	13,471	43,186	34,239
Asia-Pacific	7,652	5,547	20,729	18,502
	$ 73,298	$ 44,491	$ 184,737	$ 131,058
Income from operations:				
North America	$ 31,921	$ 31,571	$ 84,051[1]	$ 94,260
Europe	10,258	7,095	26,251	20,408
Asia-Pacific	9,847	6,892	29,933	15,625
	$ 52,026	$ 45,558	$ 140,235	$ 130,293
Capital expenditures:				
North America	$ 75,508	$ 32,865	$ 372,555[1][2]	$ 103,216
Europe	33,447	68,109[3]	111,672	114,623[3]
Asia-Pacific	34,986	15,857	65,108	50,777
	$ 143,941	$ 116,831	$ 549,335	$ 268,616

(1) Includes the operations of Switch and Data from May 1, 2010 through September 30, 2010.
(2) Includes the purchase price for the Switch and Data Acquisition, net of cash acquired, which totaled $113,289,000.
(3) Includes the purchase price for the Upminster Acquisition, net of cash acquired, which totaled $28,176,000.

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

	September 30, 2010	December 31, 2009
North America	$ 1,756,070	$ 1,130,637

Europe	579,672	493,492
Asia-Pacific	247,148	183,986
	$ 2,582,890	$ 1,808,115

Table of Contents

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Colocation	$ 257,295	$ 181,967	$ 690,974	$ 509,492
Interconnection	48,837	27,235	119,011	78,566
Managed infrastructure	7,805	7,020	22,400	21,528
Rental	790	295	1,695	798
Recurring revenues	314,727	216,517	834,080	610,384
Non-recurring revenues	15,620	11,041	41,010	29,573
	$ 330,347	$ 227,558	$ 875,090	$ 639,957

No single customer accounted for 10% or greater of the Company s revenues for the three and nine months ended September 30, 2010 and 2009.
No single customer accounted for 10% or greater of the Company s gross accounts receivable as of September 30, 2010 and December 31, 2009.

12. Restructuring Charges

Switch and Data Restructuring Charge

During the nine months ended September 30, 2010, the Company recorded a restructuring charge related to one-time termination benefits, primarily comprised of severance, attributed to certain Switch and Data employees as presented below (in thousands):

Severance-related expenses **(1)(2)**	$ 4,905
Cash payments	(1,721)
Non-cash payments **(2)**	(1,488)
Accrued restructuring charge as of September 30, 2010 **(3)**	$ 1,696

(1) Included in the condensed consolidated statements of operations as a restructuring charge.
(2) Includes a stock-based compensation charge incurred as a result of modifying equity awards for one of the former Switch and Data executives to accelerate vesting.
(3) Included within other current liabilities.

As of September 30, 2010, the Company s remaining accrued restructuring charge associated with the Switch and Data Acquisition is expected to be paid out during the remainder of 2010. The Company anticipates that it will incur additional restructuring charges in connection with the Switch and Data Acquisition related to one-time termination benefits during the remainder of 2010 and the first four months of 2011.

2004 Restructuring Charge

During the nine months ended September 30, 2009, the Company recorded an additional restructuring charge of $1,338,000 as a result of revised sublease assumptions on its excess space lease in the New York metro area.

Table of Contents

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

A summary of the activity in the 2004 accrued restructuring charge from December 31, 2009 to September 30, 2010 is outlined as follows (in thousands):

	Accrued restructuring charge as of December 31, 2009	Restructuring charge	Accretion expense	Cash payments	Accrued restructuring charge as of September 30, 2010
Estimated lease exit costs	$ 5,919	$ 1,338	$ 200	$ (1,186)	$ 6,271
	5,919	$ 1,338	$ 200	$ (1,186)	6,271
Less current portion	(2,043)				(2,317)
	$ 3,876				$ 3,954

As the Company currently has no plans to enter into a lease termination with the landlord associated with the excess space lease in the New York metro area, the Company has reflected its accrued restructuring liability as both a current and non-current liability. The Company reports accrued restructuring charges within other current liabilities and other liabilities on the accompanying consolidated balance sheets as of September 30, 2010 and December 31, 2009. The Company is contractually committed to this excess space lease through 2015.

Table of Contents

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.

Our management s discussion and analysis of financial condition and results of operations is intended to assist readers in understanding our financial information from our management s perspective and is presented as follows:

Overview

Results of Operations

Non-GAAP Financial Measures

Liquidity and Capital Resources

Contractual Obligations and Off-Balance-Sheet Arrangements

Critical Accounting Policies and Estimates

Recent Accounting Pronouncements

In February 2010, we issued $750.0 million aggregate principal amount of 8.125% senior notes due March 1, 2018 which we refer to as the senior notes offering.

On April 30, 2010, as more fully described in Note 2 of Notes to Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q, we completed the acquisition of Switch & Data Facilities Company, Inc., referred to as Switch and Data, a publicly-held company headquartered in Tampa, Florida. We refer to this transaction as the Switch and Data acquisition. Switch and Data operated 34 data centers in the U.S. and Canada. The combined company operates under the Equinix name.

In May 2010, our indirect, wholly-owned subsidiary entered into a lease for a building for our new headquarters, which is located at One Lagoon Drive, Redwood City, California. We plan to move to our new headquarters in November 2010.

Overview

Equinix provides global data center services that protect and connect the world s most valued information assets. Global enterprises, financial services companies, and content and network service providers rely upon Equinix s leading insight and our 90 data centers in 35 markets around the world for the safeguarding of their critical IT equipment and the ability to directly connect to the networks that enable today s information-driven economy. Equinix offers the following data center services: premium data center colocation, interconnection and exchange services, and outsourced IT infrastructure services. As of September 30, 2010, we operated or had partner IBX data centers in the Atlanta, Boston, Buffalo, Chicago, Cleveland, Dallas, Denver, Detroit, Indianapolis, Los Angeles, Miami, Nashville, New York, Philadelphia, Phoenix, Pittsburgh, Seattle, Silicon Valley, St. Louis, Tampa, Toronto and Washington, D.C. metro areas in North America; France, Germany, the Netherlands, Switzerland and the United Kingdom in Europe; and Australia, Hong Kong, Japan, Shanghai and Singapore in Asia-Pacific.

Table of Contents

We leverage our global data centers in 35 markets around the world as a global service delivery platform which serves more than 90% of the world s Internet routes and allows our customers to increase information and application delivery performance while significantly reducing costs. Based on our global delivery platform and the quality of our IBX data centers, we believe we have established a critical mass of customers. As more customers locate in our IBX data centers, it benefits their suppliers and business partners to colocate as well in order to gain the full economic and performance benefits of our services. These partners, in turn, pull in their business partners, creating a marketplace for their services. Our global delivery platform enables scalable, reliable and cost-effective colocation, 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 marketplace effect. This global delivery platform, combined with our strong financial position, continues to drive new customer growth and bookings as we drive scale into our global business.

Historically, our market has been served by large telecommunications carriers who have bundled their telecommunications products and services with their colocation offerings. The data center services market landscape has evolved to include cloud computing/utility providers, application hosting providers and systems integrators, managed infrastructure hosting providers and colocation providers with over 350 companies providing data center services in the United States alone. Each of these data center services providers can bundle various colocation, interconnection and network services, and outsourced IT infrastructure services. We are able to offer our customers a global platform that supports global reach to 11 countries, proven operational reliability, improved application performance and network choice, and a highly scalable set of services.

Our customer count increased to 4,151 as of September 30, 2010 versus 2,966 as of September 30, 2009, an increase of 40%. This significant increase was primarily due to the Switch and Data acquisition in April 2010. Our utilization rate represents the percentage of our cabinet space billing versus net sellable cabinet space available taking into account power limitations. Excluding the impact of the Switch and Data acquisition, our utilization rate decreased to 74% as of September 30, 2010 versus approximately 81% as of September 30, 2009; however, excluding the impact of our IBX data center expansion projects that have opened during the last 12 months, our utilization rate would have increased to approximately 84% as of September 30, 2010. Including the impact of the Switch and Data acquisition, our utilization rate was 73% as of September 30, 2010. Our utilization rate varies from market to market among our IBX data centers across our North America, Europe and Asia-Pacific regions. 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. We perform demand studies on an ongoing basis to determine if future expansion is warranted in a market. In addition, power and cooling requirements for most 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 power our customers draw from installed circuits, we have negotiated power consumption limitations with certain of our high power demand customers. This increased power consumption has driven the requirement to build out our new IBX data centers to support power and cooling needs twice that of previous IBX data centers. We could face power limitations in our centers even though we may have additional physical cabinet capacity available within a specific IBX data 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.

Strategically, we will continue to look at attractive opportunities to grow our market share and selectively improve our footprint and service offerings. As was the case with our recent expansions and acquisitions, our expansion criteria will be dependent on a number of factors such as demand from new and existing customers, quality of the design, power capacity, access to networks, capacity availability in the 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 and acquisitions, the right combination of these factors may be attractive to us. Depending on the circumstances, these transactions may require additional capital expenditures funded by upfront cash payments or through long-term financing arrangements, in order to bring these properties up to Equinix standards. Property expansion may be in the form of purchases of real property, long-term leasing arrangements or acquisitions. Future purchases, construction or acquisitions may be completed by us or with partners or potential customers to minimize the outlay of cash, which can be significant.

Table of Contents

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 generally 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 have comprised more than 90% of our total revenues during the past three years and during the past three years, in any given quarter, greater than half of our monthly recurring revenue bookings came from existing customers, contributing to our revenue growth.

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 upon completion of the installation or professional services work performed. The majority of these non-recurring revenues are typically billed on the first invoice distributed to the customer in connection with their initial installation. However, revenues from installation services are deferred and recognized ratably over the longer of the term of the related contract or expected life of the services. As a percentage of total revenues, we expect non-recurring revenues to represent less than 10% of total revenues for the foreseeable future.

Our North America revenues are derived primarily from colocation and interconnection services while our Europe and Asia-Pacific revenues are derived primarily from colocation and managed infrastructure services.

The largest components of our cost of revenues are depreciation, rental payments related to our leased IBX data centers, utility costs, including electricity and bandwidth, IBX data center employees salaries and benefits, including stock-based compensation, repairs and maintenance, 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, unless we expand our existing IBX data centers or open or acquire new IBX data centers. However, there are certain costs which are considered more variable in nature, including utilities and supplies, that are directly related to growth 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 the variable increase related to the growth in consumption by the customer. In addition, the cost of electricity is generally higher in the summer months as compared to other times of the year. To the extent we incur increased utility costs, such increased costs could materially impact our financial condition, results of operations and cash flows. Furthermore, to the extent we incur increased electricity costs as a result of either climate change policies or the physical effects of climate change, such increased costs could materially impact our financial condition, results of operations and cash flows.

Sales and marketing expenses consist primarily of compensation and related costs for sales and marketing personnel, including stock-based compensation, sales commissions, marketing programs, public relations, promotional materials and travel, as well as bad debt expense and amortization of customer contract intangible assets.

General and administrative expenses consist primarily of salaries and related expenses, including stock-based compensation, accounting, legal and other professional service fees, and other general corporate expenses such as our corporate regional headquarters office leases and some depreciation expense.

Due to our recurring revenue model, and a cost structure which has a large base that is fixed in nature and generally does not grow in proportion to revenue growth, we expect our cost of revenues, sales and marketing expenses and general and administrative expenses to decline as a percentage of revenue over time, although we expect each of them to grow in absolute dollars in connection with our growth. This is evident in the trends noted below in our discussion on our results of operations. However, for cost of revenues, this trend may periodically be impacted when a large expansion project opens or is

Table of Contents

acquired and before it starts generating any meaningful revenue. Furthermore, in relation to cost of revenues, we note that the North America region has a lower cost of revenues as a percentage of revenue than either Europe or Asia-Pacific. This is due to both the increased scale and maturity of the North America region compared to either Europe or Asia-Pacific, as well as a higher cost structure outside of North America, particularly in Europe. While we expect all three regions to continue to see lower cost of revenues as a percentage of revenues in future periods, we expect the trend of North America having the lowest cost of revenues as a percentage of revenue and Europe having the highest to continue. As a result, to the extent that revenue growth outside North America grows in greater proportion than revenue growth in North America, our overall cost of revenues as a percentage of revenues may increase slightly in future periods. Sales and marketing expenses and general and administrative expenses may also periodically increase as a percentage of revenue as we continue to scale our operations to support our growth.

Results of Operations

Our results of operations for the nine months ended September 30, 2010 include the operations of Switch and Data from May 1, 2010.

Three Months Ended September 30, 2010 and 2009

Revenues. Our revenues for the three months ended September 30, 2010 and 2009 were generated from the following revenue classifications and geographic regions (dollars in thousands):

	Three months ended September 30,				Change	
	2010	%	2009	%	$	%
North America:						
Recurring revenues	$ 208,096	63%	$ 131,164	58%	$ 76,932	59%
Non-recurring revenues	7,229	2%	5,170	2%	2,059	40%
	215,325	65%	136,334	60%	78,991	58%
Europe:						
Recurring revenues	66,279	20%	56,316	25%	9,963	18%
Non-recurring revenues	6,515	2%	4,490	2%	2,025	45%
	72,794	22%	60,806	27%	11,988	20%
Asia-Pacific:						
Recurring revenues	40,352	12%	29,037	12%	11,315	39%
Non-recurring revenues	1,876	1%	1,381	1%	495	36%
	42,228	13%	30,418	13%	11,810	39%
Total:						
Recurring revenues	314,727	95%	216,517	95%	98,210	45%
Non-recurring revenues	15,620	5%	11,041	5%	4,579	41%
	$ 330,347	100%	$ 227,558	100%	$ 102,789	45%

North America Revenues. The increase in North America revenues was primarily due to the impact of the Switch and Data acquisition, which resulted in $57.5 million of additional revenue for the three months ended September 30, 2010. The following table presents our North America revenues excluding the impact of the Switch and Data acquisition (dollars in thousands):

	Three months ended September 30,		Change	
	2010	2009	$	%

North America:				
Recurring revenues	$ 151,781	$ 131,164	$ 20,617	16%
Non-recurring revenues	6,070	5,170	900	17%
	$ 157,851	136,334	$ 21,517	16%

Table of Contents

Excluding the impact of the Switch and Data acquisition, 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 during the period as reflected in the growth in our customer count and utilization rate, as discussed above, in both our new and existing IBX data centers. Additionally, during the three months ended September 30, 2010, we recorded $10.2 million of revenue generated from our recently-opened IBX data centers or IBX data center expansions in the Chicago, Los Angeles, New York and Washington, D.C. metro areas.

We expect that our North America revenues, including those of the acquired Switch and Data operations, will continue to grow in future periods as a result of continued growth in the recently-opened IBX data centers or IBX data center expansions and additional expansions currently taking place in the Atlanta, Dallas and Silicon Valley metro areas, which are expected to open during the remainder of 2010 and first quarter of 2011. Our estimates of future revenue growth take account of expected reductions in recurring revenues attributed to customer churn or changes or amendments to customers contracts.

Europe Revenues. During the three months ended September 30, 2010, our revenues from Germany, the largest revenue contributor in the Europe region for the period, represented approximately 36% of the regional revenues. During the three months ended September 30, 2009, our revenues from the United Kingdom, the largest revenue contributor in the Europe region for the period, represented approximately 36% of the regional revenues. Our Europe revenue growth was due to an increase in orders from both our existing customers and new customers during the period as reflected in the growth in our customer count and utilization rate, as discussed above, in both our new and existing IBX data centers. During the three months ended September 30, 2010, we recorded approximately $6.3 million of revenue from our recently-opened IBX data centers or IBX data center expansions in the Amsterdam, Dusseldorf, Frankfurt, London, Munich, Paris and Zurich metro areas. We expect that our Europe revenues will continue to grow in future periods as a result of continued growth in recently-opened IBX data centers or IBX data center expansions and additional expansions currently taking place in the Amsterdam, Frankfurt and Paris metro areas, which are expected to open during the remainder of 2010. Our estimates of future revenue growth take account of expected reductions in recurring revenues attributed to customer churn or changes or amendments to customers contracts.

Asia-Pacific Revenues. Our revenues from Singapore, the largest revenue contributor in the Asia-Pacific region, represented approximately 38% and 37%, respectively, of the regional revenues for the three months ended September 30, 2010 and 2009. Our Asia-Pacific revenue growth was due to an increase in orders from both our existing customers and new customers during the period as reflected in the growth in our customer count and utilization rate, as discussed above, in both our new and existing IBX data centers. During the three months ended September 30, 2010, we recorded approximately $2.3 million of revenue generated from our IBX center expansions in the Hong Kong and Singapore metro areas. We expect that our Asia-Pacific revenues will continue to grow in future periods as a result of continued growth in these recently-opened IBX center expansions and additional expansions currently taking place in the Hong Kong, Singapore, Sydney and Tokyo metro areas which are expected to open during the remainder of 2010 and throughout 2011. Our estimates of future revenue growth take account of expected reductions in recurring revenues attributed to customer churn or changes or amendments to customers contracts.

Cost of Revenues. Our cost of revenues for the three months ended September 30, 2010 and 2009 were split among the following geographic regions (dollars in thousands):

	Three months ended September 30,				Change	
	2010	%	2009	%	$	%
North America	$ 118,572	64%	$ 69,223	55%	$ 49,349	71%
Europe	43,722	24%	40,358	32%	3,364	8%
Asia-Pacific	23,182	12%	16,426	13%	6,756	41%
Total	$ 185,476	100%	$ 126,007	100%	$ 59,469	47%

Table of Contents

	Three months ended September 30,	
	2010	2009
Cost of revenues as a percentage of revenues:		
North America	55%	51%
Europe	60%	66%
Asia-Pacific	55%	54%
Total	56%	55%

North America Cost of Revenues. The increase in our North America cost of revenues was primarily due to the impact of the Switch and Data acquisition, which resulted in $42.2 million of additional cost of revenues for the three months ended September 30, 2010. Our North America cost of revenues for the three months ended September 30, 2010 and 2009 included $44.1 million and $24.4 million, respectively, of depreciation expense, including $16.0 million of depreciation expense from the impact of the Switch and Data acquisition for the three months ended September 30, 2010.

Excluding the impact of the Switch and Data acquisition, our North America cost of revenues during the three months ended September 30, 2010 was $76.4 million, which represents an increase of 10% from the three months ended September 30, 2009. This increase was primarily due to $3.7 million of higher depreciation expense as a result of our IBX center expansion activity. Excluding depreciation, the increase was primarily due to overall growth related to our revenue growth and costs associated with our expansion projects, such as $1.6 million of higher rent and facility costs and $1.0 million of utility costs arising from increased customer installations and revenues attributed to customer growth. We expect North America cost of revenues to increase as we continue to grow our business.

Europe Cost of Revenues. Europe cost of revenues for the three months ended September 30, 2010 and 2009 included $13.7 million and $11.8 million, respectively, of depreciation expense. Growth in depreciation expense was primarily due to our IBX center expansion activity. Excluding depreciation expense, the increase in Europe cost of revenues was primarily the result of costs associated with our expansion projects and overall growth in costs to support our revenue growth, including higher repair and maintenance costs and utility costs. We expect Europe cost of revenues to increase as we continue to grow our business.

Asia-Pacific Cost of Revenues. Asia-Pacific cost of revenues for the three months ended September 30, 2010 and 2009 included $7.4 million and $5.3 million, respectively, of depreciation expense. Growth in depreciation expense was primarily due to our IBX center expansion activity. Excluding depreciation expense, the increase in Asia-Pacific cost of revenues was primarily the result of costs associated with our expansion projects and overall growth in costs to support our revenue growth, such as an increase of $2.0 million in utility costs arising from increased customer installations and revenues attributed to customer growth, an increase of $1.0 million in rent and facility costs and higher repair and maintenance costs. We expect Asia-Pacific cost of revenues to increase as we continue to grow our business.

Sales and Marketing Expenses. Our sales and marketing expenses for the three months ended September 30, 2010 and 2009 were split among the following geographic regions (dollars in thousands):

	Three months ended September 30,				Change	
	2010	%	2009	%	$	%
North America	$ 21,251	68%	$ 8,833	57%	$ 12,418	141%
Europe	6,253	20%	4,094	26%	2,159	53%
Asia-Pacific	3,701	12%	2,616	17%	1,085	41%
Total	$ 31,205	100%	$ 15,543	100%	$ 15,662	101%

Table of Contents

	Three months ended September 30,	
	2010	2009
Sales and marketing expenses as a percentage of revenues:		
North America	10%	6%
Europe	9%	7%
Asia-Pacific	9%	9%
Total	9%	7%

North America Sales and Marketing Expenses. The increase in our North America sales and marketing expenses was primarily due to the impact of the Switch and Data acquisition, which resulted in $6.6 million of additional sales and marketing expenses, including $2.0 million of amortization expense for customer contracts for the three months ended September 30, 2010.

Excluding the impact of the Switch and Data acquisition, our North America sales and marketing expenses during the three months ended September 30, 2010 were $14.7 million, which represents an increase of 66% from the three months ended September 30, 2009. This increase was primarily due to $4.0 million of higher compensation costs, including sales compensation, general salaries, bonuses, stock-based compensation expense and headcount growth (144 North America sales and marketing employees as of September 30, 2010 versus 108 as of September 30, 2009).

We have decided to invest further in our North America sales and marketing initiatives in 2010 and we anticipate this increased investment will continue over the next several years, including anticipated headcount growth and new product innovation efforts and, as a result, our North America sales and marketing expenses as a percentage of revenues have increased and are expected to continue to increase. In the long-term, we generally expect North America sales and marketing expenses to increase as we continue to grow our business and invest further in various branding initiatives; however, as a percentage of revenues, we generally expect them to decrease.

Europe Sales and Marketing Expenses. The increase in our Europe sales and marketing expenses was primarily due to $1.1 million of higher compensation costs, including sales compensation, general salaries, bonuses, stock-based compensation expense and headcount growth (75 Europe sales and marketing employees as of September 30, 2010 versus 55 as of September 30, 2009). We intend to invest further in our Europe sales and marketing initiatives over the next several years, including anticipated headcount growth and new product innovation efforts and, as a result, we expect our Europe sales and marketing expenses as a percentage of revenues to increase accordingly. In the long-term, we generally expect Europe sales and marketing expenses to increase as we continue to grow our business and invest further in various branding initiatives; however, as a percentage of revenues, we generally expect them to decrease.

Asia-Pacific Sales and Marketing Expenses. The increase in our Asia-Pacific sales and marketing expenses was primarily due to higher compensation costs, including sales compensation, general salaries, bonuses, stock-based compensation expense and headcount growth (56 Asia-Pacific sales and marketing employees as of September 30, 2010 versus 42 as of September 30, 2009). We intend to invest further in our Asia-Pacific sales and marketing initiatives over the next several years, including anticipated headcount growth and new product innovation efforts and, as a result, we expect our Asia-Pacific sales and marketing expenses as a percentage of revenues to increase accordingly. In the long-term, we generally expect Asia-Pacific sales and marketing expenses to increase as we continue to grow our business and invest further in various branding initiatives; however, as a percentage of revenues, we generally expect them to decrease.

Table of Contents

General and Administrative Expenses. Our general and administrative expenses for the three months ended September 30, 2010 and 2009 were split among the following geographic regions (dollars in thousands):

	Three months ended September 30,				Change	
	2010	%	2009	%	$	%
North America	$ 41,346	71%	$ 26,387	68%	$ 14,959	57%
Europe	11,796	20%	8,200	21%	3,596	44%
Asia-Pacific	5,498	9%	4,484	11%	1,014	23%
Total	$ 58,640	100%	$ 39,071	100%	$ 19,569	50%

	Three months ended September 30,	
	2010	2009
General and administrative expenses as a percentage of revenues:		
North America	19%	19%
Europe	16%	13%
Asia-Pacific	13%	15%
Total	18%	17%

North America General and Administrative Expenses. The increase in our North America general and administrative expenses was primarily due to the impact of the Switch and Data acquisition, which resulted in $6.8 million of additional general and administrative expenses for the three months ended September 30, 2010.

Excluding the impact of the Switch and Data acquisition, our North America general and administrative expenses during the three months ended September 30, 2010 were $34.6 million, which represents an increase of 31% from the three months ended September 30, 2009. The increase in our North America general and administrative expenses was primarily due to $5.0 million of higher compensation costs, including general salaries, bonuses, stock-based compensation and headcount growth (367 North America general and administrative employees as of September 30, 2010 versus 295 as of September 30, 2009) and $1.4 million of higher depreciation expense as a result of our ongoing efforts to support our growth, such as investment in systems.

Going forward, although we are carefully monitoring our spending given the current economic environment, we expect North America general and administrative expenses to increase as we continue to scale our operations to support our growth; however, as a percentage of revenues, we generally expect them to decrease.

Europe General and Administrative Expenses. The increase in our Europe general and administrative expenses was primarily due to $1.9 million of higher compensation costs, including general salaries, bonuses, stock-based compensation and headcount growth (154 Europe general and administrative employees as of September 30, 2010 versus 105 as of September 30, 2009). During 2010, we have been investing in our Europe general and administrative functions, which has included taking on additional office space to accommodate the headcount growth, as a result of our ongoing efforts to scale this region effectively for growth. Going forward, although we are carefully monitoring our spending given the current economic environment, we expect our Europe general and administrative expenses to increase in future periods as we continue to scale our operations to support our growth; however, as a percentage of revenues, we generally expect them to decrease.

Asia-Pacific General and Administrative Expenses. The increase in our Asia-Pacific general and administrative expenses was primarily due to higher compensation costs, including general salaries, bonuses, stock-based compensation and headcount growth (120 Asia-Pacific general and administrative employees as of September 30, 2010 versus 105 as of September 30, 2009). Going forward, although we

are carefully monitoring our spending given the current economic environment, we expect Asia-Pacific general and administrative expenses to increase as we continue to scale our operations to support our growth; however, as a percentage of revenues, we generally expect them to decrease.

Restructuring Charges. During the three months ended September 30, 2010, we recorded restructuring charges totaling $1.9 million comprising $532,000 related to one-time termination benefits attributed to certain Switch and Data employees and $1.4 million related to revised sublease assumptions on our excess space lease in the New York metro area. For additional information, see Restructuring Charges in Note 12 of Notes to Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q. We anticipate that we will incur additional restructuring charges in connection with the Switch and Data acquisition related to one-time termination benefits during the remainder of 2010 and the first four months of 2011. During the three months ended September 30, 2009, no restructuring charge was recorded. Our restructuring charges all relate to our North America geographic region.

Acquisition Costs. During the three months ended September 30, 2010, we recorded acquisition costs totaling $1.1 million primarily attributed to our Europe region. During the three months ended September 30, 2009, we recorded acquisition costs totaling $1.4 million, primarily related to the Upminster acquisition. We do not expect to incur significant additional acquisition costs related to the Switch and Data acquisition.

Interest Income. Interest income decreased to $310,000 for the three months ended September 30, 2010 from $353,000 for the three months ended September 30, 2009. Interest income decreased primarily due to lower yields on invested balances. The average yield for the three months ended September 30, 2010 was 0.17% versus 0.36% for the three months ended September 30, 2009. We expect our interest income to remain at these low levels for the foreseeable future due to the impact of a lower interest rate environment, a portfolio more weighted towards short-term U.S. treasuries and from the utilization of cash to finance our expansion activities.

Interest Expense. Interest expense increased to $38.4 million for the three months ended September 30, 2010 from $22.3 million for the three months ended September 30, 2009. This increase in interest expense was primarily due to additional financings entered into during 2009 and 2010 consisting of our $750.0 million 8.125% senior notes offering in February 2010 and our new Asia-Pacific financing in May 2010, of which $111.8 million was outstanding as of September 30, 2010 with an approximate blended interest rate of 4.58% per annum, which replaced both our previously-existing Asia-Pacific and Singapore financings. This increase was partially offset by our repayment of the Chicago IBX financing in March 2010, the European financing in April 2010 and the Netherlands financing in June 2010. During the three months ended September 30, 2010 and 2009, we capitalized $2.0 million and $2.6 million, respectively, of interest expense to construction in progress. Going forward, we expect to incur higher interest expense as we recognize the full impact of our $750.0 million 8.125% senior notes and our new Asia-Pacific financing, although this has been partially offset by repayment of debt, such as the European financing and capitalized interest, which we expect to increase during the remainder of 2010 as we intend to embark on more expansion projects. We may also incur additional indebtedness to support our growth, resulting in further interest expense.

Other-Than-Temporary Impairment Recovery (Loss) On Investments. During the three months ended September 30, 2010, we recorded a $206,000 other-than-temporary impairment recovery on investments due to an additional distribution from one of our money market accounts as more fully described in Note 4 of Notes to Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q. During the three months ended September 30, 2009, we did not record any other-than-temporary impairment recoveries or losses.

Other Income (Expense). For the three months ended September 30, 2010 and 2009, we recorded $1.7 million and $2.5 million of other income, respectively, primarily due to foreign currency exchange gains during the periods.

Table of Contents

Income Taxes. For the three months ended September 30, 2010 and 2009, we recorded $4.6 million and $7.3 million of income tax expenses, respectively. Our effective tax rates were 29.3% and 28.0% for the three months ended September 30, 2010 and 2009, respectively. We expect cash income taxes during the remainder of 2010 to increase. The cash taxes for 2010 are primarily for the California state income tax and foreign income taxes, while cash taxes for 2009 were primarily for the U.S. Alternative Minimum Tax, the California state income tax and foreign income taxes.

Nine Months Ended September 30, 2010 and 2009

Revenues. Our revenues for the nine months ended September 30, 2010 and 2009 were generated from the following revenue classifications and geographic regions (dollars in thousands):

	Nine months ended September 30,				Change	
	2010	%	2009	%	$	%
North America:						
Recurring revenues	$ 536,307	61%	$ 376,376	59%	$ 159,931	42%
Non-recurring revenues	19,220	2%	14,598	2%	4,622	32%
	555,527	63%	390,974	61%	164,553	42%
Europe:						
Recurring revenues	186,388	21%	152,699	24%	33,689	22%
Non-recurring revenues	16,654	2%	10,963	2%	5,691	52%
	203,042	23%	163,662	26%	39,380	24%
Asia-Pacific:						
Recurring revenues	111,385	13%	81,309	12%	30,076	37%
Non-recurring revenues	5,136	1%	4,012	1%	1,124	28%
	116,521	14%	85,321	13%	31,200	37%
Total:						
Recurring revenues	834,080	95%	610,384	95%	223,696	37%
Non-recurring revenues	41,010	5%	29,573	5%	11,437	39%
	$ 875,090	100%	$ 639,957	100%	$ 235,133	37%

North America Revenues. The increase in North America revenues was primarily due to the impact of the Switch and Data acquisition, which resulted in $95.1 million of additional revenue for the nine months ended September 30, 2010. The following table presents our North America revenues excluding the impact of the Switch and Data acquisition (dollars in thousands):

	Nine months ended September 30,		Change	
	2010	2009	$	%
North America:				
Recurring revenues	$ 443,073	$ 376,376	$ 66,697	18%
Non-recurring revenues	17,388	14,598	2,790	19%
	$ 460,461	$ 390,974	$ 69,487	18%

Excluding the impact of the Switch and Data acquisition, 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 during the period as reflected in the growth in our customer count and utilization rate, as discussed above, in both our new and existing IBX data centers. Additionally, during the nine months ended September 30, 2010, we recorded $27.6 million of revenue generated from our recently-opened IBX data centers or IBX data center expansions in the Chicago, Los Angeles, New York and Washington, D.C. metro areas.

We expect that our North America revenues, including those of the acquired Switch and Data operations, will continue to grow in future periods as a result of continued growth in the recently-opened IBX data centers or IBX data center expansions and additional expansions currently taking place in the

Table of Contents

Atlanta, Dallas and Silicon Valley metro areas, which are expected to open during the remainder of 2010 and the first quarter of 2011. Our estimates of future revenue growth take account of expected reductions in recurring revenues attributed to customer churn or changes or amendments to customers contracts.

Europe Revenues. During the nine months ended September 30, 2010, our revenues from Germany, the largest revenue contributor in the Europe region for the period, represented approximately 36% of the regional revenues. During the nine months ended September 30, 2009, our revenues from the United Kingdom, the largest revenue contributor in the Europe region for the period, represented approximately 37% of the regional revenues. Our Europe revenue growth was due to an increase in orders from both our existing customers and new customers during the period as reflected in the growth in our customer count and utilization rate, as discussed above, in both our new and existing IBX data centers. During the nine months ended September 30, 2010, we recorded approximately $11.7 million of revenue from our recently-opened IBX data centers or IBX data center expansions in the Amsterdam, Dusseldorf, Frankfurt, London, Munich, Paris and Zurich metro areas. We expect that our Europe revenues will continue to grow in future periods as a result of continued growth in recently-opened IBX data centers or IBX data center expansions and additional expansions currently taking place in the Amsterdam, Frankfurt and Paris metro areas, which are expected to open during the remainder of 2010. Our estimates of future revenue growth take account of expected reductions in recurring revenues attributed to customer churn or changes or amendments to customers contracts.

Asia-Pacific Revenues. Our revenues from Singapore, the largest revenue contributor in the Asia-Pacific region, represented approximately 37% and 36%, respectively, of the regional revenues for the nine months ended September 30, 2010 and 2009. Our Asia-Pacific revenue growth was due to an increase in orders from both our existing customers and new customers during the period as reflected in the growth in our customer count and utilization rate, as discussed above, in both our new and existing IBX data centers. During the nine months ended September 30, 2010, we recorded approximately $4.5 million of revenue generated from our IBX center expansions in the Hong Kong and Singapore metro areas. We expect that our Asia-Pacific revenues will continue to grow in future periods as a result of continued growth in these recently-opened IBX center expansions and additional expansions currently taking place in the Hong Kong, Singapore, Sydney and Tokyo metro areas which are expected to open during the remainder of 2010 and throughout 2011. Our estimates of future revenue growth take account of expected reductions in recurring revenues attributed to customer churn or changes or amendments to customers contracts.

Cost of Revenues. Our cost of revenues for the nine months ended September 30, 2010 and 2009 were split among the following geographic regions (dollars in thousands):

	Nine months ended September 30,				Change	
	2010	%	2009	%	$	%
North America	$ 291,061	60%	$ 199,701	56%	$ 91,360	46%
Europe	127,232	27%	106,798	30%	20,434	19%
Asia-Pacific	62,815	13%	49,847	14%	12,968	26%
Total	$ 481,108	100%	$ 356,346	100%	$ 124,762	35%

	Nine months ended September 30,	
	2010	2009
Cost of revenues as a percentage of revenues:		
North America	52%	51%
Europe	63%	65%
Asia-Pacific	54%	58%
Total	55%	56%

Table of Contents

North America Cost of Revenues. The increase in our North America cost of revenues was primarily due to the impact of the Switch and Data acquisition, which resulted in $69.4 million of additional cost of revenues for the nine months ended September 30, 2010. Our North America cost of revenues for the nine months ended September 30, 2010 and 2009 included $107.5 million and $73.9 million, respectively, of depreciation expense, including $25.6 million of depreciation expense from the impact of the Switch and Data acquisition for the nine months ended September 30, 2010.

Excluding the impact of the Switch and Data acquisition, our North America cost of revenues during the nine months ended September 30, 2010 was $221.7 million, which represents an increase of 11% from the nine months ended September 30, 2009. This increase was primarily due to $8.0 million of higher depreciation expense resulting from our IBX center expansion activity. Excluding depreciation, the increase was primarily due to overall growth related to our revenue growth and costs associated with our expansion projects, including (i) an increase of $5.8 million in rent and facility costs, (ii) an increase of $2.6 million in utility costs as a result of increased customer installations and (iii) $1.2 million of higher compensation costs, including general salaries, bonuses, stock-based compensation and headcount growth (330 North America employees as of September 30, 2010 versus 302 as of September 30, 2009). We expect North America cost of revenues to increase as we continue to grow our business.

Europe Cost of Revenues. Europe cost of revenues for the nine months ended September 30, 2010 and 2009 included $38.8 million and $29.5 million, respectively, of depreciation expense. Growth in depreciation expense was primarily due to our IBX center expansion activity. Excluding depreciation expense, the increase in Europe cost of revenues was primarily the result of costs associated with our expansion projects and overall growth in costs to support our revenue growth, such as (i) an increase of $3.2 million of utility costs arising from increased customer installations and revenues attributed to customer growth, (ii) $1.9 million of higher compensation expense, including general salaries, bonuses, stock-based compensation and headcount growth (230 Europe employees as of September 30, 2010 versus 174 as of September 30, 2009), (iii) $1.7 million of higher rent and facility costs, (iv) $1.5 million of higher repair and maintenance costs and (v) $1.2 million of higher professional services related to our various consulting projects to support our growth in Europe. We expect Europe cost of revenues to increase as we continue to grow our business.

Asia-Pacific Cost of Revenues. Asia-Pacific cost of revenues for the nine months ended September 30, 2010 and 2009 included $20.1 million and $18.0 million, respectively, of depreciation expense. Growth in depreciation expense was primarily due to our IBX center expansion activity. Excluding depreciation expense, the increase in Asia-Pacific cost of revenues was primarily the result of costs associated with our expansion projects and overall growth in costs to support our revenue growth, such as (i) $3.9 million of higher utility costs, (ii) an increase of $2.5 million of rent and facility costs, (iii) $1.5 million of higher compensation expense, including general salaries, bonuses, stock-based compensation and headcount growth (99 Asia-Pacific employees as of September 30, 2010 versus 82 as of September 30, 2009) and (iv) $1.1 of higher repair and maintenance costs. We expect Asia-Pacific cost of revenues to increase as we continue to grow our business.

Sales and Marketing Expenses. Our sales and marketing expenses for the nine months ended September 30, 2010 and 2009 were split among the following geographic regions (dollars in thousands):

	Nine months ended September 30,				Change	
	2010	%	2009	%	$	%
North America	$ 52,709	66%	$ 26,297	57%	$ 26,412	100%
Europe	17,159	22%	12,756	28%	4,403	35%
Asia-Pacific	9,718	12%	7,262	15%	2,456	34%
Total	$ 79,586	100%	$ 46,315	100%	$ 33,271	72%

Table of Contents

	Nine months ended September 30,	
	2010	2009
Sales and marketing expenses as a percentage of revenues:		
North America	9%	7%
Europe	8%	8%
Asia-Pacific	8%	9%
Total	9%	7%

North America Sales and Marketing Expenses. The increase in our North America sales and marketing expenses was primarily due to the impact of the Switch and Data acquisition, which resulted in $11.9 million of additional sales and marketing expenses including $3.7 million of amortization expense for customer contracts for the nine months ended September 30, 2010.

Excluding the impact of the Switch and Data acquisition, our North America sales and marketing expenses during the nine months ended September 30, 2010 were $40.8 million, which represents an increase of 55% from the nine months ended September 30, 2009. This increase was primarily due to $10.1 million of higher compensation costs, including sales compensation, general salaries, bonuses, stock-based compensation expense and headcount growth (144 North America sales and marketing employees as of September 30, 2010 versus 108 as of September 30, 2009).

We have decided to invest further in our North America sales and marketing initiatives in 2010 and we anticipate this increased investment will continue over the next several years, including anticipated headcount growth and new product innovation efforts and, as a result, our North America sales and marketing expenses as a percentage of revenues have increased and are expected to continue to increase. In the long-term, we generally expect North America sales and marketing expenses to increase as we continue to grow our business and invest further in various branding initiatives; however, as a percentage of revenues, we generally expect them to decrease.

Europe Sales and Marketing Expenses. The increase in our Europe sales and marketing expenses was primarily due to $2.7 million of higher compensation costs, including sales compensation, general salaries, bonuses, stock-based compensation expense and headcount growth (75 Europe sales and marketing employees as of September 30, 2010 versus 55 as of September 30, 2009). We intend to invest further in our Europe sales and marketing initiatives over the next several years, including anticipated headcount growth and new product innovation efforts and, as a result, we expect our Europe sales and marketing expenses as a percentage of revenues to increase accordingly. In the long-term, we generally expect Europe sales and marketing expenses to increase as we continue to grow our business and invest further in various branding initiatives; however, as a percentage of revenues, we generally expect them to decrease.

Asia-Pacific Sales and Marketing Expenses. The increase in our Asia-Pacific sales and marketing expenses was primarily due to $1.6 million of higher compensation costs, including sales compensation, general salaries, bonuses, stock-based compensation expense and headcount growth (56 Asia-Pacific sales and marketing employees as of September 30, 2010 versus 42 as of September 30, 2009); however, our Asia-Pacific sales and marketing expenses for the nine months ended September 30, 2010 included the benefit of a $680,000 accrual reversal associated with adjusting the estimated costs of an annual sales recognition program which is an out-of-period adjustment. This $680,000 out-of-period adjustment represents the correction of errors attributable to the year ended December 31, 2009, which we have concluded was not material to any previously-reported historical annual or quarterly period for the year ended December 31, 2009. We intend to invest further in our Asia-Pacific sales and marketing initiatives over the next several years, including anticipated headcount growth and new product innovation efforts and, as a result, we expect our Asia-Pacific sales and marketing expenses as a percentage of revenues to increase accordingly. In the long-term, we generally expect Asia-Pacific sales and marketing expenses to increase as we continue to grow our business and invest further in various branding initiatives; however, as a percentage of revenues, we generally expect them to decrease.

Table of Contents

General and Administrative Expenses. Our general and administrative expenses for the nine months ended September 30, 2010 and 2009 were split among the following geographic regions (dollars in thousands):

	Nine months ended September 30,				Change	
	2010	%	2009	%	$	%
North America	$ 110,271	71%	$ 76,449	69%	$ 33,822	44%
Europe	31,635	20%	22,641	20%	8,994	40%
Asia-Pacific	14,055	9%	12,587	11%	1,468	12%
Total	$ 155,961	100%	$ 111,677	100%	$ 44,284	40%

	Nine months ended September 30,	
	2010	2009
General and administrative expenses as a percentage of revenues:		
North America	20%	20%
Europe	16%	14%
Asia-Pacific	12%	15%
Total	18%	17%

North America General and Administrative Expenses. The increase in our North America general and administrative expenses was primarily due to the impact of the Switch and Data acquisition, which resulted in $13.3 million of additional general and administrative expenses for the nine months ended September 30, 2010.

Excluding the impact of the Switch and Data acquisition, our North America general and administrative expenses during the nine months ended September 30, 2010 was $97.0 million, which represents an increase of 27% from the nine months ended September 30, 2009. This increase in our North America general and administrative expenses was primarily due to (i) $15.1 million of higher compensation costs, including general salaries, bonuses, stock-based compensation and headcount growth (367 North America general and administrative employees as of September 30, 2010 versus 295 as of September 30, 2009), (ii) an increase of $1.3 million in professional services related to various consulting projects and (iii) and $1.1 million of higher depreciation expense as a result of our ongoing efforts to support our growth, such as investment in systems.

Going forward, although we are carefully monitoring our spending given the current economic environment, we expect North America general and administrative expenses to increase as we continue to scale our operations to support our growth; however, as a percentage of revenues, we generally expect them to decrease.

Europe General and Administrative Expenses. The increase in our Europe general and administrative expenses was primarily due to $5.4 million of higher compensation costs, including general salaries, bonuses, stock-based compensation and headcount growth (154 Europe general and administrative employees as of September 30, 2010 versus 105 as of September 30, 2009) and $1.6 million of higher professional services related to various consulting projects to support our growth. During 2010, we have been investing in our Europe general and administrative functions, which has included taking on additional office space to accommodate the headcount growth, as a result of our ongoing efforts to scale this region effectively for growth. Going forward, although we are carefully monitoring our spending given the current economic environment, we expect our Europe general and administrative expenses to increase in future periods as we continue to scale our operations to support our growth; however, as a percentage of revenues, we generally expect them to decrease.

Table of Contents

Asia-Pacific General and Administrative Expenses. The increase in our Asia-Pacific general and administrative expenses was primarily due to $1.3 million of higher compensation costs, including general salaries, bonuses, stock-based compensation and headcount growth (120 Asia-Pacific general and administrative employees as of September 30, 2010 versus 105 as of September 30, 2009). Going forward, although we are carefully monitoring our spending given the current economic environment, we expect Asia-Pacific general and administrative expenses to increase as we continue to scale our operations to support our growth; however, as a percentage of revenues, we generally expect them to decrease.

Restructuring Charges. During the nine months ended September 30, 2010, we recorded restructuring charges totaling $6.2 million comprising $4.9 million related to one-time termination benefits attributed to certain Switch and Data employees and $1.3 million related to revised sublease assumptions on our excess space lease in the New York metro area. For additional information, see Restructuring Charges in Note 12 of Notes to Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q. We anticipate that we will incur additional restructuring charges in connection with the Switch and Data acquisition related to one-time termination benefits during the remainder of 2010 and the first four months of 2011. During the nine months ended September 30, 2009, we recorded reductions of restructuring charges totaling $6.1 million, primarily due to a reversal of a restructuring charge accrual of $5.8 million for our excess space in the Los Angeles metro area as a result of our decision to utilize this space to expand our original Los Angeles IBX center. Our excess space lease in the New York metro area remains abandoned and continues to carry a restructuring charge. Our restructuring charges all relate to our North America geographic region.

Acquisition Costs. During the nine months ended September 30, 2010, we recorded acquisition costs totaling $12.0 million primarily related to the Switch and Data acquisition. During the nine months ended September 30, 2009, we recorded acquisition costs totaling $1.4 million, primarily related to the Upminster acquisition. We do not expect to incur significant additional acquisition costs related to the Switch and Data acquisition.

Interest Income. Interest income decreased to $1.3 million for the nine months ended September 30, 2010 from $1.9 million for the nine months ended September 30, 2009. Interest income decreased primarily due to lower yields on invested balances. The average yield for the nine months ended September 30, 2010 was 0.19% versus 0.64% for the nine months ended September 30, 2009. We expect our interest income to remain at these low levels for the foreseeable future due to the impact of a lower interest rate environment, a portfolio more weighted towards short-term U.S. treasuries, and from the utilization of cash to finance our expansion activities.

Interest Expense. Interest expense increased to $101.7 million for the nine months ended September 30, 2010 from $51.6 million for the nine months ended September 30, 2009. This increase in interest expense was primarily due to additional financings entered into during 2009 and 2010 consisting of (i) our $750.0 million 8.125% senior notes offering in February 2010, (ii) our $373.8 million 4.75% convertible subordinated notes offering in June 2009 and (iii) our new Asia-Pacific financing in April 2010, of which $111.8 million was outstanding as of September 30, 2010 with an approximate interest rate of 4.58% per annum, which replaced both our previously-existing Asia-Pacific and Singapore financings. This increase was partially offset by our repayment of the Chicago IBX financing in March 2010, the European financing in April 2010 and the Netherlands financing in June 2010. During the nine months ended September 30, 2010 and 2009, we capitalized $8.7 million and $10.4 million, respectively, of interest expense to construction in progress. Going forward, we expect to incur higher interest expense as we recognize the full impact of our $750.0 million 8.125% senior notes and our new Asia-Pacific financing, although this has been partially offset by repayment of debt, such as the European financing and capitalized interest, which we expect to increase during the remainder of 2010 as we intend to embark on more expansion projects. We may also incur additional indebtedness to support our growth, resulting in further interest expense.

Table of Contents

Other-Than-Temporary Impairment Recovery (Loss) On Investments. During the nine months ended September 30, 2010, we recorded a $3.6 million other-than-temporary impairment recovery on investments due to additional distributions from one of our money market accounts as more fully described in Note 4 of Notes to Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q. During the nine months ended September 30, 2009, we recorded a $2.7 million other-than-temporary impairment loss on this same market account.

Loss on debt extinguishment and interest rate swaps, net. During the nine months ended September 30, 2010, we recorded a $4.8 million loss on debt extinguishment and interest rate swaps, net. See Loss on Debt Extinguishment and Interest Rate Swaps, Net in Note 8 of Notes to Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q. We did not record any loss on debt extinguishment and interest rate swaps, net, during the nine months ended September 30, 2009.

Other Income (Expense). For the nine months ended September 30, 2010 and 2009, we recorded $193,000 and $3.7 million of other income, respectively, primarily due to foreign currency exchange gains during the periods.

Income Taxes. For the nine months ended September 30, 2010 and 2009, we recorded $15.8 million and $29.9 million of income tax expenses, respectively. Our effective tax rates were 40.5% and 36.6% for the nine months ended September 30, 2010 and 2009, respectively. The increase in the effective tax rate for the nine months ended September 30, 2010 as compared to the nine months ended September 30, 2009 was due primarily to an increase in foreign losses which did not benefit the Company s effective tax rate. We expect cash income taxes during the remainder of 2010 to increase. The cash taxes for 2010 are primarily for the California state income tax and foreign income taxes, while cash taxes for 2009 were primarily for the U.S. Alternative Minimum Tax, the California state income tax and foreign income taxes.

Non-GAAP Financial Measures

We provide all information required in accordance with generally accepted accounting principles (GAAP), but we believe that evaluating our ongoing operating results may be difficult if limited to reviewing only GAAP financial measures. Accordingly, we use non-GAAP financial measures, primarily adjusted EBITDA, to evaluate our operations. In presenting adjusted EBITDA, we exclude certain items that we believe are not good indicators of our current or future operating performance. These items are depreciation, amortization, accretion of asset retirement obligations and accrued restructuring charges, stock-based compensation, restructuring charges and acquisition costs. Legislative and regulatory requirements encourage the use of and emphasis on GAAP financial metrics and require companies to explain why non-GAAP financial metrics are relevant to management and investors. We exclude these items in order for our lenders, investors, and industry analysts, who review and report on us, to better evaluate our operating performance and cash spending levels relative to our industry sector and competitors.

For example, we exclude depreciation expense as these charges primarily relate to the initial construction costs of our IBX data centers and do not reflect our current or future cash spending levels to support our business. Our IBX data centers are long-lived assets, and have an economic life greater than 10 years. The construction costs of our IBX data centers do not recur and future capital expenditures remain minor relative to our initial investment. This is a trend we expect to continue. In addition, depreciation is also based on the estimated useful lives of our IBX data centers. These estimates could vary from actual performance of the asset, are based on historical costs incurred to build out our IBX data centers, and are not indicative of current or expected future capital expenditures. Therefore, we exclude depreciation from our operating results when evaluating our operations.

In addition, in presenting the non-GAAP financial measures, we exclude amortization expense related to certain intangible assets, as it represents a cost that may not recur and is not a good indicator of our current or future operating performance. We exclude accretion expense, both as it relates to asset retirement obligations as well as accrued restructuring charge liabilities, as these expenses represent costs which we believe are not meaningful in evaluating our current operations. We exclude non-cash

Table of Contents

stock-based compensation expense as it represents expense attributed to equity awards that have no current or future cash obligations. As such, we, and many investors and analysts, exclude this stock-based compensation expense when assessing the cash generating performance of our operations. We also exclude restructuring charges from our non-GAAP financial measures. The restructuring charges relate to our decisions to exit leases for excess space adjacent to several of our IBX data centers, which we did not intend to build out, or our decision to reverse such restructuring charges or severance charges related to the Switch and Data acquisition. Finally, we also exclude acquisition costs from our non-GAAP financial measures. The acquisition costs relate to costs we incur in connection with business combinations. Management believes such items as restructuring charges and acquisition costs are non-core transactions; however, these types of costs will or may occur in future periods.

Our management does not itself, nor does it suggest that investors should, consider such non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. However, we have presented such non-GAAP financial measures to provide investors with an additional tool to evaluate our operating results in a manner that focuses on what management believes to be our core, ongoing business operations. We believe that the inclusion of this non-GAAP financial measure provides consistency and comparability with past reports and provides a better understanding of the overall performance of the business and its ability to perform in subsequent periods. We believe that if we did not provide such non-GAAP financial information, investors would not have all the necessary data to analyze Equinix effectively.

Investors should note, however, that the non-GAAP financial measures used by us may not be the same non-GAAP financial measures, and may not be calculated in the same manner, as that of other companies. In addition, whenever we use non-GAAP financial measures, we provide a reconciliation of the non-GAAP financial measure to the most closely applicable GAAP financial measure. Investors are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measure.

We define adjusted EBITDA as income or loss from operations plus depreciation, amortization, accretion, stock-based compensation expense, restructuring charges and acquisition costs as presented below (dollars in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Income from operations	$ 52,026	$ 45,558	$ 140,235	$ 130,293
Depreciation, amortization and accretion expense	74,485	45,066	187,433	132,299
Stock-based compensation expense	16,950	14,033	50,020	39,030
Restructuring charges	1,886		6,243	(6,053)
Acquisitions costs	1,114	1,379	11,957	1,379
Adjusted EBITDA	$ 146,461	$ 106,036	$ 395,888	$ 296,948

Table of Contents

The geographic split of our adjusted EBITDA is presented below (dollars in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
North America:				
Income from operations	$ 31,921	$ 31,571	$ 84,051	$ 94,260
Depreciation, amortization and accretion expense	51,108	25,838	122,363	79,151
Stock-based compensation expense	12,683	10,295	37,346	29,323
Restructuring charges	1,886		6,243	(6,053)
Acquisitions costs	349	320	11,192	320
Adjusted EBITDA	$ 97,947	$ 68,024	$ 261,195	$ 197,001
Europe:				
Income from operations	$ 10,258	$ 7,095	$ 26,251	$ 20,408
Depreciation, amortization and accretion expense	15,531	13,616	43,752	34,451
Stock-based compensation expense	2,502	1,544	7,183	4,376
Acquisitions costs	765	1,059	765	1,059
Adjusted EBITDA	$ 29,056	$ 23,314	$ 77,951	$ 60,294
Asia-Pacific:				
Income from operations	$ 9,847	$ 6,892	$ 29,933	$ 15,625
Depreciation, amortization and accretion expense	7,846	5,612	21,318	18,697
Stock-based compensation expense	1,765	2,194	5,491	5,331
Adjusted EBITDA	$ 19,458	$ 14,698	$ 56,742	$ 39,653

Our adjusted EBITDA results have improved each year and in each region due to the improved operating results discussed earlier in Results of Operations , as well as the nature of our business model consisting of a recurring revenue stream and a cost structure which has a large base that is fixed in nature that is also discussed earlier in Overview . We believe that our adjusted EBITDA results will continue to improve in future periods as we continue to grow our business.

Liquidity and Capital Resources

As of September 30, 2010, our total indebtedness was comprised of (i) convertible debt principal totaling $1.0 billion from our 2.50% convertible subordinated notes (gross of discount), our 3.00% convertible subordinated notes, and our 4.75% convertible subordinated notes (gross of discount) and (ii) non-convertible debt and financing obligations totaling $1.2 billion consisting of (a) $750.0 million of principal from our senior notes, (b) $201.5 million of principal from our mortgage and loans payable and (c) $269.6 million from our capital lease and other financing obligations.

We believe we have sufficient cash, coupled with anticipated cash generated from operating activities, to meet our operating requirements, including repayment of our current portion of debt due, and to complete our publicly-announced expansion projects. As of September 30, 2010, we had $715.4 million of cash, cash equivalents and short-term and long-term investments. Besides our investment portfolio and any financing activities we may pursue, customer collections are our primary source of cash. While we believe we have a strong customer base and have continued to experience relatively strong collections, if the current market conditions were to deteriorate, some of our customers may have difficulty paying us and we may experience increased churn in our customer base, including reductions in their commitments to us, all of which could have a material adverse effect on our liquidity.

Table of Contents

As of September 30, 2010, we had a total of approximately $101.9 million of additional liquidity available to us, consisting of (i) approximately $95.2 million under the new Asia-Pacific financing and (ii) $6.7 million under the $25.0 million Bank of America revolving credit line. While we believe we have sufficient liquidity and capital resources to meet our current operating requirements and to complete our publicly-announced IBX expansion plans, we may pursue additional expansion opportunities, primarily the build-out of new IBX data centers, in certain of our existing markets which are at or near capacity within the next year, as well as potential acquisitions. While we will be able to fund these expansion plans with our existing resources, additional financing, either debt or equity, may be required to pursue certain of these additional expansion plans. However, if current market conditions were to deteriorate, we may be unable to secure additional financing or any such additional financing may only be available to us on unfavorable terms. An inability to pursue additional expansion opportunities will have a material adverse effect on our ability to maintain our desired level of revenue growth in future periods.

Sources and Uses of Cash

	Nine Months Ended September 30,	
	2010	2009
	(in thousands)	
Net cash provided by operating activities	$ 269,981	$ 272,982
Net cash used in investing activities	(618,507)	(542,494)
Net cash provided by financing activities	395,675	326,520

*Operating Activitie*s. The decrease in net cash provided by operating activities was primarily due to growth in accounts receivable and payments related to the termination of several interest rate swaps totaling $17.3 million. In addition, the amount of interest paid in cash also increased by $34.8 million as compared to the prior period. Each of these items, which negatively impact net cash provided by operating activities, is partially offset by the overall improvement in our operating results as described earlier. We expect that we will continue to generate cash from our operating activities during the remainder of 2010 and beyond.

Investing Activities. The increase in net cash used in investing activities was primarily due to higher capital expenditures as a result of expansion activity and the Switch and Data acquisition. During the nine months ended September 30, 2010 and 2009, these capital expenditures were $436.0 million and $267.8 million, respectively. For the foreseeable future, we expect that our IBX expansion construction activity will be lower than our 2010 spending levels. However, if the opportunity to expand is greater than planned and we have sufficient funding to increase the expansion opportunities available to us, we may increase the level of capital expenditures to support this growth.

Financing Activities. The net cash provided by financing activities for the nine months ended September 30, 2010 was primarily due to our $750.0 million 8.125% senior notes offering in February 2010, partially offset by repayment of our debt facilities, including the Chicago IBX financing, the European financing, the Asia-Pacific financing, the Singapore financing and the Netherlands financing; however, the Asia-Pacific financing and the Singapore financing were replaced by the new Asia-Pacific financing. Net cash provided by financing activities during the nine months ended September 30, 2009 was primarily the result of $373.8 million in gross proceeds from our 4.75% convertible notes offering, partially offset by repayment of our debt facilities. Going forward, we expect that our financing activities will consist primarily of drawdowns of our new Asia-Pacific financing offset by repayment of our debt for the foreseeable future. Depending on market conditions, we may pursue additional financings in the future, as well as consider opportunities to repay our secured debt.

Debt Obligations

Senior Notes. In February 2010, we issued $750.0 million aggregate principal amount of 8.125% senior notes due March 1, 2018, which are referred to as the senior notes. Interest is payable semi-annually on March 1 and September 1 of each year, commencing on September 1, 2010.

Table of Contents

The senior notes are unsecured and rank equal in right of payment to our existing or future senior debt and senior in right of payment to our existing and future subordinated debt. The senior notes will be effectively junior to any of our existing and future secured indebtedness and any indebtedness of our subsidiaries.

In addition, at any time prior to March 1, 2013, we may on any one or more occasions redeem up to 35% of the aggregate principal amount of the senior notes outstanding at a redemption price equal to 108.125% of the principal amount of the senior notes to be redeemed, plus accrued and unpaid interest to, but not including, the redemption date, with the net cash proceeds of one or more equity offerings, provided that (i) at least 65% of the aggregate principal amount of the senior notes remains outstanding immediately after the occurrence of such redemption and (ii) the redemption must occur within 90 days of the date of the closing of such equity offerings. On or after March 1, 2014, we may redeem all or a part of the 8.125% senior notes, on any one or more occasions, at the redemption prices set forth below plus accrued and unpaid interest thereon, if any, to, but not including, the applicable redemption date, if redeemed during the one-year period beginning on March 1 of the years indicated below:

	Redemption price of the senior notes
2014	104.0625%
2015	102.0313%
2016 and thereafter	100.0000%

In addition, at any time prior to March 1, 2014, we may also redeem all or a part of the senior notes at a redemption price equal to 100% of the principal amount of the senior notes redeemed plus applicable premium plus accrued and unpaid interest, if any, to, but not including, the date of redemption.

Upon a change in control, we will be required to make an offer to purchase each holder s senior notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest to the date of purchase.

New Asia-Pacific Financing. In May 2010, our five wholly-owned subsidiaries, located in Australia, Hong Kong, Japan and Singapore, completed a new multi-currency credit facility agreement for approximately $217.7 million, which is referred to as the new Asia-Pacific financing, comprising 79.2 million Australian dollars, 370.4 million Hong Kong dollars, 99.4 million Singapore dollars and 1.5 billion Japanese yen. The new Asia-Pacific financing replaced our existing Asia-Pacific financing and Singapore financing. The new Asia-Pacific financing has a five-year term with semi-annual principal payments and quarterly debt service and consists of two tranches: (i) Tranche A totaling approximately $88.5 million was available for immediate drawing upon satisfaction of certain conditions precedent and was used to refinance the existing Asia-Pacific financing and Singapore financing and (ii) Tranche B totaling approximately $129.2 million is available for drawing in Australian, Hong Kong and Singapore dollars only for up to 24 months following the effective date of the new Asia-Pacific financing. The new Asia Pacific financing bears an interest rate of 3.50% above the local borrowing rates for the first 12 months and interest rates between 2.50%-3.50% above the local borrowing rates thereafter, depending on the leverage ratio within our five subsidiaries. The new Asia-Pacific financing contains financial covenants with which we must comply quarterly. The new Asia-Pacific financing is guaranteed by us and is secured by certain of our five subsidiaries assets and share pledges. During the nine months ended September 30, 2010, our five subsidiaries used part of the proceeds from the partially-drawn down Tranche A and Tranche B under the New Asia-Pacific Financing for the prepayment and termination of the existing Asia-Pacific financing and the Singapore financing. As of September 30, 2010, our five subsidiaries had fully utilized Tranche A and utilized approximately $33.9 million of Tranche B under the new Asia-Pacific financing. The loans payable under the new Asia-Pacific financing have a final maturity date of March 2015. As of September 30, 2010, we were in compliance with all financial covenants in connection with the new Asia-Pacific financing. As of September 30, 2010, approximately $111.8 million was outstanding under the new Asia-Pacific financing at an approximate blended interest rate of 4.58% per annum, leaving approximately $95.2 million available for future borrowings under the new Asia-Pacific financing.

Table of Contents

Chicago IBX Financing. In March 2010, we prepaid and terminated the Chicago IBX financing, of which principal of $110.0 million was outstanding as of December 31, 2009. The Chicago IBX financing was prepaid to the lender for an amount equal to 95.909% of the then outstanding principal balance outstanding, plus accrued and unpaid interest, resulting in a gain of $4.5 million. On the same date, we paid and terminated the interest rate swap associated with the Chicago IBX financing totaling $3.2 million.

European Financing. In April 2010, we prepaid and terminated the European financing at par for a total payment of approximately $121.7 million plus accrued and unpaid interest. On the same date, we terminated three interest rate swaps associated with the European financing for a total payment of $4.2 million.

Netherlands Financing. In June 2010, we prepaid and terminated the Netherlands financing at par for a total payment of approximately $8.0 million plus accrued and unpaid interest.

Switch and Data Debt. In May 2010, we prepaid and terminated at par a revolving credit facility assumed in connection with the Switch and Data acquisition for a total payment of $138.9 million plus accrued and unpaid interest. On the same date, we terminated the associated interest rate swap acquired related to this revolving credit facility for a total payment of $9.8 million.

In May 2010, we prepaid and terminated an equipment capital lease assumed in connection with the Switch and Data acquisition for a total payment of $9.2 million.

In April 2010, we also assumed two other capital leases in connection with the Switch and Data acquisition related to two properties in North Bergen, New Jersey, which is referred to as the New Jersey capital lease, and Sunnyvale, California, which is referred to as the Sunnyvale capital lease. We assumed a capital lease obligation for the New Jersey capital lease with a fair value of $24.7 million at the acquisition date and monthly payments due through July 2023 at an effective interest rate of 8.6% per annum. We assumed a capital lease obligation for the Sunnyvale capital lease with a fair value of $15.6 million at the acquisition date and monthly payments due through July 2022 at an effective interest rate of 8.6% per annum.

$25.0 Million Bank of America Revolving Credit Line. In February 2010, we amended the $25.0 million Bank of America revolving credit line and extended the maturity date to February 11, 2011. In addition, the $25.0 million Bank of America revolving credit line was amended to permit us to fund the cash payment portion of the pending acquisition of Switch and Data and to repay or retire its outstanding loan obligations upon the closing of the Switch and Data acquisition. The $25.0 million Bank of America revolving credit line will be used primarily to fund our working capital and to enable us to issue letters of credit. The effect of issuing letters of credit under the $25.0 million Bank of America revolving credit line reduces the amount available for borrowing under the $25.0 million Bank of America revolving credit line. We may borrow, repay and reborrow under the $25.0 million Bank of America revolving credit line at either the prime rate or at a borrowing margin of 2.75% over one, three or six month LIBOR, subject to a minimum borrowing cost of 3.00%. The $25.0 million Bank of America revolving credit line contains three financial covenants, which we must comply with quarterly, consisting of a tangible net worth ratio, a debt service ratio and a senior leverage ratio and is collateralized by our domestic accounts receivable balances. As of September 30, 2010, we were in compliance with all financial covenants in connection with the $25.0 million Bank of America revolving credit line. The $25.0 million Bank of America revolving credit line is available for renewal subject to mutual agreement by both parties. As of September 30, 2010, we had issued 14 irrevocable letters of credit totaling $18.3 million under the $25.0 million Bank of America revolving credit line. As a result, the amount available to borrow was $6.7 million as of September 30, 2010.

Capital Lease and Other Financing Obligations. During the nine months ended September 30, 2010, we have added additional capital lease and other financing obligations, excluding capital lease and other financing obligations assumed from the Switch and Data acquisition, totaling approximately $101.5 million at a weighted average interest rate of 8.04% per annum.

Table of Contents

Contractual Obligations and Off-Balance Sheet Arrangements

We lease a majority of our IBX centers and certain equipment under non-cancelable lease agreements expiring through 2030. The following represents our debt maturities, financings, leases and other contractual commitments as of September 30, 2010 (in thousands):

	2010 (3 months)	2011	2012	2013	2014	2015 and thereafter	Total
Convertible debt **(1)**	$	$	$ 250,000	$	$ 395,986	$ 373,750	$ 1,019,736
Senior notes **(1)**						750,000	750,000
New Asia-Pacific financing **(1)**		19,477	23,549	29,149	26,175	13,493	111,843
Interest **(2)**	16,252	101,383	97,247	92,861	89,168	240,177	637,088
Mortgage payable **(3)**	2,541	10,164	10,164	10,165	10,165	113,174	156,373
Capital lease and other financing obligations **(3)**	6,781	29,195	29,752	30,359	31,107	287,833	415,027
Operating leases under accrued restructuring charges **(4)**	1,083	2,415	2,429	2,444	2,459	1,444	12,274
Operating leases **(5)**	27,096	104,634	109,153	109,694	105,949	587,503	1,044,029
Other contractual commitments **(6)**	111,639	57,249	19,037	2,244			190,169
Asset retirement obligations **(7)**						46,651	46,651
	$ 165,392	$ 324,517	$ 541,331	$ 276,916	$ 661,009	$ 2,414,025	$ 4,383,190

(1) Represents principal only.
(2) Represents interest on convertible debt, senior notes and new Asia-Pacific financing based on their approximate interest rates as of September 30, 2010.
(3) Represents principal and interest.
(4) Excludes any subrental income.
(5) Represents minimum operating lease payments, excluding potential lease renewals.
(6) Represents off-balance sheet arrangements. Other contractual commitments are described below.
(7) Represents liability, net of future accretion expense.

In connection with certain of our leases, we entered into 13 irrevocable letters of credit totaling $17.3 million with Bank of America. These letters of credit were provided in lieu of cash deposits under the $25.0 million Bank of America revolving credit line and automatically renew in successive one-year periods until the final lease expiration date. If the landlords for these IBX leases decide to draw down on these letters of credit triggered by an event of default under the lease, we will be required to fund these letters of credit either through cash collateral or borrowing under the $25.0 million Bank of America revolving credit line. These contingent commitments are not reflected in the table above.

Primarily as a result of our various IBX expansion projects, as of September 30, 2010, we were contractually committed for $61.2 million of unaccrued capital expenditures, primarily for IBX equipment not yet delivered and labor not yet provided in connection with the work necessary to complete construction and open these IBX data centers prior to making them available to customers for installation. This amount, which is expected to be paid during the remainder of 2010 and 2011, is reflected in the table above as other contractual commitments.

We had other non-capital purchase commitments in place as of September 30, 2010, such as commitments to purchase power in select locations during the remainder of 2010 and thereafter, and other open purchase orders, which contractually bind us for goods or services to be delivered or provided during the remainder of 2010 and beyond. Such other purchase commitments as of September 30, 2010, which total $129.0 million, are also reflected in the table above as other contractual commitments.

Table of Contents

In addition, although we are not contractually obligated to do so, we expect to incur additional capital expenditures of approximately $350.0 million to $400.0 million, in addition to the $61.2 million in contractual commitments discussed above as of September 30, 2010, in our various IBX expansion projects during the remainder of 2010 and thereafter in order to complete the work needed to open these IBX data centers. These non-contractual capital expenditures are not reflected in the table above. If we so choose, whether due to economic factors or other considerations, we could delay these non-contractual capital expenditure commitments to preserve liquidity.

Critical Accounting 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 and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are affected by management s application of accounting policies. On an on-going basis, management evaluates its estimates and judgments. Critical accounting policies for Equinix that affect our more significant judgment and estimates used in the preparation of our condensed consolidated financial statements include accounting for income taxes, accounting for impairment of goodwill and accounting for property, plant and equipment, which are discussed in more detail under the caption Critical Accounting Estimates in Management s Discussion and Analysis of Financial Condition and Results of Operations, set forth in Part II Item 7, of our Annual Report on Form 10-K for the year ended December 31, 2009.

Recent Accounting Pronouncements

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

As more fully described in Cash, Cash Equivalents and Short-Term and Long-Term Investments in Note 4 of Notes to Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q, we received additional distributions totaling $3.6 million from our investment in the Reserve Primary Fund in January 2010 and July 2010. In addition, as more fully described in Debt Facilities and Other Financing Obligations in Note 8 of Notes to Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q, during the nine months ended September 30, 2010, we terminated and paid all interest rate swaps outstanding for a total payment of $17.3 million in connection with the prepayment and termination of several debt facilities that bore interest rates at variable rates. As of September 30, 2010, we had only one debt instrument remaining with variable interest rates, which is our new Asia-Pacific financing. While there have been no other significant changes in our market risk, investment portfolio risk, interest rate risk, foreign currency risk and commodity price risk exposures and procedures during the three and nine months ended September 30, 2010 as compared to the respective risk exposures and procedures disclosed in Quantitative and Qualitative Disclosures About Market Risk, set forth in Part II Item 7A, of our Annual Report on Form 10-K for the year ended December 31, 2009, during the nine months ended September 30, 2010, the U.S. dollar strengthened relative to certain of the currencies of the foreign countries in which we operate (although during the three months ended September 30, 2010, the U.S. dollar began to weaken again). This has significantly impacted our consolidated financial position and results of operations during this period including the amount of revenue that we reported. Continued strengthening or weakening of the U.S. dollar may continue to have a significant impact to us in future periods.

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.

Table of Contents

(b) ***Changes in Internal Control over Financial Reporting.*** There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

(c) ***Limitations on the Effectiveness of Controls.*** Our management, including our Chief Executive Officer and Chief Financial Officer, believes that our disclosure controls and procedures and internal control over financial reporting are designed and operated to be effective at the reasonable assurance level. However, our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

Table of Contents

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

IPO Litigation

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 Underwriter Defendants). The cases were filed in the United States District Court for the Southern District of New York. Similar lawsuits were filed against approximately 300 other issuers and related parties. These lawsuits have been coordinated before a single judge. 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.

The parties in the approximately 300 coordinated cases, including the parties in the Equinix case, reached a settlement. It provides for releases of existing claims and claims that could have been asserted relating to the conduct alleged to be wrongful from the class of investors participating in the settlement. The insurers for the issuer defendants in the coordinated cases will make the settlement payment on behalf of the issuers, including Equinix. On October 6, 2009, the Court granted final approval to the settlement. Six notices of appeal and one petition seeking permission to appeal were filed. Two objectors to the settlement have filed briefs in support of their appeals. The remaining objectors have withdrawn their appeals with prejudice.

Due to the inherent uncertainties of litigation, we cannot accurately predict the ultimate outcome of the matter. 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. We intend to continue to defend the action vigorously if the settlement does not survive the appeal.

Pihana Litigation

On August 22, 2008, a complaint was filed against Equinix, certain former officers and directors of Pihana Pacific, Inc. (Pihana), certain investors in Pihana, and others. The lawsuit was filed in the First Circuit Court of the State of Hawaii, and arises out of December 2002 agreements pursuant to which Equinix merged Pihana and i-STT (a subsidiary of Singapore Technologies Telemedia Pte Ltd) into the internet exchange services business of Equinix. Plaintiffs, who were allegedly holders of Pihana common stock, allege that their rights as shareholders were violated, and the transaction was effectuated improperly, by Pihana s majority shareholders, officers and directors, with the alleged assistance of Equinix and others. Among other things, plaintiffs contend that they effectively had a right to block the transaction, that this supposed right was disregarded, and that they improperly received no consideration when the deal was completed. The complaint seeks to recover unspecified punitive damages, equitable relief, fees and costs, and compensatory damages in an amount that plaintiffs allegedly believe may be all or a substantial portion of the approximately $725.0 million value of Equinix held by Defendants (a group that includes more than 30 individuals and entities). An amended complaint, which adds new plaintiffs (other alleged holders of Pihana common stock) but is otherwise substantially similar to the original pleading, was filed on September 29, 2008 (the Amended Complaint). On October 13, 2008, a complaint was filed in a separate action by another purported holder of Pihana common stock, naming the same defendants and asserting substantially similar allegations as the August 22, 2008 and September 29, 2008 pleadings. On December 12, 2008, the court entered a stipulated order, which consolidated the two actions under one case number and set January 22, 2009 as the last day for Defendants to move to dismiss or otherwise respond to the Amended Complaint, the operative complaint in this case. On January 22, 2009, motions to dismiss the Amended Complaint were filed by Equinix and other Defendants. On April 24, 2009, plaintiffs filed a Second Amended Complaint (SAC) to correct the naming of certain parties. The SAC is otherwise substantively identical to the Amended Complaint, and all motions to dismiss the Amended Complaint have been treated as responsive to the SAC. On September 1, 2009, the Court heard Defendants motions to dismiss the SAC and ruled at the hearing that all claims against all Defendants are time-barred. The Court also considered whether there were further independent grounds for dismissing the claims, and supplemental briefing was submitted with respect to claims against one defendant and plaintiffs renewed request for further leave to amend. On March 23, 2010, the Court entered final Orders granting the motions to dismiss as to all Defendants and issued a minute Order denying plaintiffs renewed request for further leave to amend. On May 21, 2010, plaintiffs filed a Notice of Appeal, and plaintiffs appeal is

currently pending before the Hawaii Supreme Court. We believe that plaintiffs claims and alleged damages are without merit and we intend to continue to defend the litigation vigorously.

Due to the inherent uncertainties of litigation, we cannot accurately predict the ultimate outcome of the matter. 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.

Table of Contents

Switch and Data Litigation

In the fourth quarter of 2009, three purported stockholder class action lawsuits were filed against us in connection with our proposed merger with Switch and Data. The first, filed October 27, 2009 in the Delaware Chancery Court, names Equinix, Sundance Acquisition Corporation, Switch and Data, and the members of Switch and Data s board of directors as defendants. The lawsuit alleges that the Switch and Data directors breached their fiduciary duties to Switch and Data s stockholders in connection with the proposed merger, and that Equinix aided and abetted these alleged breaches. The second complaint, filed October 30, 2009 in Florida state court, raises similar claims against the same defendants. The third complaint, filed on December 7, 2009 in the United States District Court for the Middle District of Florida, likewise raises similar claims but did not name Sundance Acquisition Corporation as a defendant. Both the second and third complaints included claims alleging that Switch and Data had failed to disclose material information concerning the merger to stockholders.

On January 19, 2010, counsel for parties in all three lawsuits entered into a memorandum of understanding in which they agreed upon the terms of a settlement of all three lawsuits. Notice of the settlement was published and distributed to all record shareholders included in the Settlement Class. No objections to the settlement were filed. On August 9, 2010, the Florida state court granted final approval to the proposed settlement. Under the terms of the agreement, plaintiffs counsel received attorneys fees and costs in an aggregate amount of $900,000. Approximately 70 percent of these fees were paid by Switch and Data s insurance carrier; Equinix paid the remainder. Following the Florida State Court s final approval of the settlement, orders were entered in all three cases dismissing the actions with prejudice.

529 Bryant Litigation

On September 10, 2010, a lawsuit was filed in the Superior Court of California in Santa Clara County by 529 Bryant Street Partners LLC against our wholly-owned subsidiaries Switch & Data CA Nine LLC (Tenant) and Switch & Data Facilities Company, Inc. (Guarantor). The lawsuit alleges that Tenant breached certain non-monetary obligations under its lease (the Lease) of our data center located at 529 Bryant Street in Palo Alto, California (the Premises) and seeks monetary damages, specific performance of those non-monetary obligations and ejectment of Tenant from the Premises. The lawsuit also alleges that Guarantor has breached its obligations under its guaranty of the Lease. We are currently in discussions with plaintiff to reach a mutually agreeable settlement, but intend to defend the lawsuit vigorously.

Due to the inherent uncertainties of litigation, we cannot accurately predict the ultimate outcome of the matter. 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.

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:

Acquisitions present many risks, and we may not realize the financial or strategic goals that were contemplated at the time of any transaction.

Over the last several years, we have completed several acquisitions, including that of IXEurope plc in 2007, Virtu Secure Webservices B.V. in 2008, Upminster GmbH in 2009 and Switch and Data in 2010. We may make additional acquisitions in the future, which may include acquisitions of businesses, products, services or technologies that we believe to be complementary, as well as acquisitions of new IBX data centers or real estate for development of new IBX data centers. We may pay for future acquisitions by using our existing cash resources (which may limit other potential uses of our cash), incurring additional debt (which may increase our interest expense, leverage and debt service requirements) and/or issuing shares (which may dilute our existing stockholders and have a negative effect on our earnings per share). Acquisitions expose us to several potential risks, including:

- the possible disruption of our ongoing business and diversion of management s attention by acquisition, transition and integration activities;

our potential inability to successfully pursue or realize some or all of the anticipated revenue opportunities associated with an acquisition;

the possibility that we may not be able to successfully integrate acquired businesses or achieve anticipated operating efficiencies or cost savings;

Table of Contents

- the possibility that announced acquisitions may not be completed, due to failure to satisfy the conditions to closing or for other reasons;
- the dilution of our existing stockholders as a result of our issuing stock in transactions, such as our acquisition of Switch and Data, where 80% of the consideration payable to Switch and Data s stockholders consisted of shares of our common stock;
- the possibility of customer dissatisfaction if we are unable to achieve levels of quality and stability on par with past practices;
- the possibility that our customers may not accept either the existing equipment infrastructure or the look-and-feel of a new or different IBX data center;
- the possibility that additional capital expenditures may be required or that transaction expenses associated with acquisitions may be higher than anticipated;
- the possibility that required financing to fund the requirements of an acquisition may not be available on acceptable terms or at all;
- the possibility that we may be unable to obtain required approvals from governmental authorities under antitrust and competition laws on a timely basis or at all, which could, among other things, delay or prevent us from completing an acquisition, limit our ability to realize the expected financial or strategic benefits of an acquisition or have other adverse effects on our current business and operations;
- the possible loss or reduction in value of acquired businesses;
- the possibility that carriers may find it cost-prohibitive or impractical to bring fiber and networks into a new IBX data center;
- the possibility of litigation or other claims in connection with or as a result of an acquisition, including claims from terminated employees, customers, former stockholders or other third parties; and
- the possibility of pre-existing undisclosed liabilities, including but not limited to lease or landlord related liability, environmental or asbestos liability, for which insurance coverage may be insufficient or unavailable.

The occurrence of any of these risks could have a material adverse effect on our business, results of operations, financial condition or cash flows.

We cannot assure you that the price for any future acquisitions of IBX data centers will be similar to prior IBX data center acquisitions. In fact, we expect costs required to build or render new IBX data 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.

Our substantial debt could adversely affect our cash flows and limit our flexibility to raise additional capital.

We have a significant amount of debt and expect to incur additional debt to support our growth. As of September 30, 2010, our total indebtedness was approximately $2.1 billion, our stockholders equity was $1.9 billion and our cash and investments totaled $715.4 million.

Table of Contents

Our substantial amount of debt could have important consequences. For example, it could:

- require us to dedicate a substantial portion of our cash flow from operations to make interest and principal payments on our debt, reducing the availability of our cash flow to fund future capital expenditures, working capital, execution of our expansion strategy and other general corporate requirements;
- make it more difficult for us to satisfy our obligations under our various debt instruments;
- increase our vulnerability to general adverse economic and industry conditions and adverse changes in governmental regulations;
- limit our flexibility in planning for, or reacting to, changes in our business and industry, which may place us at a competitive disadvantage compared with our competitors;
- limit our ability to borrow additional funds, even when necessary to maintain adequate liquidity, which would also limit our ability to further expand our business; and
- make us more vulnerable to increases in interest rates because of the variable interest rates on some of our borrowings to the extent we have not entirely hedged such variable rate debt.

The occurrence of any of the foregoing factors could have a material adverse effect on our business, results of operations and financial condition. In addition, the performance of our stock price may trigger events that would require the write-off of a significant portion of our debt issuance costs related to our convertible debt, which may have a material adverse effect on our results of operations.

We may also need to refinance a portion of our outstanding debt as it matures, such as our $250.0 million 2.50% convertible subordinated notes due 2012. There is a risk that we may not be able to refinance existing debt or that the terms of any refinancing may not be as favorable as the terms of our existing debt. Furthermore, if prevailing interest rates or other factors at the time of refinancing result in higher interest rates upon refinancing, then the interest expense relating to that refinanced indebtedness would increase. These risks could materially adversely affect our financial condition, cash flows and results of operations.

The uncertain economic environment may continue to have an impact on our business and financial condition.

The uncertain economic environment could have an adverse effect on our liquidity. Customer collections are our primary source of cash. While we believe we have a strong customer base and have continued to experience strong collections, if the current market conditions were to worsen, some of our customers may have difficulty paying us and we may experience increased churn in our customer base, including reductions in their commitments to us. We may also be required to further increase our allowance for doubtful accounts and our results would be negatively impacted. Our sales cycle could also be further lengthened if customers slow spending, or delay decision-making, on our products and services, which could adversely affect our revenue growth. Finally, we could also experience pricing pressure as a result of economic conditions if our competitors lower prices and attempt to lure away our customers with lower cost solutions.

The uncertain economic environment could also have an impact on our foreign exchange forward contracts if our counterparties credit deteriorates further or they are otherwise unable to perform their obligations.

Finally, our ability to access the capital markets may be severely restricted at a time when we would like, or need, to do so which could have an impact on our flexibility to pursue additional expansion opportunities and maintain our desired level of revenue growth in the future.

Table of Contents

The market price of our stock may continue to be highly volatile, and the value of an investment in our common stock may decline.

Since January 1, 2009, the closing sale price of our common stock on the NASDAQ Global Select Market has ranged from $42.26 to $109.56 per share. The market price of the shares of our common stock has been and may continue to be highly volatile. General economic and market conditions, and market conditions for telecommunications stocks in general, may affect the market price of our common stock.

Announcements by others or us may also have a significant impact on the market price of our common stock. These announcements may relate to:

- our operating results or forecasts;
- new issuances of equity, debt or convertible debt by us;
- 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 debt or stock by rating agencies or securities analysts;
- our purchase or development of real estate and/or additional IBX data centers;
- acquisitions by us of complementary businesses; or
- the operational performance of our IBX data centers.

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. Furthermore, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and/or damages, and divert management s attention from other business concerns, which could seriously harm our business.

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

Our capital expenditures, together with ongoing operating expenses and obligations to service our debt, will be a substantial drain on our cash flow and may decrease our cash balances. 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 additional debt and/or equity financing or to generate sufficient cash from operations may require us to prioritize projects or curtail capital expenditures which could adversely affect our results of operations.

Fluctuations in foreign currency exchange rates in the markets in which we operate internationally could harm our results of operations.

We may experience gains and losses resulting from fluctuations in foreign currency exchange rates. To date, the majority of our revenues and costs are denominated in U.S. dollars; however, the majority of revenues and costs in our international operations are denominated in foreign currencies. 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 and services more expensive in local currencies. We are also exposed to risks resulting from fluctuations in foreign currency exchange rates in connection with our international expansions. To the extent we are paying contractors in foreign currencies, our expansions could cost more than anticipated as a result of declines in the U.S dollar relative to foreign currencies. In addition, fluctuating foreign currency exchange rates have a direct impact on how our international results of operations translate into U.S. dollars.

Although we have in the past, and may decide in the future, to undertake foreign exchange hedging transactions to reduce foreign currency transaction exposure, we do not currently intend to eliminate all foreign currency transaction exposure. For example, while we hedge certain of our foreign currency assets and liabilities on our consolidated balance sheet, we do not hedge revenue. Therefore, any weakness of the U.S. dollar may have a positive impact on our consolidated results of operations because the currencies in the foreign countries in which we operate may translate into more U.S. dollars. However, if the U.S. dollar strengthens relative to the currencies of the foreign countries in which we operate our consolidated financial position and results of operations may be negatively impacted as amounts in foreign currencies will generally translate into fewer U.S. dollars. For additional information on foreign currency risk, refer to our discussion of foreign currency risk in Quantitative and Qualitative Disclosures About Market Risk included in Part 1, Item 3 of this Quarterly Report.

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 and the construction of new IBX data centers beyond those expansion projects already announced. We will be required to commit substantial operational and financial resources to these IBX data centers, generally 12 to 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 data centers. Either of these contingencies, if they were to occur, could make it difficult for us to realize expected or reasonable returns on these investments.

Our products and services have a long sales cycle that may harm our revenues and operating results.

A customer s decision to license cabinet space in one of our IBX data 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 data centers until they are confident that the IBX data 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.

The current economic downturn may further impact this long sales cycle by making it extremely difficult for customers to accurately forecast and plan future business activities. This could cause customers to slow spending, or delay decision-making, on our products and services, which would delay and lengthen our sales cycle.

Delays due to the length of our sales cycle may materially and adversely affect our revenues and operating results, which could harm our ability to meet our forecasts for a given quarter and cause volatility in our stock price.

We have incurred substantial losses in the past and may incur additional losses in the future.

As of September 30, 2010, our accumulated deficit was $362.9 million. Although we have generated net income for each fiscal year since 2008, our first full year of net income since our inception, we are also currently investing heavily in our future growth through the build-out of multiple additional IBX data centers and IBX data center expansions as well as acquisitions of complementary businesses. As a

Table of Contents

result, we will incur higher depreciation and other operating expenses, as well as acquisition costs and interest expense, that may negatively impact our ability to sustain profitability in future periods unless and until these new IBX data centers generate enough revenue to exceed their operating costs and cover our additional overhead needed to scale our business for this anticipated growth. The current global financial crisis may also impact our ability to sustain profitability if we cannot generate sufficient revenue to offset the increased costs of our recently-opened IBX data centers or IBX data centers currently under construction. In addition, costs associated with the acquisition and integration of any acquired companies, as well as the additional interest expense associated with debt financing we have undertaken to fund our growth initiatives, may also negatively impact our ability to sustain profitability. Finally, 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.

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 data centers. Furthermore, we continue to acquire IBX data centers not built by us. If we discover that these IBX data centers and their infrastructure assets are not in the condition we expected when they were acquired, we may be required to incur substantial additional costs to repair or upgrade the centers. The services we provide in each of our IBX data centers are subject to failure resulting from numerous factors, including:

- human error;
- equipment failure;
- physical, electronic and cybersecurity breaches;
- fire, earthquake, hurricane, flood, tornado and other natural disasters;
- extreme temperatures;
- 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 data 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 data centers could result in difficulty maintaining service level commitments to these customers and potential claims related to such failures. Because our IBX data centers are critical to many of our customers businesses, service interruptions or significant equipment damage in our IBX data centers could also result in lost profits or other indirect or consequential damages to our customers. We cannot guarantee that a court would enforce any contractual limitations on our liability in the event that one of our customers brings a lawsuit against us as the result of a problem at one of our IBX data centers.

Table of Contents

We may incur significant liabilities to our customers in connection with a loss of power or our failure to meet other service level commitment obligations, or if we are held liable for a substantial damage award. In addition, any loss of service, 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.

We may also incur significant liability in the event of an earthquake, particularly in California where insurance coverage for earthquakes can be extremely expensive. While we purchase minimal levels of earthquake coverage for certain of our IBX data centers in California, at other California IBX data centers we have elected to self-insure. In the event of a large earthquake in California, we may find our insurance coverage to be inadequate to cover our damages, and our business, financial condition and results of operations could be materially and adversely impacted.

Furthermore, we are dependent upon Internet service providers, telecommunications carriers and other website operators in the North America region, Asia-Pacific region, Europe 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 and adversely impacted.

Our construction of additional new IBX data centers, or IBX data center expansions, could involve significant risks to our business.

In order to sustain our growth in certain of our existing and new markets, we must either expand an existing data center or acquire suitable land with or without structures to build new IBX data centers expansions or new builds are currently underway, or being contemplated, in many of our markets. A greenfield build involves substantial planning and lead-time, much longer time to completion than an IBX retrofit of an existing data center or a data center expansion, and significantly higher costs of construction, equipment and materials, which could have a negative impact on our returns. Any construction requires us to carefully select and rely on the experience of one or more general contractors, designers and associated subcontractors during the design and construction process. Should a general contractor, designers or significant subcontractor experience financial or other problems during the design or 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 data centers adjacent to our existing locations, we may be limited by the inventory and location of suitable properties, as well as by the need for adequate power and fiber to the site. In the event we decide to build new IBX data centers separate from our existing IBX data 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 and lower margins and could have a negative impact on customer retention over time.

Environmental regulations may impose upon us new or unexpected costs.

We are subject to various federal, state, local and foreign 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 our 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. At some of our locations, there are land use restrictions in place relating to earlier environmental cleanups that do not materially limit our use of the sites. To the

extent any hazardous substances or any other substance or material must be cleaned up or removed from our 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, we are subject to environmental, health and safety laws regulating air emissions, storm water management and other issues arising in our business. While these obligations do not normally impose material costs upon our operations, unexpected events, equipment malfunctions and human error, among other factors, can lead to violations of environmental laws, regulations or permits. Furthermore, environmental laws and regulations change frequently and may require additional investment to maintain compliance. 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.

Fossil fuel combustion creates greenhouse gas emissions that are linked to global climate change. Regulations to limit greenhouse gas emissions are in force in the European Union in an effort to prevent or reduce climate change. In the United States, federal legislative proposals are being actively considered that would, if adopted, implement some form of regulation or taxation to reduce or mitigate greenhouse gas (GHG) emissions. In addition, the U.S. Environmental Protection Agency (EPA) is taking steps towards using its existing authority under the Clean Air Act to regulate GHG emissions. On June 3, 2010, EPA published a final rule setting forth the permitting program for regulating GHG emissions from major stationary sources. These permitting requirements will include, but are not limited to, meeting the best available control technologies for GHG emissions, and monitoring, reporting and recordkeeping for GHG emissions. The first steps of the program become effective January 2, 2011, and apply to large sources of GHGs such as, for example, fossil-fueled electricity generating facilities, that are already subject to Clean Air Act major source permits for their emission of non-greenhouse gas air pollutants (such as sulfur dioxide or particulate matter). The second step of the permitting program is effective July 1, 2011, and applies to the construction a new facility that will emit 100,000 tons per year or more of carbon dioxide equivalent (CO2e , a unit of measurement for GHGs) or to the modification of an existing facility that results in an increase of GHG emissions by 75,000 tons per year of CO2e. There is a small-source exception to the Tailoring Rule that we believe applies to our facilities. Under the exception, no source with emissions below 50,000 tons per year of CO2e or any modification resulting in an increase of less than 50,000 tons per year of CO2e will be subject to PSD or Title V permitting before at least April 30, 2016. EPA also announced plans in the final rule to develop permitting requirements for smaller sources of GHGs after the expiration of the small-source exception, which could potentially affect our facilities. We are in the process of confirming that the small-source exception applies to our facilities and will continue to monitor the developments of this regulatory program to evaluate its impact on our facilities and business.

Several states within the United States have adopted laws intended to limit fossil fuel consumption and/or encourage renewable energy development for the same purpose. For example, California enacted AB-32, the Global Warming Solutions Act of 2006, prescribing a statewide cap on global warming pollution with a goal of reaching 1990 GHG emission levels by 2020 and 80% below 1990 levels by 2050 and establishing a mandatory emissions reporting program.

Federal, regional, state and international regulatory programs are still developing. In their final form, they may include a tax on carbon, a carbon cap-and-trade market, and/or other restrictions on carbon and GHG emissions. The area of GHG limitations and regulation is rapidly changing and will continue to change as additional legislation is considered and adopted, and regulations are finalized that implement existing law. For example, the United Kingdom recently adopted the mandatory Carbon Reduction Commitment Energy Efficiency Scheme (CRC), which requires certain public and private sector organizations that are consumers of large amounts of electricity to register with the program, participate in energy-saving activities and reduce their GHG emissions. The CRC became effective April 1, 2010, and qualifying organizations were required to register by September 30, 2010. We have registered under the CRC and are currently evaluating the extent of our obligations and the implications for our business in the United Kingdom.

Table of Contents

We do not anticipate that climate change-related laws and regulations would directly limit the emissions of GHG by our operations. We could, however, be directly subject to taxes, fees or costs, or could indirectly be required to reimburse electricity providers for such costs that would represent the amount of GHG we emit. The expected controls on GHG emissions are likely to increase the costs of electricity or fossil fuels, and these cost increases could materially increase our costs of operation or limit the availability of electricity or emergency generator fuels. The physical impacts of climate change, including extreme weather conditions such as heat waves, could materially increase our costs of operation due to, for example, an increase in our energy use in order to maintain the temperature and internal environment of our data centers necessary for our operations. To the extent any environmental laws enacted or regulations passed by the United States, or any domestic or foreign jurisdiction we perform business in, impose new or unexpected costs, our business, results of operations or financial condition may be adversely affected.

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

Our IBX data centers and other products and services must be able to differentiate themselves from those of other providers of space and services for telecommunications companies, webhosting companies and other colocation providers. In addition to competing with neutral colocation providers, we must compete with traditional colocation providers, including telecom companies, carriers, Internet service providers and webhosting 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 data 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 data centers. If these competitors were able to adopt aggressive pricing policies together with offering colocation space, our ability to generate revenues may be materially and adversely affected.

We may also face competition from persons seeking to replicate our IBX data center concept by building new IBX data centers or converting existing IBX data 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 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 IBX data centers, 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 data centers.

Table of Contents

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 data centers are susceptible to regional costs of power, electrical power shortages, planned or unplanned power outages and limitations, especially internationally, on the availability of adequate power resources.

Power outages, such as those that occurred in California during 2001, the Northeast in 2003, and from the tornados on the U.S. east coast in 2004, 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 the power outages we experienced in our Chicago and Washington, D.C. metro area IBX data centers in 2005, London metro area IBX data centers in 2007 and Paris metro area IBX data centers in 2009.

In addition, global fluctuations in the price of power can increase the cost of energy, and although contractual price increase clauses exist in the majority of our customer agreements, we may not always choose 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 data center designs.

We are exposed to potential risks from errors in our financial reporting systems and controls, including the potential for material misstatements in our consolidated financial statements.

Section 404 of the Sarbanes-Oxley Act of 2002 requires companies to evaluate their internal controls over financial reporting. Although we received an unqualified opinion regarding the effectiveness of our internal controls over financial reporting as of December 31, 2009, in the course of our ongoing evaluation we have identified certain areas where we would like to improve and we are in the process of evaluating and designing enhanced processes and controls to address such areas, none of which we believe constitutes 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 and as we acquire other businesses.

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 have in the past, and may in the future, discover deficiencies in existing systems and controls. In addition, internal reporting systems and controls are subject to human error. Any such deficiencies could result in material misstatements in our consolidated financial statements, which might involve restating previously issued financial statements. Additionally, as we expand, we will need to implement new systems to support our financial reporting systems and controls. We may not be able to implement these systems such that errors would be identified in a timely manner, which could result in material misstatements in our consolidated financial statements.

Table of Contents

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

For the years ended December 31, 2009, 2008 and 2007, we recognized 39%, 37% and 23%, respectively, of our revenues outside North America. For the nine months ended September 30, 2010, we recognized 37% of our revenues outside North America.

To date, the network neutrality of our IBX data centers and the variety of networks available to our customers has often been a competitive advantage for us. In certain of our acquired IBX data centers in the Asia-Pacific region 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 those markets. In addition, we are currently undergoing expansions or evaluating expansion opportunities in Europe and in the Asia-Pacific region. Undertaking and managing expansions in foreign jurisdictions may present unanticipated challenges to us.

Our international operations are generally subject to a number of additional risks, including:

- the costs of customizing IBX data 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, including negotiating with foreign labor unions or workers councils;
- political and economic instability;
- fluctuations in currency exchange rates;
- difficulties in repatriating funds from certain countries;
- our ability to obtain, transfer, or maintain licenses required by governmental entities with respect to our business;
- unexpected changes in regulatory, tax and political environments;
- our ability to secure and maintain the necessary physical and telecommunications infrastructure;
- compliance with the Foreign Corrupt Practices Act; and
- compliance with evolving governmental regulation with which we have little experience.

In addition, compliance with international and U.S. laws and regulations that apply to our international operations increases our cost of doing business in foreign jurisdictions. These laws and regulations include data privacy requirements, labor relations laws, tax laws, anti-competition regulations, import and trade restrictions, export requirements, U.S. laws such as the Foreign Corrupt Practices Act, and local laws which also prohibit corrupt payments to governmental officials. Violations of these laws and regulations could result in fines, criminal sanctions against us, our officers or our employees, and prohibitions on the conduct of our business. Any such violations could include prohibitions on our ability to offer our services in one or more countries, could delay or prevent potential acquisitions, and could also materially damage our reputation, our brand, our international expansion efforts, our ability to attract and retain employees, our business and our operating results. Our success depends, in part, on our ability to anticipate and address these risks and manage these difficulties.

Table of Contents

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

Customers are increasing their use of high-density electrical power equipment, such as blade servers, in our IBX data centers which has significantly increased the demand for power on a per cabinet basis. Because many of our IBX data centers were built a number of 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 those IBX data centers may be limited. The availability of sufficient power may also pose a risk to the successful operation of our new IBX data centers. The ability to increase the power capacity of an IBX data center, 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 data center 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 data centers could become obsolete sooner than expected.

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 be volatile. We expect to experience significant fluctuations in our operating results in the foreseeable future due to a variety of factors, including, but not limited to:

- fluctuations of foreign currencies in the markets in which we operate;
- the timing and magnitude of capital expenditures, financing or other expenses related to the acquisition, purchase or construction of additional IBX data centers or the upgrade of existing IBX data centers;
- demand for space, power and services at our IBX data centers;
- changes in general economic conditions, such as the current economic downturn, and specific market conditions in the telecommunications and Internet industries, both of which may have an impact on our customer base;
- charges to earnings resulting from past acquisitions due to, among other things, impairment of goodwill or intangible assets, reduction in the useful lives of intangible assets acquired, identification of additional assumed contingent liabilities or revised estimates to restructure an acquired company s operations;
- the duration of the sales cycle for our services;
- restructuring charges or reversals of existing restructuring charges, which may be necessary due to revised sublease assumptions, changes in strategy or otherwise;
- acquisitions or dispositions we may make;
- the financial condition and credit risk of our customers;

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;

Table of Contents

- competition in the markets in which we operate;
- conditions related to international operations;
- increasing repair and maintenance expenses in connection with aging IBX data centers;
- lack of available capacity in our existing IBX data centers to generate new revenue or delays in opening up new or acquired IBX data centers that delay our ability to generate new revenue in markets which have otherwise reached capacity;
- changes in rent expense as we amend our IBX data center leases in connection with extending their lease terms when their initial lease term expiration dates approach;
- the timing and magnitude of other operating expenses, including taxes, expenses related to the expansion of sales, marketing, operations and acquisitions, if any, of complementary businesses and assets;
- the cost and availability of adequate public utilities, including power;
- changes in employee stock-based compensation;
- overall inflation;
- increasing interest expense due to any increases in interest rates and/or potential additional debt financings;
- changes in income tax benefit or expense; and
- changes in or new generally accepted accounting principles (GAAP) in the U.S. as periodically released by the Financial Accounting Standards Board (FASB).

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. Prior to 2008, we had generated net losses every fiscal year since inception. It is possible that we may not be able to generate net income on a quarterly or annual basis in the future. 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.

The failure to obtain favorable terms when we renew our IBX data center leases could harm our business and results of operations.

While we own certain of our IBX data centers, others are leased under long-term arrangements with lease terms expiring at various dates ranging from 2010 to 2030. These leased centers have all been subject to significant development by us in order to convert them from, in most cases,

vacant buildings or warehouses into IBX data centers. All of our IBX data center leases have renewal options available to us. However, many of these renewal options provide for rent set at then-prevailing market rates. To the extent that then-prevailing market rates are higher than present rates, these higher costs may adversely impact our business and results of operations.

Table of Contents

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

The presence of diverse telecommunications carriers fiber networks in our IBX data 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 data centers. Carriers will likely evaluate the revenue opportunity of an IBX data center based on the assumption that the environment will be highly competitive. We cannot provide assurance that each and every carrier will elect to offer its services within our IBX data centers or that once a carrier has decided to provide Internet connectivity to our IBX data 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 data centers, which could have an adverse effect on our operating results.

Our new IBX data centers require construction and operation of a sophisticated redundant fiber network. The construction required to connect multiple carrier facilities to our IBX data 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 data 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 data center expansions. This could affect our ability to attract new customers to these IBX data centers or retain existing customers.

We may be vulnerable to security breaches which could disrupt our operations and have a material adverse effect on our financial performance and operating results.

A party who is able to compromise the security measures on our networks or the security of our infrastructure 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. As techniques used to breach security change frequently, and are generally not recognized until launched against a target, we may not be able to implement security measures in a timely manner or, if and when implemented, we may not be certain whether these measures could be circumvented. Any breaches that may occur could expose us to increased risk of lawsuits, regulatory penalties, loss of existing or potential customers, harm to our reputation and increases in our security costs, which could have a material adverse effect on our financial performance and operating results.

We have government customers, which subjects us to risks including early termination, audits, investigations, sanctions and penalties.

We derive some revenues from contracts with the U.S. government, state and local governments and their respective agencies. Some of these customers may terminate all or part of their contracts at any time, without cause.

There is increased pressure for governments and their agencies, both domestically and internationally, to reduce spending. Some of our federal government contracts are subject to the approval of appropriations being made by the U.S. Congress to fund the expenditures under these contracts. Similarly, some of our contracts at the state and local levels are subject to government funding authorizations.

Additionally, government contracts are generally subject to audits and investigations which could result in various civil and criminal penalties and administrative sanctions, including termination of contracts, refund of a portion of fees received, forfeiture of profits, suspension of payments, fines and suspensions or debarment from future government business.

Table of Contents

Because we depend on the development and growth of a balanced customer base, including key magnet customers, 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 global enterprises, content providers, financial companies, and network service providers. We consider certain of these customers to be key magnets in that they draw in other customers. The more balanced the customer base within each IBX data 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 data 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 presence of key customers attracting business through vertical market ecosystems, the IBX data center s operating reliability and security and our ability to effectively market our services. However, some of our customers may face competitive pressures and may ultimately not be successful or may be consolidated through merger or acquisition. If these customers do not continue to use our IBX data centers it may be disruptive to our business. Finally, the uncertain economic climate may harm our ability to attract and retain customers if customers slow spending, or delay decision-making, on our products and services, or if customers begin to have difficulty paying us and we experience increased churn in our customer base. Any of these factors may hinder the development, growth and retention of a balanced customer base and adversely affect our business, financial condition and results of operations.

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

We are subject to various legal proceedings as described in Note 9 to Notes to Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q. In addition, we may, in the future, be subject to other litigation. For example, securities class action litigation has often been brought against a company following periods of volatility in the market price of its securities. Litigation can be lengthy, expensive, and divert management s attention and resources. Results cannot be predicted with certainty and an adverse outcome in litigation could result in monetary damages or injunctive relief that could seriously harm our business, results of operations, financial condition or cash flows.

We may not be able to protect our intellectual property rights.

We cannot assure that the steps taken by us to protect our intellectual property rights will be adequate to deter misappropriation of proprietary information or that we will be able to detect unauthorized use and take appropriate steps to enforce our intellectual property rights. We also are subject to the risk of litigation alleging infringement of third-party intellectual property rights. Any such claims could require us to spend significant sums in litigation, pay damages, develop non-infringing intellectual property, or acquire licenses to the intellectual property that is the subject of the alleged infringement.

Government regulation may adversely affect our business.

Various laws and governmental regulations, both in the U.S. and abroad, governing Internet related services, related communications services and information technologies remain largely unsettled, even in areas where there has been some legislative action. For example, the Federal Communications Commission recently issued a Notice of Inquiry for comments on proposed Internet rules and regulation of broadband that may result in material changes in the regulations and contribution regime affecting us and our customers. Likewise, as part of a review of the current equity market structure, the Securities and Exchange Commission and the Commodity Futures Trading Commission have both sought comments regarding the regulation of independent data centers, such as Equinix, which provide colocation services for financial markets and exchanges. Such regulation may ultimately affect our provision of services.

Table of Contents

It also 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 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 adoption, or modification of laws or regulations relating to the Internet and our business, or interpretations of existing laws, could have a material adverse effect on our business, financial condition and results of operations.

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 contribute to a climate of political and economic uncertainty. Due to existing or developing circumstances, we may need to incur additional costs in the future to provide enhanced security, including cybersecurity, 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 data centers. We may not have adequate property and liability insurance to cover catastrophic events or attacks.

We have various mechanisms in place that may discourage takeover attempts.

Certain provisions of our certificate of incorporation and bylaws may discourage, delay or prevent a third party from acquiring control of us in a merger, acquisition or similar transaction that a stockholder may consider favorable. Such provisions include:

- authorization for the issuance of blank check preferred stock;
- the prohibition of cumulative voting in the election of directors;
- a super-majority voting requirement to effect business combinations or certain amendments to our certificate of incorporation and bylaws;
- limits on the persons who may call special meetings of stockholders;
- the prohibition of stockholder action by written consent; and

advance notice requirements for nominations to the Board or for proposing matters that can be acted on by stockholders at stockholder meetings.

Table of Contents

In addition, Section 203 of the Delaware General Corporation Law, which restricts certain business combinations with interested stockholders in certain situations, may also discourage, delay or prevent someone from acquiring or merging with us.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Removed and Reserved

Item 5. Other Information

None.

Table of Contents

Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Filing Date/ Period End Date	Exhibit	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		
2.2	Agreement and Plan of Merger dated October 21, 2009, by and among Equinix, Inc., Switch & Data Facilities Company, Inc. and Sundance Acquisition Corporation.	8-K	10/22/09	2.1	
2.3	First Amendment to the Agreement and Plan of Merger dated March 20, 2010, by and among Equinix, Inc., Switch & Data Facilities Company, Inc. and Sundance Acquisition Corporation.	8-K	3/22/10	2.1	
3.1	Amended and Restated Certificate of Incorporation of the Registrant, as amended to date.	10-K/A	12/31/02	3.1	
3.2	Certificate of Designation of Series A and Series A-1 Convertible Preferred Stock.	10-K/A	12/31/02	3.3	
3.3	Amended and Restated Bylaws of the Registrant.	8-K	12/22/08	3.2	
4.1	Reference is made to Exhibits 3.1, 3.2 and 3.3.				
4.2	Indenture dated March 30, 2007 by and between Equinix, Inc. and U.S. Bank National Association, as trustee.	8-K	3/30/07	4.4	
4.3	Form of 2.50% Convertible Subordinated Note Due 2012 (see Exhibit 4.2).				
4.4	Indenture dated September 26, 2007 by and between Equinix, Inc. and U.S. Bank National Association, as trustee.	8-K	9/26/07	4.4	
4.5	Form of 3.00% Convertible Subordinated Note Due 2014 (see Exhibit 4.4).				

Table of Contents

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Filing Date/ Period End Date	Exhibit	Filed Herewith
4.6	Indenture dated June 12, 2009 by and between Equinix, Inc. and U.S. Bank National Association, as trustee.	8-K	6/12/09	4.1	
4.7	Form of 4.75% Convertible Subordinated Note Due 2016 (see Exhibit 4.6).				
4.8	Indenture dated March 3, 2010 by and between Equinix, Inc. and U.S. Bank National Association, as trustee.	10-Q	3/31/10	4.8	
4.9	Form of 8.125% Senior Note Due 2018 (see Exhibit 4.8).				
10.1	Form of Indemnification Agreement between the Registrant and each of its officers and directors.	S-4 (File No. 333-93749)	12/29/99	10.5	
10.2	2000 Equity Incentive Plan, as amended.	10-K	12/31/07	10.3	
10.3	2000 Director Option Plan, as amended.	10-K	12/31/07	10.4	
10.4	2001 Supplemental Stock Plan, as amended.	10-K	12/31/07	10.5	
10.5	Equinix, Inc. 2004 Employee Stock Purchase Plan, as amended.	S-8 (File No. 333-165033)	2/23/10	99.3	
10.6	Form of Restricted Stock Agreement for Equinix s executive officers under the Company s 2000 Equity Incentive Plan.	10-K	12/31/05	10.115	
10.7	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	10.126	
10.8+	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	10.127	
10.9	Lease Agreement dated as of December 21, 2005 between Equinix RP II, LLC and Equinix, Inc.	10-K	12/31/05	10.128	

Table of Contents

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Filing Date/ Period End Date	Exhibit	Filed Herewith
10.10	First Omnibus Modification Agreement dated December 27, 2006 by and among SFT I, Inc. (SFT I), Equinix RP II, LLC (RP II) and Equinix, Inc. (Equinix), Amended and Restated Promissory Note dated December 27, 2006 by RP II in favor of SFT I and Reaffirmation of Guaranty dated December 27, 2006 by RP II and Equinix in favor of SFT I.	10-K	12/31/06	10.37	
10.11	First Amendment to Deed of Lease dated December 27, 2006 by and between Equinix RP II, LLC and Equinix Operating Co., Inc.	10-K	12/31/06	10.38	
10.12	Form of Restricted Stock Agreements for Stephen M. Smith under the Equinix, Inc. 2000 Equity Incentive Plan.	10-Q	3/31/07	10.45	
10.13	Letter Agreement, dated April 22, 2008, by and between Eric Schwartz and Equinix Operating Co., Inc.	10-Q	6/30/08	10.34	
10.14	Lease Agreement, dated September 30, 2008, by and between Equinix Paris SAS and Digital Realty (Paris 2) SCI, and related guarantee by Equinix, Inc.	10-Q	9/30/08	10.40	
10.15	Severance Agreement by and between Stephen Smith and Equinix, Inc. dated December 18, 2008.	10-K	12/31/08	10.31	
10.16	Severance Agreement by and between Peter Van Camp and Equinix, Inc. dated December 10, 2008.	10-K	12/31/08	10.32	
10.17	Severance Agreement by and between Keith Taylor and Equinix, Inc. dated December 19, 2008.	10-K	12/31/08	10.33	
10.18	Severance Agreement by and between Peter Ferris and Equinix, Inc. dated December 17, 2008.	10-K	12/31/08	10.34	
10.19	Change in Control Severance Agreement by and between Eric Schwartz and Equinix, Inc. dated December 19, 2008.	10-K	12/31/08	10.35	
10.20	Change in Control Severance Agreement by and between Jarrett Appleby and Equinix, Inc. dated December 11, 2008.	10-K	12/31/08	10.36	
10.21	Offer Letter from Equinix, Inc. to Jarrett Appleby dated November 6, 2008.	10-K	12/31/08	10.37	
10.22	Restricted Stock Unit Agreement for Jarrett Appleby under the Equinix, Inc. 2000 Equity Incentive Plan.	10-K	12/31/08	10.38	

Table of Contents

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Filing Date/ Period End Date	Exhibit	Filed Herewith
10.23	Form of Restricted Stock Unit Agreement for CEO and CFO.	10-Q	3/31/09	10.39	
10.24	Form of Restricted Stock Unit Agreement for all other executive officers.	10-Q	3/31/09	10.40	
10.25	Confirmation for Base Capped Call Transaction dated as of June 9, 2009 between Equinix, Inc. and Deutsche Bank AG, London Branch.	8-K	6/12/09	10.1	
10.26	Confirmation for Additional Capped Call Transaction dated as of June 9, 2009 between Equinix, Inc. and Deutsche Bank AG, London Branch.	8-K	6/12/09	10.2	
10.27	Master Terms and Conditions for Capped Call Transactions dated as of June 9, 2009 between Equinix, Inc. and Deutsche Bank AG, London Branch.	8-K	6/12/09	10.3	
10.28	Confirmation for Base Capped Call Transaction dated as of June 9, 2009 between Equinix, Inc. and JPMorgan Chase Bank, National Association, London Branch.	8-K	6/12/09	10.4	
10.29	Confirmation for Base Capped Call Transaction dated as of June 9, 2009 between Equinix, Inc. and JPMorgan Chase Bank, National Association, London Branch.	8-K	6/12/09	10.5	
10.30	Master Terms and Conditions for Capped Call Transactions dated as of June 9, 2009 between Equinix, Inc. and JPMorgan Chase Bank, National Association, London Branch.	8-K	6/12/09	10.6	
10.31	Confirmation for Base Capped Call Transaction dated as of June 9, 2009 between Equinix, Inc. and Goldman, Sachs & Co.	8-K	6/12/09	10.7	
10.32	Confirmation for Additional Capped Call Transaction dated as of June 9, 2009 between Equinix, Inc. and Goldman, Sachs & Co.	8-K	6/12/09	10.8	
10.33	Master Terms and Conditions for Capped Call Transactions dated as of June 9, 2009 between Equinix, Inc. and Goldman, Sachs & Co.	8-K	6/12/09	10.9	

Table of Contents

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Filing Date/ Period End Date	Exhibit	Filed Herewith
10.34	Turn Key Data Center Lease by and between Digital Lakeside, LLC and Equinix Operating Co., Inc., dated as of July 10, 2009.	10-Q	9/30/09	10.50	
10.35	Equinix, Inc. 2010 Incentive Plan.	10-Q	3/31/10	10.41	
10.36	Addendum to international assignment letter agreement by and between Eric Schwartz and Equinix Operating Co., Inc., dated February 17, 2010.	10-Q	3/31/10	10.42	
10.37	Amendment No,1 to Commercial Lease, dated April 10, 2010, by and between Equinix Paris SAS and Digital Realty (Paris 2) SCI, and related guarantee by Equinix, Inc.	10-Q	3/31/10	10.44	
10.38	Switch & Data 2007 Stock Incentive Plan.	S-1/A (File No. 333-137607) filed by Switch & Data Facilities Company, Inc.	2/5/07	10.9	
10.39	Amendment and Restatement of Facility Agreement, by and among Equinix Australia Pty Ltd., Equinix Hong Kong Limited, Equinix Singapore Pte. Ltd., Equinix Pacific Pte. Ltd and Equinix Japan K.K., as borrowers, the Joint Mandated Lead Arrangers, the Joint Mandated Bookrunners, the Lead Arrangers and the Closing Date Lenders, as defined therein, and The Royal Bank of Scotland N.V., as Facility Agent, dated May 10, 2010.	10-Q	6/30/10	10.39	
10.40	Offer Letter from Equinix, Inc. to Charles Meyers dated September 28, 2010.				X
10.41	Restricted Stock Unit Agreement for Charles Meyers under the Equinix, Inc. 2000 Equity Incentive Plan.				X
10.42	Change in Control Severance Agreement by and between Charles Meyers and Equinix, Inc. dated September 30. 2010.				X

Table of Contents

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Filing Date/ Period End Date	Exhibit	Filed Herewith
18.1	Preferable Accounting Principles Letter from Pricewaterhouse Coopers LLP, Independent Registered Public Accounting Firm, dated July 26, 2010.	10-Q	6/30/10	18.1	
21.1	Subsidiaries of Equinix, Inc.	10-Q	6/30/10	21.1	
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
101	Interactive Data Files Pursuant to Rule 405 of Regulation S-T: (i) Condensed Consolidated Balance Sheets as of September 30, 2010 and December 31, 2009, (ii) Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2010 and 2009, (iii) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2010 and 2009 and (iv) Notes to Condensed Consolidated Financial Statements, tagged as blocks of text.				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.

Table of Contents

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: October 29, 2010

By: /s/ Keith D. Taylor
Chief Financial Officer
(Principal Financial and Accounting Officer)

81

Table of Contents

INDEX TO EXHIBITS

Exhibit Number	Description of Document
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