# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

# FORM 10-Q

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

**For the quarterly period ended September 30, 2012**

**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.)** |

**One Lagoon Drive, Fourth Floor, Redwood City, California 94065**
**(Address of principal executive offices, including ZIP code)**

**(650) 598-6000**
**(Registrant's telephone number, including area code)**

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

Indicate by check mark whether the registrant 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 ☒ 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 | ☒ | 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 ☒

The number of shares outstanding of the registrant's Common Stock as of September 30, 2012 was 48,625,247.

EQUINIX, INC.

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## PART I – FINANCIAL INFORMATION

### Item 1. Condensed Consolidated Financial Statements

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

| | September 30, 2012 | December 31, 2011 |
|---|---|---|
| | (unaudited) | |
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 239,687 | $ 278,823 |
| Short-term investments | 164,787 | 635,721 |
| Accounts receivable, net | 181,973 | 139,057 |
| Assets held-for-sale (Note 4) | 68,991 | — |
| Other current assets | 69,748 | 182,156 |
| Total current assets | 725,186 | 1,235,757 |
| Long-term investments | 115,362 | 161,801 |
| Property, plant and equipment, net | 3,791,063 | 3,225,912 |
| Goodwill | 1,043,284 | 866,495 |
| Intangible assets, net | 200,648 | 148,635 |
| Other assets | 115,427 | 146,724 |
| Total assets | $ 5,990,970 | $5,785,324 |
| **Liabilities and Stockholders' Equity** | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | $ 244,712 | $ 229,043 |
| Accrued property, plant and equipment | 141,025 | 93,224 |
| Current portion of capital lease and other financing obligations | 14,853 | 11,542 |
| Current portion of loans payable | 49,332 | 87,440 |
| Current portion of convertible debt | — | 246,315 |
| Current portion of deferred tax liabilities | 70,304 | 394 |
| Liabilities held-for-sale (Note 4) | 22,745 | — |
| Other current liabilities | 69,488 | 57,296 |
| Total current liabilities | 612,459 | 725,254 |
| Capital lease and other financing obligations, less current portion | 487,868 | 390,269 |
| Loans payable, less current portion | 199,349 | 168,795 |
| Convertible debt, less current portion | 705,127 | 694,769 |
| Senior notes | 1,500,000 | 1,500,000 |
| Other liabilities | 174,327 | 286,424 |
| Total liabilities | 3,679,130 | 3,765,511 |
| Redeemable non-controlling interests (Note 11) | 78,191 | 67,601 |
| Commitments and contingencies (Note 12) | | |
| Stockholders' equity: | | |
| Common stock | 49 | 48 |
| Additional paid-in capital | 2,539,235 | 2,437,623 |
| Treasury stock | (36,706) | (86,666) |
| Accumulated other comprehensive loss | (113,642) | (143,698) |
| Accumulated deficit | (155,287) | (255,095) |
| Total stockholders' equity | 2,233,649 | 1,952,212 |
| Total liabilities, redeemable non-controlling interests and stockholders' equity | $ 5,990,970 | $5,785,324 |

See accompanying notes to condensed consolidated financial statements

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

| | Three months ended September 30, 2012 | Three months ended September 30, 2011 | Nine months ended September 30, 2012 | Nine months ended September 30, 2011 |
|---|---|---|---|---|
| | (unaudited) | | | |
| Revenues | $488,730 | $408,208 | $1,389,224 | $1,147,668 |
| Costs and operating expenses: | | | | |
| Cost of revenues | 251,487 | 219,724 | 693,874 | 612,580 |
| Sales and marketing | 53,211 | 42,884 | 147,224 | 113,211 |
| General and administrative | 83,621 | 65,873 | 242,532 | 193,986 |
| Restructuring charges | — | 1,587 | — | 2,186 |
| Acquisition costs | 4,542 | 699 | 6,883 | 2,729 |
| Total costs and operating expenses | 392,861 | 330,767 | 1,090,513 | 924,692 |
| Income from continuing operations | 95,869 | 77,441 | 298,711 | 222,976 |
| Interest income | 1,054 | 679 | 2,708 | 1,526 |
| Interest expense | (50,207) | (51,114) | (149,812) | (126,152) |
| Other income (expense) | 507 | (1,694) | (1,491) | 1,438 |
| Loss on debt extinguishment | (5,204) | — | (5,204) | — |
| Income from continuing operations before income taxes | 42,019 | 25,312 | 144,912 | 99,788 |
| Income tax expense | (13,498) | (5,137) | (44,489) | (24,090) |
| Net income from continuing operations | 28,521 | 20,175 | 100,423 | 75,698 |
| Net income from discontinued operations (Note 4) | 679 | 464 | 1,228 | 819 |
| Net income | 29,200 | 20,639 | 101,651 | 76,517 |
| Net income attributable to redeemable non-controlling interests | (362) | (320) | (1,843) | (323) |
| Net income attributable to Equinix | $ 28,838 | $ 20,319 | $ 99,808 | $ 76,194 |
| Earnings per share ("EPS") attributable to Equinix: | | | | |
| Basic EPS from continuing operations | $ 0.58 | $ 0.20 | $ 2.06 | $ 1.38 |
| Basic EPS from discontinued operations | 0.02 | 0.01 | 0.03 | 0.02 |
| Basic EPS | $ 0.60 | $ 0.21 | $ 2.09 | $ 1.40 |
| Weighted-average shares | 48,361 | 47,202 | 47,779 | 46,861 |
| Diluted EPS from continuing operations | $ 0.57 | $ 0.19 | $ 2.01 | $ 1.36 |
| Diluted EPS from discontinued operations | 0.01 | 0.01 | 0.02 | 0.01 |
| Diluted EPS | $ 0.58 | $ 0.20 | $ 2.03 | $ 1.37 |
| Weighted-average shares | 52,655 | 47,943 | 51,724 | 47,694 |

See accompanying notes to condensed consolidated financial statements

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**EQUINIX, INC.**
**Condensed Consolidated Statements of Comprehensive Income (Loss)**
**(in thousands)**

| | Three months ended September 30, 2012 | Three months ended September 30, 2011 | Nine months ended September 30, 2012 | Nine months ended September 30, 2011 |
|---|---|---|---|---|
| | (unaudited) | | | |
| Net income | $29,200 | $ 20,639 | $101,651 | $ 76,517 |
| Other comprehensive income (loss), net of tax: | | | | |
| Foreign currency translation gain (loss) | 41,782 | (88,659) | 26,887 | (17,227) |
| Unrealized gain (loss) on available for sale securities | 113 | (241) | 14 | (267) |
| | 41,895 | (88,900) | 26,901 | (17,494) |
| Comprehensive income (loss), net of tax | 71,095 | (68,261) | 128,552 | 59,023 |
| Net income attributable to redeemable non-controlling interests | (362) | (320) | (1,843) | (323) |
| Other comprehensive loss attributable to redeemable non-controlling interests | 240 | 10,163 | 3,155 | 9,096 |
| Comprehensive income (loss) attributable to Equinix | $70,973 | $(58,418) | $129,864 | $ 67,796 |

See accompanying notes to condensed consolidated financial statements

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

| | Nine months ended September 30, 2012 | 2011 |
|---|---|---|
| | (unaudited) | |
| Cash flows from operating activities: | | |
| Net income | $ 101,651 | $ 76,517 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 278,214 | 240,096 |
| Stock-based compensation | 62,234 | 53,060 |
| Excess tax benefits from stock-based compensation | (53,174) | — |
| Restructuring charges | — | 2,186 |
| Amortization of debt issuance costs and debt discounts | 18,057 | 23,816 |
| Amortization of intangible assets | 16,668 | 14,207 |
| Provision for allowance for doubtful accounts | 4,031 | 3,609 |
| Accretion of asset retirement obligation and accrued restructuring charges | 3,412 | 3,473 |
| Loss on debt extinguishment | 5,204 | — |
| Other items | 2,210 | 1,933 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (46,900) | (26,299) |
| Other assets | 31,020 | (7,217) |
| Accounts payable and accrued expenses | 19,307 | (9,492) |
| Other liabilities | (19,007) | 24,099 |
| Net cash provided by operating activities | 422,927 | 399,988 |
| Cash flows from investing activities: | | |
| Purchases of investments | (365,934) | (1,027,855) |
| Sales of investments | 338,192 | 104,800 |
| Maturities of investments | 542,155 | 274,620 |
| Purchases of property, plant and equipment | (554,092) | (495,515) |
| Purchase of real estate | — | (23,993) |
| Purchase of Asia Tone, net of cash acquired | (188,798) | — |
| Purchase of ancotel, net of cash acquired | (84,236) | — |
| Purchase of ALOG, net of cash acquired | — | (41,954) |
| Increase in restricted cash | (8,270) | (95,932) |
| Release of restricted cash | 87,437 | 1,000 |
| Other investing activities, net | — | 10 |
| Net cash used in investing activities | (233,546) | (1,304,819) |
| Cash flows from financing activities: | | |
| Purchases of treasury stock | (13,364) | — |
| Proceeds from employee equity awards | 50,139 | 35,704 |
| Excess tax benefits from stock-based compensation | 53,174 | — |
| Proceeds from senior notes | — | 750,000 |
| Proceeds from loans payable | 258,542 | 90,635 |
| Repayment of capital lease and other financing obligations | (8,907) | (7,404) |
| Repayment of loans payable | (315,779) | (21,273) |
| Repayment of convertible debt | (250,007) | — |
| Debt issuance costs | (8,767) | (15,551) |
| Net cash provided by (used in) financing activities | (234,969) | 832,111 |
| Effect of foreign currency exchange rates on cash and cash equivalents | 6,452 | 402 |
| Net decrease in cash and cash equivalents | (39,136) | (72,318) |
| Cash and cash equivalents at beginning of period | 278,823 | 442,841 |
| Cash and cash equivalents at end of period | $ 239,687 | $ 370,523 |
| Supplemental cash flow information: | | |
| Cash paid for taxes | $ 19,578 | $ 7,172 |
| Cash paid for interest | $ 157,917 | $ 100,283 |

See accompanying notes to condensed consolidated financial statements

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, 2011 has been derived from audited consolidated financial statements at that date. The condensed consolidated financial statements have been prepared in accordance with the regulations of the Securities and Exchange Commission ("SEC"), but omit certain information and footnote disclosures 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 24, 2012. Results for the interim periods are not necessarily indicative of results for the entire fiscal year.

In September 2012, the Company announced that its board of directors approved a plan to pursue conversion to a real estate investment trust ("REIT") (the "REIT Conversion"). The Company plans to make a tax election for REIT status for the taxable year beginning January 1, 2015.

***Consolidation***

The accompanying unaudited condensed consolidated financial statements include the accounts of Equinix and its subsidiaries, including the operations of Asia Tone Limited ("Asia Tone") from July 4, 2012, ancotel GmbH ("ancotel") from July 3, 2012 and ALOG Data Centers do Brasil S.A. ("ALOG") from April 25, 2011. All significant intercompany accounts and transactions have been eliminated in consolidation.

***Reclassifications***

Certain amounts in the accompanying 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, 2012.

***Income Taxes***

The Company's effective tax rates for continuing operations were 30.7% and 24.1% for the nine months ended September 30, 2012 and 2011, respectively.

In October 2012, in connection with the planned REIT Conversion, the Company changed its method of depreciating and amortizing various data center assets for tax purposes from its current methods to a method more consistent with the characterization of such assets as real property for REIT purposes. As a result of this decision, the Company reclassified $69,909,000 of non-current deferred tax liabilities to current deferred tax liabilities as of September 30, 2012 associated with taxes that are expected to be paid in the next 12 months. The change in depreciation and amortization method also increased the Company's taxable income for 2012, resulting in an acceleration of the Company's usage of its operating and windfall employee equity award net operating loss carryforwards. As a result of the tax depreciation method change and the level of operating profits, the Company utilized approximately $250,000,000 of net operating losses for which a deferred tax asset had been previously recognized and approximately $135,000,000 of windfall tax losses not previously recognized. During the three months ended September 30, 2012, the Company recorded excess income tax benefits of $60,977,000 from stock-based compensation in its condensed consolidated balance sheets.

***Discontinued Operations***

Assets and liabilities to be disposed of that meet all of the criteria to be classified as held for sale as set forth in the accounting standard for impairment or disposal of long-lived assets are reported at the lower of their carrying amounts or fair values less costs to sell. Assets are not depreciated or amortized while they are classified as held for sale. Assets and liabilities held for sale that have operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Company's assets and liabilities are reported in discontinued operations when (a) it is determined that the operations and cash flows will be eliminated from the Company's continuing operations and (b) the Company will not have any significant continuing involvement in the operations of the assets and liabilities after the disposal transaction.

The Company's condensed consolidated statements of operations have been reclassified to reflect its discontinued operations for all periods presented. For further information on the Company's discontinued operations, see Note 4.

***Fair Value of Financial Instruments***

The carrying value of the Company's cash and cash equivalents, short-term and long-term investments represent their fair value, while the Company's accounts receivable, accounts payable and accrued expenses and accrued property, plant and equipment approximate their fair value due primarily to the short-term maturity of the related instruments. The fair value of the Company's debt, which is traded in the public debt market, is based on quoted market prices. The fair value of the Company's debt, which is not publicly traded, is estimated by considering the Company's credit rating, current rates available to the Company for debt of the same remaining maturities of structure and terms of the debt.

***Recent Accounting Pronouncements***

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards ("IFRS"), which amends ASC 820, Fair Value Measurement. ASU 2011-04 does not extend the use of fair value, but provides guidance on how it should be applied where its use is already required or permitted by other standards within U.S. GAAP or IFRS. ASU 2011-04 changes the wording used to describe many requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. Additionally, ASU 2011-04 clarifies the FASB's intent about the application of existing fair value measurements. ASU 2011-04 is effective for interim and annual periods beginning after December 15, 2011 and is applied prospectively. During the three months ended March 31, 2012, the Company adopted ASU 2011-04 and the adoption did not have a material impact to its consolidated financial statements.

In June 2011, the FASB issued ASU 2011-05, Presentation of Comprehensive Income. This ASU is intended to increase the prominence of other comprehensive income in financial statements by presenting the components of net income and other comprehensive income in one continuous statement, referred to as the statement of comprehensive income, or in two separate, but consecutive statements. The new guidance eliminated the option to report other comprehensive income and its components in the statement of changes in stockholders' equity. This new guidance is effective for fiscal years and interim periods beginning after December 15, 2011. While the new guidance changes the presentation of comprehensive income, there are no changes to the components that are recognized in net income or other comprehensive income under current accounting guidance. During the three months ended March 31, 2012, the Company adopted ASU 2011-05 and the adoption did not have a material impact to its consolidated financial statements other than the addition of the condensed consolidated statements of comprehensive income.

In December 2011, the FASB issued ASU 2011-12, Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in ASU 2011-05. This ASU defers the requirement that companies present reclassification adjustments for each component of accumulated other comprehensive income in both net income and other comprehensive income on the face of the financial statements. This new guidance is effective for fiscal years and interim periods beginning after December 15, 2011. During the three months ended March 31, 2012, the Company adopted ASU 2011-12 and the adoption did not have a material impact to its consolidated financial statements.

**EQUINIX, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

In December 2011, the FASB issued ASU 2011-11, Disclosures about Offsetting Assets and Liabilities. This ASU requires companies to disclose both gross information and net information about instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. This new guidance is effective for interim and annual periods beginning on or after January 1, 2013 and retrospective disclosure is required for all comparative periods presented. The Company is currently evaluating the impact that the adoption of this standard will have to its consolidated financial statements, if any.

**2. Earnings Per Share**

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

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Net income from continuing operations | $28,521 | $ 20,175 | $100,423 | $ 75,698 |
| Net income attributable to redeemable non-controlling interests | (362) | (320) | (1,843) | (323) |
| Adjustments attributable to redemption value of redeemable non-controlling interests | — | (10,639) | — | (10,639) |
| Net income from continuing operations attributable to Equinix, basic | 28,159 | 9,216 | 98,580 | 64,736 |
| Effect of assumed conversion of convertible debt: | | | | |
| Interest expense, net of tax | 1,696 | — | 5,073 | — |
| Net income from continuing operations attributable to Equinix, diluted | $29,855 | $ 9,216 | $103,653 | $ 64,736 |
| Weighted-average shares used to compute basic EPS | 48,361 | 47,202 | 47,779 | 46,861 |
| Effect of dilutive securities: | | | | |
| Convertible debt | 3,328 | — | 2,945 | — |
| Employee equity awards | 966 | 741 | 1,000 | 833 |
| Weighted-average shares used to compute diluted EPS | 52,655 | 47,943 | 51,724 | 47,694 |
| EPS from continuing operations attributable to Equinix: | | | | |
| EPS from continuing operations, basic | $ 0.58 | $ 0.20 | $ 2.06 | $ 1.38 |
| EPS from continuing operations, diluted | $ 0.57 | $ 0.19 | $ 2.01 | $ 1.36 |

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, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Shares reserved for conversion of 2.50% convertible subordinated notes | — | 2,232 | 863 | 2,232 |
| Shares reserved for conversion of 3.00% convertible subordinated notes | — | 2,945 | — | 2,945 |
| Shares reserved for conversion of 4.75% convertible subordinated notes | 4,433 | 4,433 | 4,433 | 4,433 |
| Common stock related to employee equity awards | 137 | 685 | 114 | 657 |
| | 4,570 | 10,295 | 5,410 | 10,267 |

## 3. Business Combinations

***Asia Tone Acquisition***

On July 3, 2012 (the “Asia Tone Acquisition Date”), the Company acquired certain assets and operations of Asia Tone, a privately-owned company headquartered in Hong Kong, for gross cash consideration of $230,500,000 (the “Asia Tone Acquisition”). The Company agreed to pay net cash consideration of approximately $208,277,000 as a result of adjustments to the purchase price included in the purchase and sale agreement, of which approximately $13,648,000 remained payable as of September 30, 2012. Asia Tone operates six data centers and one disaster recovery center in Hong Kong, Shanghai and Singapore. The Asia Tone Acquisition included one data center under construction in Shanghai. The combined company operates under the Equinix name.

The Company included Asia Tone’s results of operations from July 4, 2012 and the estimated fair value of assets acquired and liabilities assumed in its condensed consolidated balance sheets beginning July 3, 2012. The Company incurred acquisition costs of $3,513,000 and $4,562,000, respectively, for the three and nine months ended September 30, 2012 related to the Asia Tone Acquisition.

*Purchase Price Allocation*

The Asia Tone Acquisition was accounted for using the acquisition method of accounting. Under the acquisition method of accounting, the total purchase price was allocated to Asia Tone'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 Asia Tone, the preliminary purchase price allocation was as follows (in thousands):

| | |
|---|---|
| Cash and cash equivalents | $ 5,831 |
| Accounts receivable | 1,595 |
| Other current assets | 595 |
| Property, plant and equipment | 138,276 |
| Goodwill | 121,054 |
| Intangible assets | 29,155 |
| Other non-current assets | 784 |
| Total assets acquired | 297,290 |
| Accounts payable and accrued expenses | (1,304) |
| Accrued property, plant and equipment | (27,031) |
| Loans payable | (20,661) |
| Capital leases and other financing obligations | (6,455) |
| Other current liabilities | (9,497) |
| Deferred tax liabilities | (15,190) |
| Other non-current liabilities | (8,875) |
| Net assets acquired | $208,277 |

The Company continues to evaluate certain assets and liabilities related to the Asia Tone Acquisition. Additional information, which existed as of the Asia Tone 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 Asia Tone Acquisition Date. Changes to the assets and liabilities recorded may result in a corresponding adjustment to goodwill.

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 | $ 14,900 | 6 - 20 | 17.2 |
| Customer relationships | 13,800 | 7 - 11 | 8.7 |
| Other | 455 | 2 - 5 | 4.0 |

The fair value of customer contracts and customer relationships 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 existing customers less costs to realize the revenue. The Company applied a weighted-average discount rate of approximately 14.4%, which reflects the nature of the assets as it relates to the estimated future operating cash flows. Other significant assumptions used to estimate the fair value of the customer contracts and customer relationships include projected revenue growth, customer attrition rates, sales and marketing expenses and operating margins. 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.

The Company determined the fair value of the loans payable assumed in the Asia Tone Acquisition by estimating Asia Tone'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 book value of Asia Tone's loans payable approximated their fair value as of the Acquisition Date.

Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired. The goodwill is not expected to be deductible for local tax purposes. Goodwill will not be amortized and will be tested for impairment at least annually. Goodwill recorded as a result of the Asia Tone Acquisition is attributable to the Company's Asia-Pacific reportable segment (see Note 14) and reporting unit (see Note 5).

For the three months ended September 30, 2012, Asia Tone recognized revenues of $10,607,000 and had an inconsequential amount of net loss, which were included in the Company's condensed consolidated statements of operations. The Asia Tone Acquisition was not material to the Company's consolidated balance sheets and results of operations; therefore, the Company does not present unaudited pro forma combined consolidated financial information.

***ancotel Acquisition***

On July 2, 2012 (the "ancotel Acquisition Date"), the Company acquired 100% of the issued and outstanding share capital of ancotel, a privately-owned company headquartered in Frankfurt, Germany, for cash consideration of approximately $85,714,000 (the "ancotel Acquisition"). ancotel operates one data center in Frankfurt and edge nodes in Hong Kong and London. ancotel will continue to operate under the ancotel trade name.

The Company included ancotel's results of operations from July 3, 2012 and the estimated fair value of assets acquired and liabilities assumed in its condensed consolidated balance sheets beginning July 2, 2012. The Company incurred acquisition costs of approximately $56,000 and $1,365,000, respectively, for the three and nine months ended September 30, 2012 related to the ancotel Acquisition.

*Purchase Price Allocation*

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

| | |
|---|---|
| Cash and cash equivalents | $ 1,478 |
| Accounts receivable | 332 |
| Other current assets | 2,702 |
| Property, plant and equipment | 17,460 |
| Goodwill | 55,689 |
| Intangible assets | 42,781 |
| Other non-current assets | 381 |
| Total assets acquired | 120,823 |
| Accounts payable and accrued expenses | (5,310) |
| Accrued property, plant and equipment | (1,216) |
| Current portion of loans payable | (2,548) |
| Capital leases and other financing obligations | (5,516) |
| Other current liabilities | (5,035) |
| Deferred tax liabilities | (13,280) |
| Other non-current liabilities | (2,204) |
| Net assets acquired | $ 85,714 |

The Company continues to evaluate certain assets and liabilities related to the ancotel Acquisition. Additional information, which existed as of the ancotel 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 ancotel Acquisition Date. Changes to the assets and liabilities recorded may result in a corresponding adjustment to goodwill.

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 | $38,604 | 7 | 7.0 |
| Trade names | 4,177 | 5 - 10 | 9.4 |

The fair value of customer contracts was estimated by applying an income approach. The fair value was determined by calculating the present value of operating cash flows generated by existing customer relationships less costs to realize the revenue. The Company applied a discount rate of approximately 12.8%, which reflects the nature of the assets as it relates 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 and operating margins. The fair value of trade names were estimated using the income approach. 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.

The Company determined the fair value of the loans payable assumed in the ancotel Acquisition by estimating ancotel'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 book value of ancotel's loans payable approximated their fair value as of the Acquisition Date. During the three months ended September 30, 2012, the Company prepaid and terminated these loans payable.

Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired. The goodwill is not expected to be deductible for local tax purposes. Goodwill will not be amortized and will be tested for impairment at least annually. Goodwill recorded as a result of the ancotel Acquisition is attributable to the Company's EMEA reportable segment (see Note 14) and reporting unit (see Note 5).

For the three months ended September 30, 2012, ancotel recognized revenues of $5,527,000 and had $1,886,000 of net loss, which were included in the Company's condensed consolidated statements of operations. The ancotel Acquisition was not material to the Company's consolidated balance sheets and results of operations; therefore, the Company does not present unaudited pro forma combined consolidated financial information.

**4. Discontinued Operations**

In August 2012, the Company entered into an agreement to sell 16 of the Company's IBX data centers located throughout the United States (the "IBX Data Centers Held-for-Sale") to an investment group including 365 Main, Crosslink Capital, Housatonic Partners and Brightwood Capital for net proceeds of $76,458,000 (the "Divestiture"). Nine of the 16 data centers are in markets that the Company will exit with the close of the Divestiture. Those markets include Buffalo, Cleveland, Detroit, Indianapolis, Nashville, Phoenix, Pittsburg, St. Louis and Tampa. The remaining seven data centers are in markets where the Company will retain a presence. Those markets include Chicago, Dallas, New York, Philadelphia, Seattle, Silicon Valley and the Washington D.C. metro area. After the close of the Divestiture, the investment group will run and manage the IBX Data Centers Held-for-Sale. Assets and liabilities held-for-sale, net, and operating results from its discontinued operations associated with the IBX Data Centers Held-for-Sale are attributable to the Company's Americas region. The Divestiture closed in November 2012 (see Note 16).

**EQUINIX, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

The Company's assets and liabilities associated with the IBX Data Centers Held-for-Sale have been reclassified to assets and liabilities held-for-sale on the Company's condensed consolidated balance sheet as of September 30, 2012. Certain financial footnotes have also been updated to reflect the impact of the discontinued operations. The company's assets and liabilities held-for-sale, net, consisted of the following (in thousands):

| | September 30, 2012 |
|---|---|
| Assets: | |
| Accounts receivable, net | $ 2,075 |
| Property, plant and equipment, net | 51,457 |
| Goodwill | 8,320 |
| Intangible assets, net | 4,508 |
| Deferred tax assets | 2,001 |
| Other current assets | 233 |
| Other assets | 397 |
| | $ 68,991 |
| Liabilities: | |
| Accounts payable and accrued expenses | $ 2,072 |
| Deferred tax liabilities | 6,008 |
| Other current liabilities | 615 |
| Assets retirement obligations | 12,103 |
| Other liabilities | 1,947 |
| | $ 22,745 |

The Company's condensed consolidated statements of operations have been reclassified to reflect its discontinued operations associated with the IBX Data Centers Held-for-Sale for all periods presented. The Company's operating results from its discontinued operations consisted of the following (in thousands):

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Revenues | $ 8,826 | $ 9,393 | $ 26,796 | $ 27,862 |
| Cost of revenues | (6,585) | (8,429) | (22,469) | (25,721) |
| Operating expenses | (913) | (289) | (2,077) | (830) |
| Income taxes | (649) | (211) | (1,022) | (492) |
| Net income from discontinued operations | $ 679 | $ 464 | $ 1,228 | $ 819 |

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

**5. 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, 2012 | December 31, 2011 |
|---|---|---|
| Cash and cash equivalents: | | |
| Cash | $ 130,917 | $ 74,101 |
| Cash equivalents: | | |
| Money markets | 104,800 | 198,931 |
| Certificates of deposit | 3,970 | 4,500 |
| Commercial paper | — | 1,000 |
| Corporate bonds | — | 291 |
| Total cash and cash equivalents | 239,687 | 278,823 |
| Marketable securities: | | |
| U.S. government securities | 121,572 | 573,277 |
| U.S. government agencies securities | 72,012 | 129,235 |
| Certificates of deposit | 57,635 | 24,472 |
| Corporate bonds | 27,749 | 64,308 |
| Commercial paper | 999 | — |
| Asset-backed securities | 182 | 947 |
| Foreign government securities | — | 5,283 |
| Total marketable securities | 280,149 | 797,522 |
| Total cash, cash equivalents and short-term and long-term investments | $ 519,836 | $1,076,345 |

The following table summarizes the fair value and gross unrealized gains and losses related to the Company's short-term and long-term investments in marketable securities designated as available-for-sale securities as of (in thousands):

| | September 30, 2012 | | | |
|---|---|---|---|---|
| | Amortized cost | Gross unrealized gains | Gross unrealized losses | Fair value |
| U.S. government securities | $121,528 | $ 51 | $ (7) | $121,572 |
| U.S. government agencies securities | 71,965 | 70 | (23) | 72,012 |
| Certificates of deposit | 57,623 | 14 | (2) | 57,635 |
| Corporate bonds | 27,721 | 35 | (7) | 27,749 |
| Commercial paper | 997 | 2 | — | 999 |
| Asset-backed securities | 178 | 4 | — | 182 |
| Total | $280,012 | $ 176 | $ (39) | $280,149 |

**EQUINIX, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

| | December 31, 2011 | | | |
|---|---|---|---|---|
| | Amortized cost | Gross unrealized gains | Gross unrealized losses | Fair value |
| U.S. government securities | $573,232 | $ 91 | $ (46) | $573,277 |
| U.S. government agencies securities | 129,159 | 104 | (28) | 129,235 |
| Corporate bonds | 64,364 | 51 | (107) | 64,308 |
| Certificates of deposit | 24,471 | 3 | (2) | 24,472 |
| Foreign government securities | 5,295 | — | (12) | 5,283 |
| Asset-backed securities | 890 | 57 | — | 947 |
| Total | $797,411 | $ 306 | $ (195) | $797,522 |

As of September 30, 2012 and December 31, 2011, 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, 2012 and December 31, 2011. The maturities of securities classified as long-term investments were greater than one year and less than three years as of September 30, 2012 and December 31, 2011.

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, 2012.

The following table summarizes the fair value and gross unrealized losses related to 33 available-for-sale securities with an aggregate cost basis of $53,753,000 aggregated by type of investment and length of time that individual securities have been in a continuous unrealized loss position, as of September 30, 2012 (in thousands):

| | Securities in a loss position for less than 12 months | | Securities in a loss position for more than 12 months | |
|---|---|---|---|---|
| | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses |
| U.S. government securities | $25,131 | $ (7) | $ — | $ — |
| U.S. government agencies securities | 10,440 | (19) | 298 | (4) |
| Certificates of deposit | 10,477 | (2) | — | — |
| Corporate bonds | 7,368 | (7) | — | — |
| | $53,416 | $ (35) | $ 298 | $ (4) |

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, 2012, the Company's investments are subject to the currently adverse market conditions. If market conditions were to deteriorate, the Company could sustain other-than-temporary impairments to its investment portfolio which could result in realized losses being recorded in interest income, net, or securities markets could become inactive which could affect the liquidity of the Company's investments.

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***Accounts Receivable***

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

| | September 30, 2012 | December 31, 2011 |
|---|---|---|
| Accounts receivable | $ 305,202 | $ 250,211 |
| Unearned revenue | (117,816) | (106,519) |
| Allowance for doubtful accounts | (5,413) | (4,635) |
| | $ 181,973 | $ 139,057 |

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. 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.

***Other Current Assets***

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

| | September 30, 2012 | December 31, 2011 |
|---|---|---|
| Deferred tax assets, net | $ 25,150 | $ 42,743 |
| Prepaid expenses | 21,591 | 19,441 |
| Restricted cash, current | 10,161 | 88,279 |
| Taxes receivables | 6,649 | 24,313 |
| Other receivables | 1,448 | 2,999 |
| Other current assets | 4,749 | 4,381 |
| | $ 69,748 | $ 182,156 |

***Property, Plant and Equipment***

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

| | September 30, 2012 | December 31, 2011 |
|---|---|---|
| IBX plant and machinery | $ 2,215,765 | $ 1,833,834 |
| Leasehold improvements | 1,062,462 | 958,391 |
| Buildings | 727,350 | 509,359 |
| IBX equipment | 391,438 | 368,530 |
| Site improvements | 354,010 | 305,169 |
| Computer equipment and software | 154,935 | 138,147 |
| Land | 97,342 | 91,314 |
| Furniture and fixtures | 20,006 | 18,144 |
| Construction in progress | 273,211 | 330,780 |
| | 5,296,519 | 4,553,668 |
| Less accumulated depreciation | (1,505,456) | (1,327,756) |
| | $ 3,791,063 | $ 3,225,912 |

Leasehold improvements, IBX plant and machinery, computer equipment and software and buildings recorded under capital leases aggregated $190,944,000 and $132,245,000 as of September 30, 2012 and December 31, 2011, respectively. Amortization on the assets recorded under capital leases is included in

**EQUINIX, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

depreciation expense and accumulated depreciation on such assets totaled $41,987,000 and $33,790,000 as of September 30, 2012 and December 31, 2011, respectively.

***Goodwill and Intangible Assets***

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

| | September 30, 2012 | December 31, 2011 |
|---|---|---|
| Goodwill: | | |
| Americas | $ 483,680 | $ 499,455 |
| EMEA | 417,349 | 347,018 |
| Asia-Pacific | 142,255 | 20,022 |
| | $ 1,043,284 | $ 866,495 |
| Intangible assets: | | |
| Intangible asset – customer contracts | $ 236,030 | $ 171,230 |
| Intangible asset – favorable leases | 16,766 | 18,315 |
| Intangible asset – others | 10,027 | 5,245 |
| | 262,823 | 194,790 |
| Accumulated amortization | (62,175) | (46,155) |
| | $ 200,648 | $ 148,635 |

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

| | Americas | EMEA | Asia-Pacific | Total |
|---|---|---|---|---|
| Balance at December 31, 2011 | $499,455 | $347,018 | $ 20,022 | $ 866,495 |
| Asia Tone Acquisition (see Note 3) | — | — | 121,054 | 121,054 |
| ancotel Acquisition (see Note 3) | — | 55,689 | — | 55,689 |
| Reclassified to assets held-for-sale (see Note 4) | (8,320) | — | — | (8,320) |
| Impact of foreign currency exchange | (7,455) | 14,642 | 1,179 | 8,366 |
| Balance at September 30, 2012 | $483,680 | $417,349 | $ 142,255 | $1,043,284 |

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

| | Americas | EMEA | Asia-Pacific | Total |
|---|---|---|---|---|
| Balance at December 31, 2011 | $134,674 | $ 60,116 | $ — | $194,790 |
| Asia Tone Acquisition (see Note 3) | — | — | 29,155 | 29,155 |
| ancotel Acquisition (see Note 3) | — | 42,781 | — | 42,781 |
| Reclassified to assets held-for-sale (see Note 4) | (5,913) | — | — | (5,913) |
| Impact of foreign currency exchange | (903) | 2,823 | 90 | 2,010 |
| Balance at September 30, 2012 | $127,858 | $105,720 | $ 29,245 | $262,823 |

The Company's goodwill and intangible assets in EMEA, denominated in British pounds and Euros, goodwill and intangible assets in Asia-Pacific, denominated in Singapore dollars, Hong Kong dollars and Chinese Yuan and certain goodwill and intangibles in Americas, denominated in Canadian dollars and Brazilian reais, are subject to foreign currency fluctuations. The Company's foreign currency translation gains and losses, including goodwill and intangibles, are a component of other comprehensive income and loss.

**EQUINIX, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

For the three and nine months ended September 30, 2012, the Company recorded amortization expense of $6,863,000 and $16,452,000, respectively, associated with its intangible assets. For the three and nine months ended September 30, 2011, the Company recorded amortization expense of $4,962,000 and $13,963,000, respectively, associated with its intangible assets. The Company's estimated future amortization expense related to these intangibles is as follows (in thousands):

| | |
|---|---|
| Year ending: | |
| 2012 (three months remaining) | $ 6,876 |
| 2013 | 27,456 |
| 2014 | 27,052 |
| 2015 | 26,546 |
| 2016 | 26,004 |
| Thereafter | 86,714 |
| Total | $200,648 |

***Other Assets***

Other assets consisted of the following (in thousands):

| | September 30, 2012 | December 31, 2011 |
|---|---|---|
| Debt issuance costs, net | $ 38,266 | $ 41,320 |
| Prepaid expenses, non-current | 22,963 | 54,118 |
| Deposits | 21,488 | 24,304 |
| Deferred tax assets, net | 16,688 | 16,980 |
| Restricted cash, non-current | 7,953 | 4,382 |
| Other assets, non-current | 8,069 | 5,620 |
| | $ 115,427 | $ 146,724 |

***Accounts Payable and Accrued Expenses***

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

| | September 30, 2012 | December 31, 2011 |
|---|---|---|
| Accounts payable | $ 26,387 | $ 23,268 |
| Accrued compensation and benefits | 68,730 | 66,330 |
| Accrued taxes | 52,429 | 43,539 |
| Accrued interest | 28,792 | 50,916 |
| Accrued utilities and security | 23,306 | 21,456 |
| Accrued professional fees | 5,660 | 4,783 |
| Accrued repairs and maintenance | 3,363 | 3,458 |
| Accrued other | 36,045 | 15,293 |
| | $ 244,712 | $ 229,043 |

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

***Other Current Liabilities***

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

| | September 30, 2012 | December 31, 2011 |
|---|---|---|
| Deferred installation revenue | $ 38,482 | $ 35,700 |
| Customer deposits | 17,330 | 13,669 |
| Deferred recurring revenue | 9,063 | 2,918 |
| Accrued restructuring charges | 2,379 | 2,565 |
| Deferred rent | 1,569 | 1,582 |
| Asset retirement obligations | 85 | 344 |
| Other current liabilities | 580 | 518 |
| | $ 69,488 | $ 57,296 |

***Other Liabilities***

Other liabilities consisted of the following (in thousands):

| | September 30, 2012 | December 31, 2011 |
|---|---|---|
| Asset retirement obligations, non-current | $ 61,549 | $ 56,243 |
| Deferred rent, non-current | 45,438 | 48,372 |
| Deferred installation revenue, non-current | 26,014 | 24,281 |
| Accrued taxes, non-current | 19,963 | 22,226 |
| Deferred tax liabilities, net | 6,643 | 117,995 |
| Customer deposits, non-current | 4,143 | 4,209 |
| Deferred recurring revenue, non-current | 4,141 | 5,472 |
| Accrued restructuring charges, non-current | 3,802 | 5,255 |
| Other liabilities | 2,634 | 2,371 |
| | $ 174,327 | $ 286,424 |

The following table summarizes the activity of the Company's asset retirement obligation liability, which includes both current and non-current portions, (in thousands):

| | |
|---|---|
| Balance at December 31, 2011 | $ 56,587 |
| Additions (1) | 13,644 |
| Accretion expense | 3,089 |
| Reclassified to liabilities held-for-sale (see Note 4) | (12,103) |
| Impact of foreign currency exchange | 417 |
| Balance at September 30, 2012 | $ 61,634 |

(1) Includes $5,795 assumed in connection with the ancotel Acquisition and the Asia Tone Acquisition.

The Company currently leases the majority of its IBX data centers and certain equipment under non-cancelable operating lease agreements expiring through 2035. 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 some rent expense abatement periods for certain leases 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.

**6. Derivatives**

*Other Derivatives not Designated as Hedging*

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 three and nine months ended September 30, 2012 and 2011.

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, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Net gain (loss) | $ 541 | $ 1,397 | $(870) | $163 |

**7. Fair Value Measurements**

The Company's financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2012 were as follows (in thousands):

| | Fair Value at September 30, 2012 | Fair value measurement using | |
|---|---|---|---|
| | | Level 1 | Level 2 |
| **Assets:** | | | |
| Cash | $ 130,917 | $130,917 | $ — |
| U.S. government securities | 121,572 | — | 121,572 |
| Money market and deposit accounts | 104,800 | 104,800 | — |
| U.S. government agency securities | 72,012 | — | 72,012 |
| Certificates of deposit | 61,605 | — | 61,605 |
| Corporate bonds | 27,749 | — | 27,749 |
| Commercial paper | 999 | — | 999 |
| Asset-backed securities | 182 | — | 182 |
| Foreign currency forward contracts (1) | 20 | — | 20 |
| | $ 519,856 | $235,717 | $284,139 |
| **Liabilities:** | | | |
| Foreign currency forward contracts (1) | $ 6 | $ — | $ 6 |

(1) Amounts are included within other current assets or other current liabilities in the Company's accompanying condensed consolidated balance sheet.

There were no financial assets or liabilities classified within Level 3 of the fair value hierarchy as of September 30, 2012.

*Valuation Methods*

Fair value estimates are made as of a specific point in time based on estimates using present value or other valuation techniques. These techniques involve uncertainties and are affected by the assumptions used and the judgments made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors.

*Cash, Cash Equivalents and Investments.* The fair value of the Company's investments in money market funds approximates their face value. Such instruments are included in cash equivalents. The Company's money market funds are classified within Level 1 of the fair value hierarchy because they are valued using quoted prices for identical instruments in active markets. The fair value of the Company's other investments approximate their face value. These investments include certificates of deposit and available-for-sale debt investments related to the Company's investments in the securities of other public companies, governmental units and other agencies. The fair value of these investments is based on the quoted market price of the underlying shares. Such instruments are classified within Level 2 of the fair value hierarchy. The Company obtains the fair values of its Level 2 investments based upon fair values obtained from its custody bank and third-party valuation services. The custody bank and third-party valuation services independently use professional pricing services to gather pricing data which may include quoted market prices for identical or comparable instruments, or inputs other than quoted prices that are observable either directly or indirectly. The Company is responsible for its consolidated financial statements and underlying estimates.

The Company determined that the major security types held as of September 30, 2012 were primarily cash and money market funds, U.S. government and agency securities, corporate bonds, certificate of deposits, commercial paper and asset-backed securities. The Company uses the specific identification method in computing realized gains or losses. Short-term and long-term investments are classified as available-for-sale and are carried at fair value with unrealized gains and losses reported in stockholders' equity as a component of other comprehensive income or loss, net of any related tax effect. The Company reviews its investment portfolio quarterly to determine if any securities may be other-than-temporarily impaired due to increased credit risk, changes in industry or sector of a certain instrument or ratings downgrades over an extended period of time.

*Derivative Assets and Liabilities*. For foreign currency derivatives, the Company uses 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 published credit default swap rates of its foreign exchange trading counterparties. The Company has determined that the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, therefore the derivatives are categorized as Level 2.

During the nine months ended September 30, 2012, the Company did not have any nonfinancial assets or liabilities measured at fair value on a recurring basis.

**8. 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, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Revenues | $10,656 | $6,608 | $25,588 | $19,388 |
| Costs and services | 654 | 915 | 1,682 | 2,709 |

| | As of September 30, 2012 | As of September 30, 2011 |
|---|---|---|
| Accounts receivable | $7,034 | $5,271 |
| Accounts payable | 282 | 461 |

A member of the Company's board of directors is affiliated with Crosslink Capital. Both the board member and Crosslink Capital are investors in the investment group that the Company entered into an agreement with to sell 16 of the Company's IBX data centers located throughout the United States (see Note 4).

In connection with the acquisition of ALOG, the Company acquired a lease for one of the Brazilian IBX data centers in which the lessor is a member of ALOG management. This lease contains an option to purchase the underlying property for fair market value on the date of purchase. The Company accounts for this lease as a financing obligation as a result of structural building work pursuant to the accounting standard for lessee's involvement in asset construction. As of September 30, 2012, the Company had a financing obligation liability totaling approximately $4,313,000 related to this lease on its condensed consolidated balance sheet. This amount is considered a related party liability, which is not reflected in the related party data presented above.

**9. Leases**

***Dallas IBX Leases***

In May 2012, the Company entered into a lease amendment for additional IBX space in one of its IBX data centers in the Dallas metro area. The original leases associated with this space were accounted for as operating leases (the "Dallas IBX Leases"). As a result of the amendment, the Dallas IBX Leases are accounted for as capital leases. Monthly payments under the Dallas IBX Leases will be made through December 2029 at an effective interest rate of 7.21%. The total cumulative rent obligation under the Dallas IBX Leases is approximately $105,595,000. In June 2012, the Company recorded a building asset totaling approximately $53,117,000, net of previously recorded deferred rent of approximately $4,472,000, and a corresponding capital lease obligation liability totaling approximately $57,530,000 associated with the Dallas IBX Leases.

***Capital Lease and Other Financing Obligations***

The Company's capital lease and other financing obligations are summarized as follows (dollars in thousands):

| | Capital lease obligations | Other financing obligations | Total |
|---|---|---|---|
| 2012 (three months remaining) | $ 6,513 | $ 5,985 | $ 12,498 |
| 2013 | 25,557 | 25,873 | 51,430 |
| 2014 | 26,057 | 30,191 | 56,248 |
| 2015 | 26,294 | 32,951 | 59,245 |
| 2016 | 25,079 | 34,077 | 59,156 |
| Thereafter | 218,349 | 265,078 | 483,427 |
| Total minimum lease payments | 327,849 | 394,155 | 722,004 |
| Plus amount representing residual property value | (51) | 230,282 | 230,231 |
| Less amount representing interest | (127,333) | (322,181) | (449,514) |
| Present value of net minimum lease payments | 200,465 | 302,256 | 502,721 |
| Less current portion | (10,606) | (4,247) | (14,853) |
| | $ 189,859 | $ 298,009 | $ 487,868 |

**EQUINIX, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

## 10. Debt Facilities

***Loans Payable***

The Company's loans payable consisted of the following (in thousands):

| | September 30, 2012 | December 31, 2011 |
|---|---|---|
| U.S. term loan | $ 190,000 | $ — |
| ALOG financing | 49,349 | — |
| Paris 4 IBX financing | 6,132 | 52,104 |
| Asia Tone loans payable | 3,200 | — |
| Asia-Pacific financing | — | 193,843 |
| ALOG loans payable | — | 10,288 |
| | 248,681 | 256,235 |
| Less current portion | (49,332) | (87,440) |
| | $ 199,349 | $ 168,795 |

*U.S. Financing*

In June 2012, the Company entered into a credit agreement with a group of lenders for a $750,000,000 credit facility (the "U.S. Financing"), comprised of a $200,000,000 term loan facility (the "U.S. Term Loan") and a $550,000,000 multicurrency revolving credit facility (the "U.S. Revolving Credit Line"). The U.S. Financing contains several financial covenants with which the Company must comply on a quarterly basis, including a maximum senior leverage ratio covenant, a minimum fixed charge coverage ratio covenant and a minimum tangible net worth covenant. The U.S. Financing is guaranteed by certain of the Company's domestic subsidiaries and is secured by the Company's and guarantors' accounts receivable as well as pledges of the equity interests of certain of the Company's direct and indirect subsidiaries. The U.S. Term Loan and U.S. Revolving Credit Line both have a five-year term, subject to the satisfaction of certain conditions with respect to the Company's outstanding convertible subordinated notes. The Company is required to repay the principal balance of the U.S. Term Loan in equal quarterly installments over the term. The U.S. Term Loan bears interest at a rate based on LIBOR or, at the option of the Company, the Base Rate (defined as the highest of (a) the Federal Funds Rate plus 1/2 of 1%, (b) the Bank of America prime rate and (c) one-month LIBOR plus 1.00%) plus, in either case, a margin that varies as a function of the Company's senior leverage ratio in the range of 1.25%-2.00% per annum if the Company elects to use the LIBOR index and in the range of 0.25%-1.00% per annum if the Company elects to use the Base Rate index. In July 2012, the Company fully utilized the U.S. Term Loan and used the funds to prepay the outstanding balance of and terminate the Asia-Pacific Financing (see below). As of September 30, 2012, the effective interest rate under the U.S. Term Loan was 2.51% per annum.

The U.S. Revolving Credit Line allows the Company to borrow, repay and reborrow over the term. The U.S. Revolving Credit Line provides a sublimit for the issuance of letters of credit of up to $150,000,000 at any one time. The Company may use the U.S. Revolving Credit Line for working capital, capital expenditures, issuance of letters of credit, and other general corporate purposes. Borrowings under the U.S. Revolving Credit Line bear interest at a rate based on LIBOR or, at the option of the Company, the Base Rate (defined above) plus, in either case, a margin that varies as a function of the Company's senior leverage ratio in the range of 0.95%-1.60% per annum if the Company elects to use the LIBOR index and in the range of 0.00%-0.60% per annum if the Company elects to use the Base Rate index. The Company is required to pay a quarterly letter of credit fee on the face amount of each letter of credit, which fee is based on the same margin that applies from time to time to LIBOR-indexed borrowings under the U.S. Revolving Credit Line. The Company is also required to pay a quarterly facility fee ranging from 0.30%-0.40% per annum of the U.S. Revolving Credit Line (regardless of the amount utilized), which fee also varies as a function of the Company's senior leverage ratio. In June 2012, the outstanding letters of credit issued under the Senior Revolving Credit Line (see below) were assumed under the U.S. Revolving Credit Line and the Senior Revolving Credit Line was terminated. As of September 30, 2012, the Company had 13 irrevocable letters of credit totaling $21,502,000 issued and outstanding under the U.S. Revolving Credit Line. As a result, the amount available to the Company to borrow under the U.S. Revolving Credit Line was $528,498,000 as of September 30, 2012. As of September 30, 2012, the Company was in compliance with all covenants of the U.S. Financing.

Debt issuance costs related to the U.S. Financing, net of amortization, were $8,361,000 as of September 30, 2012.

*Paris 4 IBX Financing*

During the nine months ended September 30, 2012, construction activity increased the Paris 4 IBX financing liability by $33,653,000 and the Company made payments of approximately $88,824,000 from the restricted cash account under the Paris 4 IBX financing. As a result, the Paris 4 IBX financing liability and the Company's current restricted cash balance have decreased (refer to "Other Current Assets" in Note 5).

*ALOG Financing*

In June 2012, ALOG completed a 100,000,000 Brazilian real credit facility agreement, or approximately $49,349,000 (the "ALOG Financing"). The ALOG Financing has a five-year term with semi-annual principal payments beginning in the third year of its term and quarterly interest payments during the entire term. The ALOG Financing bears an interest rate of 2.75% above the local borrowing rate. The ALOG Financing contains financial covenants, which ALOG must comply with annually, consisting of a leverage ratio and a fixed charge coverage ratio. The ALOG Financing is not guaranteed by ALOG or the Company. The ALOG Financing is not secured by ALOG's or the Company's assets. The ALOG Financing has a final maturity date of June 2017. During the three months ended September 30, 2012, ALOG fully utilized the ALOG Financing and used a portion of the funds to prepay and terminate ALOG loans payable outstanding. As of September 30, 2012, the effective interest rate under the ALOG Financing was 10.72% per annum.

*Asia Tone Loans Payable*

In July 2012, the Company assumed approximately $20,661,000 of debt from the Asia Tone Acquisition (the "Asia Tone Loans Payable"). During the three months ended September 30, 2012, the Company prepaid and terminated a total of approximately $17,461,000 of the Asia Tone Loans Payable. As of September 30, 2012, the remaining Asia Tone Loans Payable outstanding had an effective interest rate of 2.40% per annum.

*Senior Revolving Credit Line*

In September 2011, the Company entered into a $150,000,000 senior unsecured revolving credit facility (the "Senior Revolving Credit Line") with a group of lenders (the "Lenders"). The Company was able to use the Senior Revolving Credit Line for working capital, capital expenditures, issuance of letters of credit, general corporate purposes and to refinance a portion of the Company's existing debt obligations. The Senior Revolving Credit Line had a five-year term and allowed the Company to borrow, repay and re-borrow over the term. The Senior Revolving Credit Line provided a sublimit for the issuance of letters of credit of up to $100,000,000 and a sublimit for swing line borrowings of up to $25,000,000. Borrowings under the Senior Revolving Credit Line carried an interest rate of US$ LIBOR plus an applicable margin ranging from 1.25% - 1.75% per annum, which varied as a function of the Company's senior leverage ratio. The Company was also subject to a quarterly non-utilization fee ranging from 0.30% - 0.40% per annum, the pricing of which would also vary as a function of the Company's senior leverage ratio. Additionally, the Company was able to increase the size of the Senior Revolving Credit Line at its election by up to $100,000,000, subject to approval by the Lenders and based on current market conditions. The Senior Revolving Credit Line contained several financial covenants, which the Company had to comply with quarterly, including a leverage ratio, fixed charge coverage ratio and a minimum net worth covenant. In June 2012, the Senior Revolving Credit Line was replaced by the U.S. Revolving Credit Line under the U.S. Financing (see above). As a result, issued and outstanding letters of credit were all transferred into the U.S. Revolving Credit Line and the Senior Revolving Credit Line was terminated.

**EQUINIX, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

*Asia-Pacific Financing*

In May 2010, five wholly-owned subsidiaries of the Company, located in Australia, Hong Kong, Japan and Singapore, completed a multi-currency credit facility agreement for approximately $223,636,000 (the "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 Asia-Pacific Financing had a five-year term with semi-annual principal payments and quarterly debt service and consisted of two tranches: (i) Tranche A totaling approximately $90,810,000 was available for immediate drawing upon satisfaction of certain conditions precedent and (ii) Tranche B totaling approximately $132,826,000 was available for drawing in Australian, Hong Kong and Singapore dollars only for up to 24 months following the effective date of the Asia-Pacific Financing. The Asia Pacific Financing bore 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 Asia-Pacific Financing contained four financial covenants, which the Company and its five subsidiaries had to comply with quarterly, consisting of two leverage ratios, an interest coverage ratio and a debt service ratio. The Asia-Pacific Financing was guaranteed by the parent, Equinix, Inc., and was secured by most of the Company's five subsidiaries' assets and share pledges. As of December 31, 2011, the Company's five subsidiaries had fully utilized Tranche A and Tranche B under the Asia-Pacific Financing. The loans payable under the Asia-Pacific Financing had a final maturity date of March 2015. In July 2012, the Company fully repaid and terminated the Asia-Pacific Financing. As a result, the Company wrote off outstanding unamortized debt issuance costs associated with the Asia-Pacific Financing and recorded a loss on debt extinguishment of $5,204,000.

***Convertible Debt***

The Company's convertible debt consisted of the following (in thousands):

| | September 30, 2012 | December 31, 2011 |
|---|---|---|
| 3.00% Convertible Subordinated Notes | $ 395,986 | $ 395,986 |
| 4.75% Convertible Subordinated Notes | 373,730 | 373,750 |
| 2.50% Convertible Subordinated Notes | — | 250,000 |
| | 769,716 | 1,019,736 |
| Less amount representing debt discount | (64,589) | (78,652) |
| | 705,127 | 941,084 |
| Less current portion | — | (246,315) |
| | $ 705,127 | $ 694,769 |

*2.50% Convertible Subordinated Notes*

In March 2007, the Company issued $250,000,000 aggregate principal amount of 2.50% Convertible Subordinated Notes due April 15, 2012 (the "2.50% Convertible Subordinated Notes"). Holders of the 2.50% Convertible Subordinated Notes were eligible to convert their notes at any time on or after March 15, 2012 through the close of business on the business day immediately preceding the maturity date. Upon conversion, holders would receive, at the Company's election, cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock. However, the Company had the right at any time to irrevocably elect for the remaining term of the 2.50% Convertible Subordinated Notes to satisfy its obligation in cash up to 100% of the principal amount of the 2.50% Convertible Subordinated Notes converted, with any remaining amount to be satisfied, at the Company's election, in shares of its common stock or a combination of cash and shares of its common stock. Upon conversion, due to the conversion formulas associated with the 2.50% Convertible Subordinated Notes, if the Company's stock was trading at levels exceeding $112.03 per share, and if the Company elected to pay any portion of the consideration in cash, additional consideration beyond the $250,000,000 of gross proceeds received would be required. However, in no event would the total number of shares issuable upon conversion of the 2.50% Convertible Subordinated Notes exceed 11.6036 per $1,000 principal amount of 2.50% Convertible Subordinated Notes, subject to anti-dilution adjustments, or the equivalent of $86.18 per share of common stock or a total of 2,900,900 shares of the Company's common stock.

In April 2012, virtually all of the holders of the 2.50% Convertible Subordinated Notes converted their notes. The Company settled the $250,000,000 in aggregate principal amount of the 2.50% Convertible Subordinated Notes, plus accrued interest, in $253,132,000 of cash and 622,867 shares of the Company's common stock that were issued from its treasury stock. The total value of the shares of the Company's common stock issued by the Company was $95,915,000, which is based on the closing price of the Company's common stock on April 16, 2012, the date the shares were issued. The number of shares issued to the holders of the 2.50% Convertible Subordinated Notes was based on the volume weighted average price per share of the Company's common stock for each of the 10 consecutive trading days during the period beginning on the 12th scheduled trading day immediately preceding the maturity date.

*3.00% Convertible Subordinated Notes*

In September 2007, the Company issued $395,986,000 aggregate principal amount of 3.00% Convertible Subordinated Notes due October 15, 2014 (the "3.00% Convertible Subordinated Notes"). Holders of the 3.00% Convertible Subordinated Notes may convert their notes at their option on any day up to and including the business day immediately preceding the maturity date into shares of the Company's common stock. The base conversion rate is 7.436 shares of common stock per $1,000 principal amount of 3.00% Convertible Subordinated Notes, subject to adjustment. This represents a base conversion price of approximately $134.48 per share of common stock. If, at the time of conversion, the applicable stock price of the Company's common stock exceeds the base conversion price, the conversion rate will be determined pursuant to a formula resulting in the receipt of up to 4.4616 additional shares of common stock per $1,000 principal amount of the 3.00% Convertible Subordinated Notes, subject to adjustment. However, in no event would the total number of shares issuable upon conversion of the 3.00% Convertible Subordinated Notes exceed 11.8976 per $1,000 principal amount of 3.00% Convertible Subordinated Notes, subject to anti-dilution adjustments, or the equivalent of $84.05 per share of the Company's common stock or a total of 4,711,283 shares of the Company's common stock. As of September 30, 2012, had the holders of the 3.00% Convertible Subordinated Notes converted their notes, the 3.00% Convertible Subordinated Notes would have been convertible into 3,510,021 shares of the Company's common stock.

*4.75% Convertible Subordinated Notes*

In June 2009, the Company issued $373,750,000 aggregate principal amount of 4.75% Convertible Subordinated Notes due June 15, 2016 (the "4.75% Convertible Subordinated Notes"). Upon conversion, holders will receive, at the Company's election, cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock. However, the Company may at any time irrevocably elect for the remaining term of the 4.75% Convertible Subordinated Notes to satisfy its obligation in cash up to 100% of the principal amount of the 4.75% Convertible Subordinated Notes converted, with any remaining amount to be satisfied, at the Company's election, in shares of its common stock or a combination of cash and shares of its common stock. Upon conversion, if the Company elects to pay a sufficiently large portion of the conversion obligation in cash, additional consideration beyond the $373,750,000 of gross proceeds received will be required.

The initial conversion rate is 11.8599 shares of common stock per $1,000 principal amount of 4.75% Convertible Subordinated Notes, subject to adjustment. This represents an initial conversion price of approximately $84.32 per share of common stock. Holders of the 4.75% Convertible Subordinated Notes may convert their notes at any time prior to the close of business on the business day immediately preceding the maturity date under the following circumstances:

- during any fiscal quarter (and only during that fiscal quarter) ending after December 31, 2009, if the sale price of the Company's common stock, for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the previous fiscal quarter, is greater than 130% of the conversion price per share of common stock on such last trading day, which was $109.62 per share;

- subject to certain exceptions, during the five business day period following any 10 consecutive trading day period in which the trading price of the 4.75% Convertible Subordinated Notes for each day of such period was less than 98% of the product of the sale price of the Company's common stock and the conversion rate;
- upon the occurrence of specified corporate transactions described in the 4.75% Convertible Subordinated Notes Indenture, such as a consolidation, merger or binding share exchange in which the Company's common stock would be converted into cash or property other than securities; or
- at any time on or after March 15, 2016.

Holders of the 4.75% Convertible Subordinated Notes were eligible to convert their notes during the three months ended September 30, 2012, since the sale price of the Company's common stock, for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the three months ended June 30, 2012, was greater than 130% of the conversion price per share of common stock on such last trading day. As of September 30, 2012, had the holders of the 4.75% Convertible Subordinated Notes converted their notes, the 4.75% Convertible Subordinated Notes would have been convertible into a maximum of 4,432,407 shares of the Company's common stock.

***Maturities of Debt Facilities***

The following table sets forth maturities of the Company's debt, including loans payable, senior notes and convertible debt, as of September 30, 2012 (in thousands):

| | |
|---|---|
| Year ending: | |
| 2012 (three months remaining) | $ 13,200 |
| 2013 | 46,132 |
| 2014 | 450,086 |
| 2015 | 54,100 |
| 2016 | 363,240 |
| Thereafter | 1,527,050 |
| | $2,453,808 |

***Fair Value of Debt Facilities***

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

| | September 30, 2012 | December 31, 2011 |
|---|---|---|
| Loans payable | $ 248,366 | $ 269,451 |
| Senior notes | 1,674,375 | 1,612,287 |
| Convertible debt | 1,148,602 | 1,057,801 |

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, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Interest expense | $50,207 | $51,114 | $149,812 | $126,152 |
| Interest capitalized | 6,315 | 3,922 | 19,630 | 10,019 |
| Interest charges incurred | $56,522 | $55,036 | $169,442 | $136,171 |

**11. Redeemable Non-Controlling Interests**

The following table provides a summary of the activities of the Company's redeemable non-controlling interests, which all relate to the Company's operations in Brazil (in thousands):

| | |
|---|---|
| Balance at December 31, 2011 | $67,601 |
| Net income attributable to redeemable non-controlling interests | 1,843 |
| Other comprehensive loss attributable to redeemable non-controlling interests | (3,155) |
| Change in redemption value of non-controlling interests | 12,932 |
| Impact of foreign currency exchange | (1,030) |
| Balance at September 30, 2012 | $78,191 |

**12. Commitments and Contingencies**

***Legal Matters***

*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 Hawai'i, 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 added 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. In January 2011, one group of co-defendants (Morgan Stanley and certain persons and entities affiliated with it) entered into a separate settlement with plaintiffs. The Trial Court determined that the settlement was made in "good faith" in accordance with Hawai'i statutory law, and certain non-settling defendants (including Equinix) filed an appeal from that order before the Intermediate Court of Appeals. That appeal was stayed pending resolution of plaintiffs' appeal before the Hawai'i Supreme Court. In August 2011, another group of co-defendants (UBS AG and UBS Capital Asia Pacific Limited Fund) entered into a separate settlement with plaintiffs. The parties stipulated that the ultimate disposition of the Morgan Stanley "good faith" determination would apply to the UBS settlement. In December 2011, the parties reached agreement in principle on a global settlement which provides, among other things, that all claims and proceedings against all defendants will be dismissed with prejudice. On June 29, 2012, the Court granted the parties' motion for determination of good faith settlement and the parties signed stipulations for dismissal. On July 10, 2012, the Court entered the order granting the parties' motion for determination of good faith settlement. On July 23, 2012, the parties filed a stipulation and request for dismissal in the Hawai'i Supreme Court, which granted an order approving the stipulation and dismissed the case with prejudice on August 8, 2012.

*Alleged Class Action and Shareholder Derivative Actions*

On March 4, 2011, an alleged class action entitled Cement Masons & Plasterers Joint Pension Trust v. Equinix, Inc., et al., No. CV-11-1016-SC, was filed in the United States District Court for the Northern District of California, against Equinix and two of its officers. The suit asserts purported claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 for allegedly misleading statements regarding the Company's business and financial results. The suit is purportedly brought on behalf of purchasers of the Company's common stock between July 29, 2010 and October 5, 2010, and seeks compensatory damages, fees and costs. Defendants filed a motion to dismiss on November 7, 2011. On March 2, 2012, the Court granted defendants' motion to dismiss without prejudice and gave plaintiffs thirty days in which to amend their complaint. Pursuant to stipulation and order of the court entered on March 16, 2012, the parties agreed that plaintiffs would have up to and through May 2, 2012 to file a Second Amended Complaint. On May 2, 2012 plaintiffs filed a Second Amended Complaint asserting the same basic allegations as in the prior complaint. On June 15, 2012, defendants moved to dismiss the Second Amended Complaint. On September 19, 2012, the Court took the hearing on defendants' motion to dismiss the Second Amended Complaint off calendar and notified the parties that it would make its decision on the pleadings. Subsequently, on September 24, 2012 the Court requested the parties submit supplemental briefing on or before October 9, 2012. The supplemental briefing was submitted on October 9, 2012.

On March 8, 2011, an alleged shareholder derivative action entitled Rikos v. Equinix, Inc., et al., No. CGC-11-508940, was filed in California Superior Court, County of San Francisco, purportedly on behalf of Equinix, and naming Equinix (as a nominal defendant), the members of its board of directors, and two of its officers as defendants. The suit is based on allegations similar to those in the federal securities class action and asserts causes of action against the individual defendants for breach of fiduciary duty, abuse of control, gross mismanagement, waste of corporate assets and unjust enrichment. By agreement and order of the court, this case has been temporarily stayed pending proceedings in the class action, and, pursuant to that agreement, defendants need not respond to the complaint at this time.

On May 20, 2011, an alleged shareholder derivative action entitled Stopa v. Clontz, et al., No. CV-11-2467-SC was filed in the United States District Court for the Northern District of California, purportedly on behalf of Equinix, naming Equinix (as a nominal defendant) and the members of its board of directors as defendants. The suit is based on allegations similar to those in the federal securities class action and the state court derivative action, and asserts causes of action against the individual defendants for breach of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement and waste of corporate assets. On June 10, 2011, the Court signed an order relating this case to the federal securities class action. Plaintiffs filed an amended complaint on December 14, 2011. By agreement and order of the court, this case has been temporarily stayed pending proceedings in the class action and, pursuant to that agreement, defendants need not respond to the complaint at this time.

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.

The Company believes that while an unfavorable outcome to this litigation is reasonably possible, a range of potential loss cannot be determined at this time. The Company has not accrued any amounts in connection with this legal matter as of September 30, 2012 as the Company concluded that an unfavorable outcome is not probable.

### *Other Purchase Commitments*

Primarily as a result of the Company's various IBX expansion projects, as of September 30, 2012, the Company was contractually committed for $90,341,000 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, 2012, such as commitments to purchase power in select locations through the remainder of 2012 and thereafter, and other open purchase orders for goods or services to be delivered or provided during the remainder of 2012 and thereafter. Such other miscellaneous purchase commitments totaled $259,626,000 as of September 30, 2012.

## 13. Stockholders' Equity

### *Accumulated Other Comprehensive Loss*

The components of accumulated other comprehensive loss, net of tax, are as follows (in thousands):

| | Balance as of December 31, 2011 | Net change | Balance as of September 30, 2012 |
|---|---|---|---|
| Foreign currency translation loss | $ (150,872) | $26,887 | $ (123,985) |
| Unrealized gain (loss) on available for sale securities | 64 | 14 | 78 |
| Other comprehensive loss attributable to redeemable non-controlling interests | 7,110 | 3,155 | 10,265 |
| | $ (143,698) | $30,056 | $ (113,642) |

Changes in foreign currencies 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 and fewer U.S. dollars when the U.S. dollar strengthens. During the nine months ended September 30, 2012, the U.S. dollar was generally stronger relative to certain of the currencies of the foreign countries in which the Company operates. This overall strength of the U.S. dollar had an overall negative impact on the Company's consolidated results of operations because the foreign currencies are generally translating into less U.S. dollars. This also impacted the Company's condensed consolidated balance sheets, as amounts denominated in foreign currencies are generally translating into less U.S. dollars. In future periods, the volatility of the U.S. dollar as compared to the other currencies in which the Company operates could have a significant impact on its consolidated financial position and results of operations including the amount of revenue that the Company reports in future periods.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

***Treasury Stock***

During the nine months ended September 30, 2012, the Company repurchased a total of 131,489 shares of its common stock in the open market at an average price of $101.64 per share for total consideration of $13,364,000 under a share repurchase program that was approved by the Company's Board of Directors in November 2011. As of September 30, 2012, the Company may purchase up to an additional $149,970,000 in value of the Company's common stock through December 31, 2012 under this share repurchase program.

During the nine months ended September 30, 2012, the Company re-issued a total of 637,852 shares of its treasury stock with a total value of $63,323,000, primarily related to the settlement of the 2.50% Convertible Subordinated Notes (see Note 10).

***Stock-Based Compensation***

In February and March 2012, the Compensation Committee and the Stock Award Committee of the Company's Board of Directors approved the issuance of an aggregate of 661,659 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. These equity awards are subject to vesting provisions and have a weighted-average grant date fair value of $135.61 and a weighted-average requisite service period of 3.25 years.

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

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Cost of revenues | $ 1,726 | $ 1,468 | $ 4,577 | $ 4,119 |
| Sales and marketing | 4,795 | 4,153 | 13,505 | 10,629 |
| General and administrative | 15,916 | 13,481 | 43,824 | 38,014 |
| | $22,437 | $19,102 | $61,906 | $52,762 |

**14. Segment Information**

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 Americas, EMEA 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.

**EQUINIX, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

The Company provides the following segment disclosures related to its continuing operations as follows (in thousands):

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Total revenues: | | | | |
| Americas | $293,881 | $259,461 | $ 861,131 | $ 727,408 |
| EMEA | 111,958 | 92,324 | 315,991 | 262,974 |
| Asia-Pacific | 82,891 | 56,423 | 212,102 | 157,286 |
| | $488,730 | $408,208 | $1,389,224 | $1,147,668 |
| Total depreciation and amortization: | | | | |
| Americas | $ 59,986 | $ 53,981 | $ 174,077 | $ 155,845 |
| EMEA | 21,876 | 19,187 | 57,311 | 54,223 |
| Asia-Pacific | 22,675 | 14,013 | 54,615 | 33,494 |
| | $104,537 | $ 87,181 | $ 286,003 | $ 243,562 |
| Income from continuing operations: | | | | |
| Americas | $ 63,740 | $ 50,984 | $ 191,978 | $ 146,739 |
| EMEA | 20,565 | 16,305 | 70,806 | 41,954 |
| Asia-Pacific | 11,564 | 10,152 | 35,927 | 34,283 |
| | $ 95,869 | $ 77,441 | $ 298,711 | $ 222,976 |
| Income from continuing operations before income taxes: | | | | |
| Americas | $ 16,216 | $ 6,366 | $ 51,436 | $ 33,565 |
| EMEA | 21,950 | 13,325 | 73,197 | 38,561 |
| Asia-Pacific | 3,853 | 5,621 | 20,279 | 27,662 |
| | $ 42,019 | $ 25,312 | $ 144,912 | $ 99,788 |
| Capital expenditures: | | | | |
| Americas | $ 95,744 | $ 52,849 | $ 278,488 | $ 176,575 (1) |
| EMEA | 135,145 (2) | 33,475 | 217,686 (2) | 172,098 |
| Asia-Pacific | 254,263 (3) | 45,201 | 330,952 (3) | 212,789 |
| | $485,152 | $131,525 | $ 827,126 | $ 561,462 |

(1) Includes the purchase price for the ALOG Acquisition, net of cash acquired, which totaled $41,954.
(2) Includes the purchase price for the ancotel Acquisition, net of cash acquired, which totaled $84,236.
(3) Includes the purchase price for the Asia Tone Acquisition, net of cash acquired, which totaled $188,798.

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

| | September 30, 2012 | December 31, 2011 |
|---|---|---|
| Americas | $ 2,049,118 | $1,899,769 |
| EMEA | 949,448 | 764,885 |
| Asia-Pacific | 792,497 | 561,258 |
| | $ 3,791,063 | $3,225,912 |

**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, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Colocation | $367,728 | $306,021 | $1,049,940 | $ 874,271 |
| Interconnection | 70,681 | 57,032 | 198,598 | 164,438 |
| Managed infrastructure | 23,638 | 24,349 | 66,620 | 49,840 |
| Rental | 783 | 812 | 2,347 | 2,100 |
| Recurring revenues | 462,830 | 388,214 | 1,317,505 | 1,090,649 |
| Non-recurring revenues | 25,900 | 19,994 | 71,719 | 57,019 |
| | $488,730 | $408,208 | $1,389,224 | $1,147,668 |

No single customer accounted for 10% or greater of the Company's revenues for the three and nine months ended September 30, 2012 and 2011. No single customer accounted for 10% or greater of the Company's gross accounts receivable as of September 30, 2012 and December 31, 2011.

### 15. Restructuring Charges

*2004 Restructuring Charge*

A summary of the activity in the 2004 accrued restructuring charge from December 31, 2011 to September 30, 2012 is outlined as follows (in thousands):

| | |
|---|---|
| Accrued restructuring charge as of December 31, 2011 | $ 7,680 |
| Accretion expense | 323 |
| Cash payments | (1,822) |
| Accrued restructuring charge as of September 30, 2012 | $ 6,181 |

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, 2012 and December 31, 2011. The Company is contractually committed to this excess space lease through 2015.

### 16. Subsequent Events

In November 2012, the Divestiture closed (see Note 4), which resulted in a pre-tax book gain on disposal of discontinued operations of approximately $26,000,000 and a taxable gain of approximately $47,000,000. The Company expects to recognize additional income tax expense of approximately $5,000,000 in the fourth quarter of 2012 as a result of the Divestiture, which will primarily offset the gain from discontinued operations. Further, the Company expects to recognize approximately $9,000,000 of equity compensation windfall tax benefits not previously recognized during the fourth quarter of 2012. This recognition will result in a reduction of income tax payable and the recording of an adjustment to additional-paid-in-capital. These events are expected to fully consume the previously unrecorded equity compensation windfall tax benefits from prior years.

## 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 September 2012, we announced that our board of directors approved a plan to pursue conversion to a real estate investment trust, which is referred to as a REIT. We refer to this conversion plan as the REIT conversion. If we are ultimately successful in converting to a REIT, we expect to elect REIT status for our taxable year beginning January 1, 2015. Please see "Potential REIT Conversion" in the below "Overview."

In June 2012, as more fully described in Note 10 of Notes to Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q, we entered into a credit agreement with a group of lenders for a $750.0 million credit facility, comprised of a $200.0 million term loan facility, referred to as the U.S. term loan, and a $550.0 million multicurrency revolving credit facility, referred to as the U.S. revolving credit line. We refer to this transaction as the U.S. financing. In July 2012, we fully utilized the U.S. term loan and used the funds to prepay and terminate the Asia-Pacific financing.

In July 2012, as more fully described in Note 3 of Notes to Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q, we acquired certain assets and operations of Asia Tone Limited, referred to as Asia Tone, a privately-owned company headquartered in Hong Kong, for gross cash consideration of approximately $230.5 million. We refer to this transaction as the Asia Tone acquisition. We agreed to pay net cash consideration of $208.3 million as a result of adjustments to the purchase price included in the purchase and sale agreement. Asia Tone operates six data centers and one disaster recovery center in Hong Kong, Shanghai and Singapore. The Asia Tone acquisition included one data center under construction in Shanghai. The combined company will operate under the Equinix name.

In July 2012, as more fully described in Note 3 of Notes to Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q, we acquired 100% of the issued and outstanding share capital of ancotel GmbH, referred to as ancotel, a privately-owned company headquartered in Frankfurt, Germany for cash consideration of approximately $85.7 million. We refer to this transaction as the ancotel acquisition. ancotel operates one data center in Frankfurt and edge nodes in Hong Kong and London. ancotel will continue to operate under the ancotel trade name.

In August 2012, 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, our board of directors approved a plan to sell 16 of our IBX data centers attributable to our Americas region. We refer to this transaction as the divestiture. In November 2012, the divestiture closed for net proceeds of approximately $76.5 million, which resulted in a pre-tax gain on disposal of discontinued operations of approximately $26.0 million.

**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 data centers in 30 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, 2012, 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, Rio De Janeiro, Sao Paulo, Seattle, Silicon Valley, St. Louis, Tampa, Toronto and Washington, D.C. metro areas in the Americas region; France, Germany, Italy, the Netherlands, Switzerland and the United Kingdom in the Europe, Middle East, Africa (EMEA) region; and Australia, Hong Kong, Japan, China and Singapore in the Asia-Pacific region.

We leverage our global data centers in 30 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 13 countries, proven operational reliability, improved application performance and network choice, and a highly scalable set of services.

Excluding Asia Tone and ancotel, our customer count increased to approximately 5,983 as of September 30, 2012 versus approximately 5,896 as of September 30, 2011, an increase of 3%. This increase was due to organic growth in our business. Our utilization rate represents the percentage of our cabinet space billing versus net sellable cabinet space available taking into account power limitations. Excluding Asia Tone and ancotel, our utilization rate decreased to 76% as of September 30, 2012 versus approximately 81% as of September 30, 2011; 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 82% as of September 30, 2012. Our utilization rate varies from market to market among our IBX data centers across the Americas, EMEA 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 on a free cash flow basis 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.

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. In addition, 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. Additionally, revenue from contract settlements, when a customer wishes to terminate their contract early, is recognized when no remaining performance obligations exist and collectability is reasonably assured, to the extent that the revenue has not previously been recognized. As a percentage of total revenues, we expect non-recurring revenues to represent less than 10% of total revenues for the foreseeable future.

Our Americas revenues are derived primarily from colocation and interconnection services while our EMEA 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 generally 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 acquired and before it starts generating any meaningful revenue. Furthermore, in relation to cost of revenues, we note that the Americas region has a lower cost of revenues as a percentage of revenue than either EMEA or Asia-Pacific. This is due to both the increased scale and maturity of the Americas region compared to either EMEA or Asia-Pacific, as well as a higher cost structure outside of the Americas, particularly in EMEA. 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 the Americas having the lowest cost of revenues as a percentage of revenue and EMEA having the highest to continue. As a result, to the extent that revenue growth outside the Americas grows in greater proportion than revenue growth in the Americas, our overall cost of revenues as a percentage of revenues may increase 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.

***Potential REIT Conversion***

On September 13, 2012, we announced that our board of directors approved a plan for Equinix to pursue REIT conversion. We have begun implementation of the REIT conversion and we plan to make a tax election for REIT status for the taxable year beginning January 1, 2015. Any REIT election made by us must be effective as of the beginning of a taxable year; therefore, as a calendar year taxpayer, if we are unable to convert to a REIT by January 1, 2015, the next possible conversion date would be January 1, 2016.

If we are able to convert to, and qualify as, a REIT, we will generally be permitted to deduct from U.S. federal income taxes dividends paid to our stockholders. The income represented by such dividends would not be subject to U.S. federal taxation at the entity level but would be taxed, if at all, at the stockholder level. Nevertheless, the income of our U.S. taxable REIT subsidiaries, which are referred to as TRS, which will hold our U.S. operations that may not be REIT-compliant, will be subject, as applicable, to U.S. federal and state corporate income tax. Likewise, our foreign subsidiaries will continue to be subject to foreign income taxes in jurisdictions in which they hold assets or conduct operations, regardless of whether held or conducted through TRS or through qualified REIT subsidiaries, which are referred to as QRS. We will also be subject to a separate corporate income tax on any gains recognized during a specified period (generally 10 years) following the REIT conversion that are attributable to “built-in” gains with respect to the assets that we own on the date we convert to a REIT. Our ability to qualify as a REIT will depend upon our continuing compliance following our conversion to a REIT with various requirements, including requirements related to the nature of our assets, the sources of our income and the distributions to our stockholders. If we fail to qualify as a REIT, we will be subject to U.S. federal income tax at regular corporate rates. Even if we qualify for taxation as a REIT, we may be subject to some federal, state, local and foreign taxes on our income and property. In particular, while state income tax regimes often parallel the U.S. federal income tax regime for REITs described above, many states do not completely follow U.S. federal rules and some may not follow them at all.

The REIT conversion currently includes seeking a private letter ruling, which is referred to as a PLR, from the U.S. Internal Revenue Service, which is referred to as the IRS. We expect that our PLR request will have multiple components, and the conversion to a REIT will require favorable rulings from the IRS on numerous technical tax issues, including classification of our data center assets as qualified real estate assets. We anticipate submitting the PLR request to the IRS by the end of 2012, but the IRS may not provide a PLR until late in 2013 or at all.

We currently estimate that we will incur approximately $50.0 to $80.0 million in costs to support the REIT conversion, in addition to related tax liabilities associated with a change in our method of depreciating and amortizing various data center assets for tax purposes from our current method to methods that are more consistent with the characterization of such assets as real property for REIT purposes. The total recapture of depreciation and amortization expenses across all relevant assets is expected to result in a U.S. tax liability of approximately $340.0 to $420.0 million. This amount may still be payable in the four-year period starting 2012 even if we abandon the REIT conversion for, among other reasons, failing to receive the PLR we are seeking. Prior to the decision to convert to a REIT, our balance sheet reflected our income tax liability as a non-current liability. As a result of the decision to convert to a REIT, our non-current tax liability will be gradually and proportionally reclassified from non-current to current over the four-year period, which started the third quarter of 2012. The current liability reflects the tax liability that is expected to be settled within the twelve-month period from the date of the balance sheet. We anticipate that we will utilize all of our net operating loss carryforwards in 2012 to offset a portion of this tax liability. If the REIT conversion is successful, we also expect to incur an additional $5.0 to $10.0 million in annual compliance costs in future years. We expect worldwide cash taxes of approximately $25.0 million during the remainder of 2012 primarily as a result of the tax depreciation method change and tax gain attributed to the divestiture. We expect to pay between $200.0 to $300.0 million in cash taxes during 2013.

**Results of Operations**

Our results of operations for the three and nine months ended September 30, 2012 and 2011 include the operations of Asia Tone from July 4, 2012, ancotel from July 3, 2012 and ALOG Data Centers do Brasil S.A., or ALOG, from April 25, 2011.

***Discontinued Operations***

We present the results of operations associated with 16 of our IBX centers that we agreed to sell as net income from discontinued operations in our condensed consolidated statements of operations. Our results of operations have been reclassified to reflect our discontinued operations for all periods presented. Unless otherwise stated, the results of operations discussed herein refer to our continuing operations.

***Constant Currency Presentation***

Our revenues and certain operating expenses (cost of revenues, sales and marketing and general and administrative expenses) from our international operations have represented and will continue to represent a significant portion of our total revenues and certain operating expenses. As a result, our revenues and certain operating expenses have been and will continue to be affected by changes in the

U.S. dollar against major international currencies such as the Brazilian reais, British pound, Canadian dollar, Euro, Swiss franc, Australian dollar, Chinese Yuan, Hong Kong dollar, Japanese yen and Singapore dollar. In order to provide a framework for assessing how each of our business segments performed excluding the impact of foreign currency fluctuations, we present period-over-period percentage changes in our revenues and certain operating expenses on a constant currency basis in addition to the historical amounts as reported. Presenting constant currency results of operations is a non-GAAP financial measure and is not meant to be considered in isolation or as an alternative to GAAP results of operations. However, we have presented this non-GAAP financial measure to provide investors with an additional tool to evaluate our operating results. To present this information, our current and comparative prior period revenues and certain operating expenses from entities reporting in currencies other than the U.S. dollar are converted into U.S. dollars at constant exchange rates rather than the actual exchange rates in effect during the respective periods (i.e. average rates in effect for the three months ended September 30, 2011 are used as exchange rates for the three months ended September 30, 2012 when comparing the three months ended September 30, 2012 with the three months ended September 30, 2011 and average rates in effect for the nine months ended September 30, 2011 are used as exchange rates for the nine months ended September 30, 2012 when comparing the nine months ended September 30, 2012 with the nine months ended September 30, 2011).

**Three Months Ended September 30, 2012 and 2011**

***Revenues.*** Our revenues for the three months ended September 30, 2012 and 2011 were generated from the following revenue classifications and geographic regions (dollars in thousands):

| | Three months ended September 30, | | | | % Change | |
|---|---|---|---|---|---|---|
| | 2012 | % | 2011 | % | Actual | Constant currency |
| Americas: | | | | | | |
| Recurring revenues | $280,847 | 57% | $250,128 | 62% | 12% | 14% |
| Non-recurring revenues | 13,034 | 3% | 9,333 | 2% | 40% | 43% |
| | 293,881 | 60% | 259,461 | 64% | 13% | 15% |
| EMEA: | | | | | | |
| Recurring revenues | 104,126 | 21% | 85,108 | 20% | 22% | 33% |
| Non-recurring revenues | 7,832 | 2% | 7,216 | 2% | 9% | 14% |
| | 111,958 | 23% | 92,324 | 22% | 21% | 32% |
| Asia-Pacific: | | | | | | |
| Recurring revenues | 77,857 | 16% | 52,978 | 13% | 47% | 48% |
| Non-recurring revenues | 5,034 | 1% | 3,445 | 1% | 46% | 47% |
| | 82,891 | 17% | 56,423 | 14% | 47% | 48% |
| Total: | | | | | | |
| Recurring revenues | 462,830 | 94% | 388,214 | 95% | 19% | 23% |
| Non-recurring revenues | 25,900 | 6% | 19,994 | 5% | 30% | 33% |
| | $488,730 | 100% | $408,208 | 100% | 20% | 23% |

*Americas Revenues.* Growth in Americas revenues was primarily due to (i) $4.3 million of revenue generated from our recently-opened IBX data centers or IBX data center expansions in the Chicago, Dallas, Miami, New York and Washington, D.C. metro areas and (ii) 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, 2012, the U.S. dollar was generally stonger relative to the Brazilian reais than during the three months ended September 30, 2011, resulting in approximately $4.6 million of unfavorable foreign currency impact to our Americas revenues during the three months ended September 30, 2012 when compared to average exchange rates of the three months ended September 30, 2011. We expect that our Americas revenues 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 Chicago, Seattle and Washington, D.C. metro areas, which are expected to open during the remainder of 2012 and 2013. Our estimates of future revenue growth take account of known or anticipated changes in recurring revenues attributed to customer bookings, customer churn or changes or amendments to customers' contracts.

*EMEA Revenues.* Our revenues from the U.K., the largest revenue contributor in the EMEA region, represented approximately 37% and 35%, respectively, of the regional revenues during the three months ended September 30, 2012 and 2011. Our EMEA revenue growth was due to (i) $5.5 million of additional revenues resulting from the ancotel acquisition, (ii) $6.9 million of revenue generated from our recently-opened IBX data center expansion in the Amsterdam, Frankfurt, London and Paris metro areas and (iii) 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, 2012, the U.S. dollar was generally stronger relative to the British pound, Euro and Swiss Franc than during the three months ended September 30, 2011, resulting in approximately $9.5 million of unfavorable foreign currency impact to our EMEA revenues during the three months ended September 30, 2012 when compared to average exchange rates of the three months ended September 30, 2011. We expect that our EMEA revenues will continue to grow in future periods as a result of continued growth in recently-opened IBX data centers or IBX data center expansion currently taking place in the Zurich metro area, which is expected to open during the first half of 2013. Our estimates of future revenue growth take account of known or anticipated changes in recurring revenues attributed to customer bookings, 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 36% and 39%, respectively, of the regional revenues for the three months ended September 30, 2012 and 2011. Our Asia-Pacific revenue growth was due to $10.6 million of additional revenues resulting from the Asia Tone acquisition, (ii) revenues generated from our recently-opened IBX center expansions in the Hong Kong and Sydney metro areas and (iii) 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. For the three months ended September 30, 2012, the impact of foreign currency fluctuations to our Asia-Pacific revenues was not significant when compared to average exchange rates of the three months ended September 30, 2011. 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 expansion currently taking place in the Singapore metro area, which is expected to open during the remainder of 2012. Our estimates of future revenue growth take account of known or anticipated changes in recurring revenues attributed to customer bookings, or changes or amendments to customers' contracts.

***Cost of Revenues.*** Our cost of revenues for the three months ended September 30, 2012 and 2011 were split among the following geographic regions (dollars in thousands):

| | Three months ended September 30, | | | | % Change | |
|---|---|---|---|---|---|---|
| | 2012 | % | 2011 | % | Actual | Constant currency |
| Americas | $137,616 | 55% | $129,692 | 59% | 6% | 8% |
| EMEA | 61,642 | 25% | 54,839 | 25% | 12% | 23% |
| Asia-Pacific | 52,229 | 20% | 35,193 | 16% | 48% | 50% |
| Total | $251,487 | 100% | $219,724 | 100% | 14% | 19% |

| | Three months ended September 30, | |
|---|---|---|
| | 2012 | 2011 |
| *Cost of revenues as a percentage of revenues:* | | |
| Americas | 47% | 50% |
| EMEA | 55% | 59% |
| Asia-Pacific | 63% | 62% |
| Total | 51% | 54% |

*Americas Cost of Revenues.* Our Americas cost of revenues for the three months ended September 30, 2012 and 2011 included $50.2 million and $45.7 million, respectively, of depreciation expense. Growth in depreciation expense was primarily due to our IBX center expansion activity. During the three months ended September 30, 2012, the U.S. dollar was generally stronger relative to the Brazilian reais than during the three months ended September 30, 2011, resulting in approximately $2.9 million of favorable foreign currency impact to our Americas cost of revenues during the three months ended September 30, 2012 when compared to average exchange rates of the three months ended September 30, 2011. We expect Americas cost of revenues to increase as we continue to grow our business.

*EMEA Cost of Revenues.* EMEA cost of revenues for the three months ended September 30, 2012 and 2011 included $18.6 million and $17.5 million, respectively, of depreciation expense. Growth in depreciation expense was primarily due to both our organic IBX center expansion activity and the ancotel acquisition. Excluding depreciation expense, the increase in our EMEA cost of revenues was primarily due to $2.1 million of additional cost of revenues resulting from the ancotel acquisition. During the three months ended September 30, 2012, the U.S. dollar was generally stronger relative to the British pound, Euro and Swiss Franc than during the three months ended September, 2011, resulting in approximately $5.9 million of favorable foreign currency impact to our EMEA cost of revenues during the three months ended September 30, 2012 when compared to average exchange rates of the three months ended September 30, 2011. On a constant currency basis, the increase in EMEA cost of revenues was primarily due to higher utility costs, compensation costs and depreciation expense. We expect EMEA 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, 2012 and 2011 included $21.5 million and $13.5 million, respectively, of depreciation expense. Growth in depreciation expense was primarily due to both our organic IBX center expansion activity and the Asia Tone acquisition. Excluding depreciation expense, the increase in Asia-Pacific cost of revenues was primarily due to $4.6 million of additional cost of revenues from the impact of the Asia Tone acquisition and $2.8 million of higher utility costs. During the three months ended September 30, 2012, the impact of foreign currency fluctuations to our Asia-Pacific cost of revenues was not significant when compared to average exchange rates of the three months ended September 30, 2011. 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, 2012 and 2011 were split among the following geographic regions (dollars in thousands):

| | Three months ended September 30, | | | | % Change | |
|---|---|---|---|---|---|---|
| | 2012 | % | 2011 | % | Actual | Constant currency |
| Americas | $31,891 | 60% | $28,940 | 67% | 10% | 13% |
| EMEA | 13,978 | 26% | 9,329 | 22% | 50% | 58% |
| Asia-Pacific | 7,342 | 14% | 4,615 | 11% | 59% | 60% |
| Total | $53,211 | 100% | $42,884 | 100% | 24% | 28% |

| | Three months ended September 30, | |
|---|---|---|
| | 2012 | 2011 |
| *Sales and marketing expenses as a percentage of revenues:* | | |
| Americas | 11% | 11% |
| EMEA | 12% | 10% |
| Asia-Pacific | 9% | 8% |
| Total | 11% | 11% |

*Americas Sales and Marketing Expenses.* The increase in our Americas sales and marketing expenses was primarily due to higher professional services related to various consulting projects to support our growth and higher compensation costs, including sales compensation, general salaries, bonuses, stock-based compensation and headcount growth (317 Americas sales and marketing employees as of September 30, 2012 versus 280 as of September 30, 2011). During the three months ended September 30, 2012, the impact of foreign currency fluctuations to our Americas sales and marketing expenses was not significant when compared to average exchange rates of the three months ended September 30, 2011. Over the past several years, we have been investing in our Americas sales and marketing initiatives to further increase our revenue. These investments have included the hiring of additional headcount and new product innovation efforts and, as a result, our Americas sales and marketing expenses as a percentage of revenues have increased. Although we anticipate that we will continue to invest in Americas sales and marketing initiatives, we believe our Americas sales and marketing expenses as a percentage of revenues will remain at approximately current levels over the next year but should ultimately decrease as we continue to grow our business.

*EMEA Sales and Marketing Expenses.* The increase in our EMEA sales and marketing expenses was primarily due to $2.2 million of additional sales and marketing expenses from the impact of the ancotel acquisition and $2.2 million of higher compensation costs, including sales compensation, general salaries, bonuses, stock-based compensation expense and headcount growth (144 EMEA sales and marketing employees as of September 30, 2012 versus 108 as of September 30, 2011). During the three months ended September 30, 2012, the impact of foreign currency fluctuations to our EMEA sales and marketing expenses was not significant when compared to average exchange rates of the three months ended September 30, 2011. Over the past several years, we have been investing in our EMEA sales and marketing initiatives to further increase our revenue. These investments have included the hiring of additional headcount and new product innovation efforts and, as a result, our EMEA sales and marketing expenses as a percentage of revenues have increased. Although we anticipate that we will continue to invest in EMEA sales and marketing initiatives, we believe our EMEA sales and marketing expenses as a percentage of revenues will remain at approximately current levels over the next year but should ultimately decrease as we continue to grow our business.

*Asia-Pacific Sales and Marketing Expenses.* The increase in our Asia-Pacific sales and marketing expenses was primarily due to additional sales and marketing expenses from the impact of the Asia Tone acquisition and higher compensation costs, including sales compensation, general salaries, bonuses, stock-based compensation expense and headcount growth (86 Asia-Pacific sales and marketing employees as of September 30, 2012 versus 70 as of September 30, 2011). For the three months ended September 30, 2012, the impact of foreign currency fluctuations to our Asia-Pacific sales and marketing expenses was not significant when compared to average exchange rates of the three months ended September 30, 2011. Over the past several years, we have been investing in our Asia-Pacific sales and marketing initiatives to further increase our revenue. These investments have included the hiring of additional headcount and new product innovation efforts and, as a result, our Asia-Pacific sales and marketing expenses have increased. Although we anticipate that we will continue to invest in Asia-Pacific sales and marketing initiatives, we believe our Asia-Pacific sales and marketing expenses as a percentage of revenues will remain at approximately current levels over the next year but should ultimately decrease as we continue to grow our business.

***General and Administrative Expenses.*** Our general and administrative expenses for the three months ended September 30, 2012 and 2011 were split among the following geographic regions (dollars in thousands):

| | Three months ended September 30, | | | | % Change | |
|---|---|---|---|---|---|---|
| | 2012 | % | 2011 | % | Actual | Constant currency |
| Americas | $60,634 | 72% | $47,581 | 72% | 27% | 28% |
| EMEA | 14,767 | 18% | 11,851 | 18% | 25% | 30% |
| Asia-Pacific | 8,220 | 10% | 6,441 | 10% | 28% | 29% |
| Total | $83,621 | 100% | $65,873 | 100% | 27% | 29% |

| | Three months ended September 30, | |
|---|---|---|
| | 2012 | 2011 |
| *General and administrative expenses as a percentage of revenues:* | | |
| Americas | 21% | 18% |
| EMEA | 13% | 13% |
| Asia-Pacific | 10% | 11% |
| Total | 17% | 16% |

*Americas General and Administrative Expenses.* The increase in our Americas general and administrative expenses was primarily due to $6.5 million of higher compensation costs, including general salaries, bonuses, stock-based compensation and headcount growth (803 Americas general and administrative employees as of September 30, 2012 versus 770 as of September 30, 2011) and $4.4 million of higher professional services related to various consulting projects to support our growth as well as the REIT conversion. During the three months ended September 30, 2012, the impact of foreign currency fluctuations to our Americas general and administrative expenses was not significant when compared to average exchange rates of the three months ended September 30, 2011. Over the course of the past year, we have been investing in our Americas general and administrative functions to scale this region effectively for growth, which has included additional investments into improving our back office systems. We expect our current efforts to improve our back office systems will continue over the next several years. Going forward, although we are carefully monitoring our spending given the current economic environment, we expect Americas general and administrative expenses to increase as we continue to further scale our operations to support our growth, including this investment in our back office systems and the REIT conversion process.

*EMEA General and Administrative Expenses.* The increase in our EMEA general and administrative expenses was primarily due to additional general and administrative expenses from the impact of the ancotel acquisition and higher compensation costs, including general salaries, bonuses, stock-based compensation and headcount growth (194 EMEA general and administrative employees as of September 30, 2012 versus 171 as of September 30, 2011). For the three months ended September 30, 2012, the impact of foreign currency fluctuations to our EMEA general and administrative expenses was not significant when compared to average exchange rates of the three months ended September 30, 2011. Over the course of the past year, we have been investing in our EMEA general and administrative functions 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 EMEA 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 additional general and administrative expenses from the impact of the Asia Tone acquisition and higher compensation costs, including general salaries, bonuses, stock-based compensation and headcount growth (168 Asia-Pacific general and administrative employees as of September 30, 2012 versus 153 as of September 30, 2011). For the three months ended September 30, 2012, the impact of foreign currency fluctuations to our Asia-Pacific general and administrative expenses was not significant when compared to average exchange rates of the three months ended September 30, 2011. 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.*** We recorded no restructuring charges during the three months ended September 30, 2012. During the three months ended September 30, 2011, we recorded restructuring charges of $1.6 million primarily related to revised sublease assumptions on our excess leased space in the New York metro area. For additional information, see "Restructuring Charges" in Note 15 of Notes to Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q. Our restructuring charges all relate to our Americas region.

***Acquisition Costs.*** During the three months ended September 30, 2012, we recorded acquisition costs totaling $4.5 million primarily attributed to the ancotel and Asia Tone acquisitions. During the three months ended September 30, 2011, we recorded acquisition costs totaling $699,000 primarily attributed to the ALOG acquisition. We do not expect to incur additional significant acquisition costs related to the ancotel and Asia Tone acquisitions during the remainder of 2012.

***Interest Income.*** Interest income increased to $1.1 million for the three months ended September 30, 2012 from $679,000 for the three months ended September 30, 2011. Interest income increased primarily due to higher yields on foreign invested balances. The average annualized yield for the three months ended September 30, 2012 was 0.76% versus 0.25% for the three months ended September 30, 2011. We expect our interest income to remain at these low levels for the foreseeable future due to the impact of a continued low interest rate environment and a portfolio more weighted towards short-term securities.

***Interest Expense.*** Interest expense was $50.2 million for the three months ended September 30, 2012 compared to $51.1 million for the three months ended September 30, 2011, an insignificant change. During the three months ended September 30, 2012 and 2011, we capitalized $6.3 million and $3.9 million, respectively, of interest expense to construction in progress. Going forward, we expect our interest expense to increase by approximately $5.0 million annually as a result of our drawdown of the ALOG financing in July 2012. However, we may take additional drawdowns from the U.S. revolving credit line under the U.S. financing or incur additional indebtedness to support our growth, resulting in further increased interest expense.

***Other Income (Expense).*** We recorded $507,000 of other income for the three months ended September 30, 2012 and $1.7 million of other expense for the three months ended September 30, 2011, primarily due to foreign currency exchange gains (losses) during the periods.

***Loss on Debt Extinguishment.*** We recorded $5.2 million of loss on debt extinguishment for the three months ended September 30, 2012 due to the repayment and termination of the Asia-Pacific financing. We did not record any loss on debt extinguishment for the three months ended September 30, 2011.

***Income Taxes.*** For the three months ended September 30, 2012 and 2011, we recorded $13.5 million and $5.1 million of income tax expenses, respectively. Our effective tax rates were 32.1% and 20.3% for the three months ended September 30, 2012 and 2011, respectively. We expect cash income taxes during the remainder of 2012 to increase substantially as we changed our method of depreciating and amortizing various data center assets for tax purposes from our prior methods to methods that are more consistent with the characterization of such assets as real property for REIT purposes. The cash taxes for 2012 and 2011 are primarily for state and foreign income taxes. Our federal taxable income has been fully offset by net operating loss carryforwards in both 2012 and 2011. We expect to pay between $200.0 to $300.0 million in cash taxes during 2013.

***Net Income from Discontinued Operations.*** For the three months ended September 30, 2012 and 2011, our net income from discontinued operations was $679,000 and $464,000, respectively.

**Nine Months Ended September 30, 2012 and 2011**

***Revenues.*** Our revenues for the nine months ended September 30, 2012 and 2011 were generated from the following revenue classifications and geographic regions (dollars in thousands):

| | Nine months ended September 30, | | | | % Change | |
|---|---|---|---|---|---|---|
| | 2012 | % | 2011 | % | Actual | Constant currency |
| Americas: | | | | | | |
| Recurring revenues | $ 826,692 | 60% | $ 700,714 | 61% | 18% | 18% |
| Non-recurring revenues | 34,439 | 2% | 26,694 | 2% | 29% | 31% |
| | 861,131 | 62% | 727,408 | 63% | 18% | 18% |
| EMEA: | | | | | | |
| Recurring revenues | 291,269 | 21% | 240,942 | 21% | 21% | 30% |
| Non-recurring revenues | 24,722 | 2% | 22,032 | 2% | 12% | 13% |
| | 315,991 | 23% | 262,974 | 23% | 20% | 28% |
| Asia-Pacific: | | | | | | |
| Recurring revenues | 199,544 | 14% | 148,993 | 13% | 34% | 34% |
| Non-recurring revenues | 12,558 | 1% | 8,293 | 1% | 51% | 52% |
| | 212,102 | 15% | 157,286 | 14% | 35% | 35% |
| Total: | | | | | | |
| Recurring revenues | 1,317,505 | 95% | 1,090,649 | 95% | 21% | 23% |
| Non-recurring revenues | 71,719 | 5% | 57,019 | 5% | 26% | 27% |
| | $1,389,224 | 100% | $1,147,668 | 100% | 21% | 23% |

*Americas Revenues.* Growth in Americas revenues was primarily due to (i) $25.1 million of incremental revenues from the impact of the ALOG acquisition, (ii) $12.5 million of revenue generated from our recently-opened IBX data centers or IBX data center expansions in the Chicago, Dallas, Miami, New York and Washington, D.C. metro areas and (iii) 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. We expect that our Americas revenues 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 Chicago, Seattle and Washington, D.C. metro areas, which are expected to open during the first half of 2013. Our estimates of future revenue growth take account of known or anticipated changes in recurring revenues attributed to customer bookings, customer churn or changes or amendments to customers' contracts.

*EMEA Revenues.* Our revenues from the U.K., the largest revenue contributor in the EMEA region for the period, represented approximately 38% of the regional revenues during the nine months ended September 30, 2012. During the nine months ended September 30, 2011, our revenues from Germany and the U.K., the largest revenue contributors in the EMEA region for the period, each represented approximately 34% of the regional revenues. Our EMEA revenue growth was due to (i) $5.5 million of additional revenues from the impact of the ancotel acquisition, (ii) approximately $23.6 million of revenue from our recently-opened IBX data center expansion in the Amsterdam, Frankfurt, London and Paris metro areas and (iii) 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, 2012, the U.S. dollar was generally stronger relative to the British pound, Euro and Swiss Franc than during the nine months ended September 30, 2011, resulting in approximately $20.9 million of unfavorable foreign currency impact to our EMEA revenues during the nine months ended September 30, 2012 when compared to average exchange rates of the nine months ended September 30, 2011. We expect that our

EMEA revenues will continue to grow in future periods as a result of the ancotel acquisition, continued growth in recently-opened IBX data centers or IBX data center expansions and additional expansion currently taking place in the Zurich metro area, which is expected to open during the first half of 2013. Our estimates of future revenue growth take account of known or anticipated changes in recurring revenues attributed to customer bookings, 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 40%, respectively, of the regional revenues for the nine months ended September 30, 2012 and 2011. Our Asia-Pacific revenue growth was due to (i) $10.6 million of additional revenues from the impact of the Asia Tone acquisition, (ii) approximately $2.5 million of revenues generated from our recently-opened IBX center expansions in the Hong Kong, Sydney and Tokyo metro areas and (iii) 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 ended September 30, 2012, the impact of foreign currency fluctuations to our Asia-Pacific revenues was not significant when compared to average exchange rates of the nine months ended September 30, 2011. We expect that our Asia-Pacific revenues will continue to grow in future periods as a result of the Asia Tone acquisition, continued growth in these recently-opened IBX center expansions and additional expansion currently taking place in the Singapore metro area, which is expected to open during the remainder of 2012. Our estimates of future revenue growth take account of known or anticipated changes in recurring revenues attributed to customer bookings, or changes or amendments to customers' contracts.

***Cost of Revenues.*** Our cost of revenues for the nine months ended September 30, 2012 and 2011 were split among the following geographic regions (dollars in thousands):

| | Nine months ended September 30, | | | | % Change | |
|---|---|---|---|---|---|---|
| | 2012 | % | 2011 | % | Actual | Constant currency |
| Americas | $397,608 | 57% | $362,454 | 59% | 10% | 10% |
| EMEA | 166,957 | 24% | 157,983 | 26% | 6% | 13% |
| Asia-Pacific | 129,309 | 19% | 92,143 | 15% | 40% | 40% |
| Total | $693,874 | 100% | $612,580 | 100% | 13% | 15% |

| | Nine months ended September 30, | |
|---|---|---|
| | 2012 | 2011 |
| *Cost of revenues as a percentage of revenues:* | | |
| Americas | 46% | 50% |
| EMEA | 53% | 60% |
| Asia-Pacific | 61% | 59% |
| Total | 50% | 53% |

*Americas Cost of Revenues.* Our Americas cost of revenues for the nine months ended September 30, 2012 and 2011 included $145.5 million and $132.0 million, respectively, of depreciation expense. Growth in depreciation expense was primarily due to both our organic IBX center expansion activity and the ALOG acquisition. Excluding depreciation expense, the increase in our Americas cost of revenues was primarily due to (i) $9.2 million of incremental cost of revenues from the impact of the ALOG acquisition, (ii) $5.3 million of higher compensation costs, including general salaries, bonuses, stock-based compensation cost and headcount growth (535 Americas cost of revenues employees as of September 30, 2012 versus 497 as of September 30, 2011), (iii) $5.0 million of costs associated with certain revenues from services provided to customers and (iv) higher utility costs. We expect Americas cost of revenues to increase as we continue to grow our business.

*EMEA Cost of Revenues.* EMEA cost of revenues for the nine months ended September 30, 2012 and 2011 included $50.4 million and $49.1 million, respectively, of depreciation expense. Growth in depreciation expense was primarily due to both our organic IBX center expansion activity and the ancotel acquisition. Excluding depreciation expense, the increase in our EMEA cost of revenues was primarily due to (i) $2.1 million of additional cost of revenues from the impact of the ancotel acquisition and (ii) $4.2 million of higher utility costs. During the nine months ended September 30, 2012, the U.S. dollar was generally stronger relative to the British pound, Euro and Swiss Franc than during the nine months ended September 30, 2011, resulting in approximately $12.3 million of favorable foreign currency impact to our EMEA cost of revenues during the nine months ended September 30, 2012 when compared to average exchange rates of the nine months ended September 30, 2011. On a constant currency basis, the increase in EMEA cost of revenues was primarily due to higher utility costs and depreciation expense. We expect EMEA cost of revenues to increase as we continue to grow our business, including the impact of the ancotel acquisition.

*Asia-Pacific Cost of Revenues.* Asia-Pacific cost of revenues for the nine months ended September 30, 2012 and 2011 included $52.4 million and $32.1 million, respectively, of depreciation expense. Growth in depreciation expense was primarily due to both our organic IBX center expansion activity and the Asia Tone acquisition. Excluding depreciation expense, the increase in Asia-Pacific cost of revenues was primarily due to (i) $4.6 million of additional cost of revenues from the impact of the Asia Tone acquisition, (ii) $7.9 million of higher utility costs and (iii) $2.1 million of higher compensation costs, including general salaries, bonuses, stock-based compensation cost and headcount growth (174 Asia-Pacific cost of revenues employees as of September 30, 2012 versus 148 as of September 30, 2011). During the nine months ended September 30, 2012, the impact of foreign currency fluctuations to our Asia-Pacific cost of revenues was not significant when compared to average exchange rates of the nine months ended September 30, 2011. We expect Asia-Pacific cost of revenues to increase as we continue to grow our business, including the impact of the Asia Tone acquisition.

***Sales and Marketing Expenses.*** Our sales and marketing expenses for the nine months ended September 30, 2012 and 2011 were split among the following geographic regions (dollars in thousands):

| | Nine months ended September 30, | | | | % Change | |
|---|---|---|---|---|---|---|
| | 2012 | % | 2011 | % | Actual | Constant currency |
| Americas | $ 92,726 | 63% | $ 74,062 | 65% | 25% | 26% |
| EMEA | 35,827 | 24% | 26,466 | 23% | 35% | 42% |
| Asia-Pacific | 18,671 | 13% | 12,683 | 12% | 47% | 47% |
| Total | $147,224 | 100% | $113,211 | 100% | 30% | 32% |

| | Nine months ended September 30, | |
|---|---|---|
| | 2012 | 2011 |
| *Sales and marketing expenses as a percentage of revenues:* | | |
| Americas | 11% | 10% |
| EMEA | 11% | 10% |
| Asia-Pacific | 9% | 8% |
| Total | 11% | 10% |

*Americas Sales and Marketing Expenses.* The increase in our Americas sales and marketing expenses was primarily due to $3.7 million of incremental sales and marketing expenses from the impact of the ALOG acquisition and $10.2 million of higher compensation costs, including sales compensation, general salaries, bonuses, stock-based compensation and headcount growth (246 Americas sales and marketing employees as of September 30, 2012 versus 221 as of September 30, 2011) and $2.6 million of higher professional fees related to various consulting projects to support our growth. Over the past several years, we have been investing in our Americas sales and marketing initiatives to further increase our revenue. These investments have included the hiring of additional headcount and new product innovation efforts and, as a result, our Americas sales and marketing expenses as a percentage of revenues have increased. Although we anticipate that we will continue to invest in Americas sales and marketing initiatives, we believe our Americas sales and marketing expenses as a percentage of revenues will remain at approximately current levels over the next year but should ultimately decrease as we continue to grow our business.

*EMEA Sales and Marketing Expenses.* The increase in our EMEA sales and marketing expenses was primarily due to $5.0 million of higher compensation costs, including sales compensation, general salaries, bonuses, stock-based compensation expense and headcount growth (144 EMEA sales and marketing employees as of September 30, 2012 versus 108 as of September 30, 2011). For the nine months ended September 30, 2012, the impact of foreign currency fluctuations to our EMEA sales and marketing expenses was not significant when compared to average exchange rates of the nine months ended September 30, 2011. Over the past several years, we have been investing in our EMEA sales and marketing initiatives to further increase our revenue. These investments have included the hiring of additional headcount and new product innovation efforts and, as a result, our EMEA sales and marketing expenses as a percentage of revenues have increased. Although we anticipate that we will continue to invest in EMEA sales and marketing initiatives, we believe our EMEA sales and marketing expenses as a percentage of revenues will remain at approximately current levels over the next year but should ultimately decrease as we continue to grow our business.

*Asia-Pacific Sales and Marketing Expenses.* The increase in our Asia-Pacific sales and marketing expenses was primarily due to $4.7 million of higher compensation costs, including sales compensation, general salaries, bonuses, stock-based compensation expense and headcount growth (86 Asia-Pacific sales and marketing employees as of September 30, 2012 versus 70 as of September 30, 2011). For the nine months ended September 30, 2012, the impact of foreign currency fluctuations to our Asia-Pacific sales and marketing expenses was not significant when compared to average exchange rates of the nine months ended September 30, 2011. Over the past several years, we have been investing in our Asia-Pacific sales and marketing initiatives to further increase our revenue. These investments have included the hiring of additional headcount and new product innovation efforts and, as a result, our Asia-Pacific sales and marketing expenses have increased. Although we anticipate that we will continue to invest in Asia-Pacific sales and marketing initiatives, we believe our Asia-Pacific sales and marketing expenses as a percentage of revenues will remain at approximately current levels over the next year but should ultimately decrease as we continue to grow our business.

***General and Administrative Expenses.*** Our general and administrative expenses for the nine months ended September 30, 2012 and 2011 were split among the following geographic regions (dollars in thousands):

| | Nine months ended September 30, | | | | % Change | |
|---|---|---|---|---|---|---|
| | 2012 | % | 2011 | % | Actual | Constant currency |
| Americas | $178,910 | 73% | $139,368 | 72% | 28% | 28% |
| EMEA | 40,025 | 17% | 36,557 | 19% | 9% | 14% |
| Asia-Pacific | 23,597 | 10% | 18,061 | 9% | 31% | 31% |
| Total | $242,532 | 100% | $193,986 | 100% | 25% | 26% |

| | Nine months ended September 30, | |
|---|---|---|
| | 2012 | 2011 |
| *General and administrative expenses as a percentage of revenues:* | | |
| Americas . | 21% | 19% |
| EMEA | 13% | 14% |
| Asia-Pacific | 11% | 11% |
| Total | 17% | 17% |

*Americas General and Administrative Expenses.* The increase in our Americas general and administrative expenses was primarily due to (i) $2.2 million of incremental general and administrative expenses from the impact of the ALOG acquisition, (ii) $16.3 million of higher compensation costs, including general salaries, bonuses, stock-based compensation and headcount growth (602 Americas general and administrative employees as of September 30, 2012 versus 565 as of September 30, 2011), (iii) $14.7 million of higher professional fees related to various consulting projects to support our growth as well as the REIT conversion and (iv) $3.8 million of higher depreciation expense as a result of our ongoing efforts to support our growth, such as investments in systems. Over the course of the past year, we have been investing in our Americas general and administrative functions to scale this region effectively for growth, which has included additional investments into improving our back office systems. We expect our current efforts to improve our back office systems will continue over the next several years. Going forward, although we are carefully monitoring our spending given the current economic environment, we expect Americas general and administrative expenses to increase as we continue to further scale our operations to support our growth, including this investment in our back office systems and the REIT conversion process.

*EMEA General and Administrative Expenses.* The increase in our EMEA general and administrative expenses was primarily due to $3.5 million of higher compensation costs, including general salaries, bonuses, stock-based compensation and headcount growth (194 EMEA general and administrative employees as of September 30, 2012 versus 171 as of September 30, 2011), partially offset by $3.2 million of lower professional fees. For the nine months ended September 30, 2012, the impact of foreign currency fluctuations to our EMEA general and administrative expenses was not significant when compared to average exchange rates of the nine months ended September 30, 2011. Over the course of the past year, we have been investing in our EMEA general and administrative functions 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 EMEA 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 $3.6 million of higher compensation costs, including general salaries, bonuses, stock-based compensation and headcount growth (168 Asia-Pacific general and administrative employees as of September 30, 2012 versus 153 as of September 30, 2011). For the nine months ended September 30, 2012, the impact of foreign currency fluctuations to our Asia-Pacific general and administrative expenses was not significant when compared to average exchange rates of the nine months ended September 30, 2011. 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.*** We recorded no restructuring charges during the nine months ended September 30, 2012. During the nine months ended September 30, 2011, we recorded restructuring charges of $2.2 million primarily related to revised sublease assumptions on our excess leased space in the New York metro area. Our excess space lease in the New York metro area remains abandoned and continues to carry a restructuring charge.

***Acquisition Costs.*** During the nine months ended September 30, 2012, we recorded acquisition costs totaling $6.9 million primarily attributed to the ancotel and Asia Tone acquisitions. During the nine months ended September 30, 2011, we recorded acquisition costs totaling $2.7 million primarily attributed to the ALOG acquisition. We do not expect to incur additional significant acquisition costs related to the ancotel and Asia Tone acquisitions during the remainder of 2012.

***Interest Income.*** Interest income increased to $2.7 million for the nine months ended September 30, 2012 from $1.5 million for the nine months ended September 30, 2011. Interest income increased primarily due to higher yields on foreign invested balances. The average annualized yield for the nine months ended September 30, 2012 was 0.41% versus 0.35% for the nine months ended September 30, 2011. We expect our interest income to remain at these low levels for the foreseeable future due to the impact of a continued low interest rate environment and a portfolio more weighted towards short-term securities.

***Interest Expense.*** Interest expense increased to $149.8 million for the nine months ended September 30, 2012 from $126.2 million for the nine months ended September 30, 2011. This increase was primarily due to the impact of our $750.0 million 7.00% senior notes offering in July 2011 and additional financings such as various capital lease and other financing obligations to support our expansion projects, partially offset by our settlement of the 2.50% convertible subordinated notes. During the nine months ended September 30, 2012 and 2011, we capitalized $19.6 million and $10.0 million, respectively, of interest expense to construction in progress. Going forward, we expect our interest expense to increase by approximately $5.0 million annually as a result of our drawdown of the ALOG financing in July 2012. However, we may take additional drawdowns from the U.S. revolving credit line under the U.S. financing or incur additional indebtedness to support our growth, resulting in further increased interest expense.

***Other Income (Expense).*** We recorded $1.5 million of other expense for the nine months ended September 30, 2012 and $1.4 million of other income for the nine months ended September 30, 2011, primarily due to foreign currency exchange gains (losses) during the periods.

***Loss on Debt Extinguishment.*** We recorded $5.2 million of loss on debt extinguishment for the nine months ended September 30, 2012 due to the repayment and termination of the Asia-Pacific financing. We did not record any loss on debt extinguishment for the nine months ended September 30, 2011.

***Income Taxes.*** For the nine months ended September 30, 2012 and 2011, we recorded $44.5 million and $24.1 million of income tax expenses, respectively. Our effective tax rates were 30.7% and 24.1% for the nine months ended September 30, 2012 and 2011, respectively. The increase in the effective tax rate was primarily attributable to the recording of a valuation allowance assessed by us in 2012. We expect cash income taxes during the remainder of 2012 to increase substantially as we changed our method of depreciating and amortizing various data centers assets for tax purposes from our prior methods to methods that are more consistent with the characterization of such assets as real property for REIT purposes. The cash taxes for 2012 and 2011 are primarily for state and foreign income taxes. Our federal taxable income has been fully offset by net operating loss carryforwards in both 2012 and 2011. We expect to pay between $200.0 to $300.0 million in cash taxes during 2013.

***Income from Discontinued Operations.*** For the nine months ended September 30, 2012 and 2011, our net income from discontinued operations was $1.2 million and $819,000, respectively.

**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 from continuing operations may be difficult if limited to reviewing only GAAP financial measures. Accordingly, we use non-GAAP financial measures, primarily adjusted EBITDA, to evaluate our continuing operations. We also use adjusted EBITDA as a metric in the determination of employees’ annual bonuses and vesting of restricted stock units that have both a service and performance condition. 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 continuing 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 stock-based compensation expense as it primarily 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 continuing 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 continuing operations plus depreciation, amortization, accretion, stock-based compensation expense, restructuring charges and acquisition costs as presented below (in thousands):

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Income from continuing operations | $ 95,869 | $ 77,441 | $298,711 | $222,976 |
| Depreciation, amortization and accretion expense | 105,450 | 88,193 | 288,874 | 246,453 |
| Stock-based compensation expense | 22,437 | 19,102 | 61,906 | 52,762 |
| Restructuring charges | — | 1,587 | — | 2,186 |
| Acquisition costs | 4,542 | 699 | 6,883 | 2,729 |
| Adjusted EBITDA | $228,298 | $187,022 | $656,374 | $527,106 |

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

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| *Americas:* | | | | |
| Income from continuing operations | $ 63,740 | $ 50,984 | $191,978 | $146,739 |
| Depreciation, amortization and accretion expense | 60,322 | 54,588 | 175,630 | 157,625 |
| Stock-based compensation expense | 17,299 | 15,071 | 47,924 | 41,247 |
| Restructuring charges | — | 1,587 | — | 2,186 |
| Acquisition costs | — | 677 | (91) | 2,599 |
| Adjusted EBITDA | $141,361 | $122,907 | $415,441 | $350,396 |
| *EMEA:* | | | | |
| Income from continuing operations | $ 20,565 | $ 16,305 | $ 70,806 | $ 41,954 |
| Depreciation, amortization and accretion expense | 22,054 | 19,354 | 57,695 | 54,710 |
| Stock-based compensation expense | 2,900 | 2,308 | 7,737 | 6,750 |
| Acquisition costs | 1,006 | — | 2,376 | 14 |
| Adjusted EBITDA | $ 46,525 | $ 37,967 | $138,614 | $103,428 |
| *Asia-Pacific:* | | | | |
| Income from continuing operations | $ 11,564 | $ 10,152 | $ 35,927 | $ 34,283 |
| Depreciation, amortization and accretion expense | 23,074 | 14,251 | 55,549 | 34,118 |
| Stock-based compensation expense | 2,238 | 1,723 | 6,245 | 4,765 |
| Acquisition costs | 3,536 | 22 | 4,598 | 116 |
| Adjusted EBITDA | $ 40,412 | $ 26,148 | $102,319 | $ 73,282 |

Our adjusted EBITDA results have improved each year and in each region in total dollars 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". Although we have also been investing in our future growth as described above (e.g. additional IBX data center expansions, acquisitions and increased investments in sales and marketing expenses), 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, 2012, our total indebtedness was comprised of (i) convertible debt principal totaling $769.7 million from 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 $2.3 billion consisting of (a) $1.5 billion of principal from our 8.125% and 7.00% senior notes, (b) $248.7 million of principal from our loans payable and (c) $502.7 million from our capital lease and other financing obligations. In April 2012, virtually all of the holders of the 2.50% convertible subordinated notes converted their notes. We settled the $250.0 million in aggregate principal amount of the 2.50% convertible subordinated notes, plus accrued interest, in $253.1 million of cash and 622,867 shares of our common stock, which were issued from our treasury stock. In July 2012, we fully utilized the U.S. term loan to prepay and terminate the Asia-Pacific financing and the ALOG financing to prepay and terminate the existing outstanding ALOG loans payable and to fund operations. In November 2012, we received net proceeds of approximately $76.5 million upon the close of the divestiture.

We believe we have sufficient cash, coupled with anticipated cash generated from operating activities, to meet our operating requirements, including repayment of the current portion of our debt as it becomes due, payment of tax liabilities related to the decision to convert to a REIT (see below) and to complete our publicly-announced expansion projects. As of September 30, 2012, we had $519.8 million of cash, cash equivalents and short-term and long-term investments, of which approximately $320.3 million was held in the U.S. We believe that our current expansion activities in the U.S. can be funded with our U.S.-based cash and cash equivalents and investments. Besides our investment portfolio, additional liquidity available to us from the U.S. financing and any further 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. Additionally, approximately 19% of our gross trade receivables are attributable to our EMEA region, and due to the risks posed by the current European debt crisis and credit downgrade, our EMEA-based customers may have difficulty paying us. As a result, our liquidity could be adversely impacted by the possibility of increasing trade receivable aging and higher allowance for doubtful accounts.

As of September 30, 2012, we had a total of approximately $528.5 million of additional liquidity available to us under the U.S. financing. 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 expect to fund these expansion plans with our existing resources, additional financing, either debt or equity, may be required to pursue certain new or unannounced additional expansion plans, including acquisitions. 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.

*Impact of REIT Conversion*

In accordance with tax rules applicable to REIT conversions, we expect to issue special distributions to our stockholders of undistributed accumulated earnings and profits of approximately $700.0 million to $1.1 billion, which is collectively referred to as the E&P distribution, which we expect to pay out in a combination of up to 20% in cash and at least 80% in the form of our common stock. We expect to make the E&P distribution only after receiving a favorable PLR from the IRS and anticipate making a significant portion of the E&P distribution before 2015, with the balance distributed in 2015. In addition, following the completion of the REIT conversion, we intend to declare regular distributions to our stockholders.

There are significant tax and other costs associated with implementing the REIT conversion, and certain tax liabilities may be incurred regardless of the whether we ultimately succeed in converting to a REIT. We currently estimate that we will incur approximately $50.0 to $80.0 million in costs to support the REIT conversion, in addition to related tax liabilities associated with a change in our method of depreciating and amortizing various data center assets for tax purposes from our current method to methods that are more consistent with the characterization of such assets as real property for REIT purposes. The total recapture of depreciation and amortization expenses across all relevant assets is expected to result in U.S. tax liabilities of approximately $340.0 to $420.0 million. These amounts may still be payable in the four-year period starting 2012 even if we abandon the REIT conversion for, among other reasons, failing to receive the PLR we are seeking. As we will use our NOLs to offset a portion of these tax liabilities, we anticipate that we will utilize all of our NOLs in 2012. If the REIT conversion is successful, we also expect to incur additional annual compliance costs of approximately $5.0 to $10.0 million in future years.

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2012 | 2011 |
| | (in thousands) | |
| Net cash provided by operating activities | $ 422,927 | $ 399,988 |
| Net cash used in investing activities | (233,546) | (1,304,819) |
| Net cash provided by (used in) financing activities | (234,969) | 832,111 |

*Operating Activities*. The increase in net cash provided by operating activities was primarily due to improved operating results, partially offset by excess tax benefits from stock-based compensation and payments of accrued expenses including acquisition costs and expenses incurred for the REIT conversion process. Although our collections remain strong, it is possible for some large customer receivables that were anticipated to be collected in one quarter to slip to the next quarter. For example, certain customer receivables that were anticipated to be collected in September 2012 were instead collected in October 2012, which negatively impacted cash flows from operating activities for the nine months ended September 30, 2012. We expect that we will continue to generate cash from our operating activities during the remainder of 2012 and beyond; however, we expect to pay an increased amount of income taxes until such time that we become a REIT, which will negatively impact the cash we generate from operating activities.

*Investing Activities.* The net cash used in investing activities for the nine months ended September 30, 2012 was primarily due to $365.9 million of purchases of investments, $554.1 million of capital expenditures as a result of expansion activity and $273.0 million of cash paid for the Asia Tone and ancotel acquisitions, partially offset by $880.3 million of sales and maturities of investments and $87.4 million of release of restricted cash primarily related to payments made in connection with the Paris 4 IBX financing. The net cash used in investing activities for the nine months ended September 30, 2011 was primarily due to $1.0 billion of purchases of investments principally from the proceeds of our 7.00% senior notes offering, $495.5 million of capital expenditures as a result of expansion activity and $95.9 million of cash deposited into a restricted cash account as collateral for the developer of the Paris 4 IBX during the construction period. During 2012, we expect that our IBX expansion construction activity will be similar to our 2011 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 as well as pursue additional acquisitions or joint ventures. In the fourth quarter of 2012, we received net proceeds from the divestiture of $76.5 million.

*Financing Activities.* The net cash used in financing activities for the nine months ended September 30, 2012 was primarily due to $574.7 million of repayments of the principal amount of the 2.50% convertible subordinated notes, our loans payable and capital lease and other financing obligations, partially offset by $249.6 million of proceeds from drawdowns of new financings entered into during the period and $53.2 million of excess tax benefits from stock-based compensation. The net cash provided by financing activities for the nine months ended September 30, 2011 was primarily due to $750.0 million of gross proceeds from our 7.00% senior notes offering.

***Debt Obligations***

*2.50% Convertible Subordinated Notes.* In March 2007, we issued $250.0 million aggregate principal amount of 2.50% convertible subordinated notes due April 15, 2012. Holders of the 2.50% convertible subordinated notes were eligible to convert their notes at any time on or after March 15, 2012 through the close of business on the business day immediately preceding the maturity date. Upon conversion, holders would receive, at our election, cash, shares of our common stock or a combination of cash and shares of our common stock. However, we had the right at any time to irrevocably elect for the remaining term of the 2.50% convertible subordinated notes to satisfy our obligation in cash up to 100% of the principal amount of the 2.50% convertible subordinated notes converted, with any remaining amount to be satisfied, at our election, in shares of our common stock or a combination of cash and shares of our common stock. Upon conversion, due to the conversion formulas associated with the 2.50% convertible subordinated notes, if our stock was trading at levels exceeding $112.03 per share, and if we elected to pay any portion of the consideration in cash, additional consideration beyond the $250.0 million of gross proceeds received would be required. However, in no event would the total number of shares issuable upon conversion of the 2.50% convertible subordinated notes exceed 11.6036 per $1,000 principal amount of 2.50% convertible subordinated notes, subject to anti-dilution adjustments, or the equivalent of $86.18 per share of common stock or a total of 2,900,900 shares of our common stock. In April 2012, virtually all of the holders of the 2.50% convertible subordinated notes converted their notes. We settled the $250.0 million in aggregate principal amount of the 2.50% convertible subordinated notes, plus accrued interest, in $253.1 million of cash and 622,867 shares of our common stock that were issued from our treasury stock.

*3.00% Convertible Subordinated Notes.* In September 2007, we issued $396.0 million aggregate principal amount of 3.00% convertible subordinated notes due October 15, 2014. Holders of the 3.00% convertible subordinated notes may convert their notes at their option on any day up to and including the business day immediately preceding the maturity date into shares of our common stock. The base conversion rate is 7.436 shares of common stock per $1,000 principal amount of 3.00% convertible subordinated notes, subject to adjustment. This represents a base conversion price of approximately $134.48 per share of common stock. If, at the time of conversion, the applicable stock price of the our common stock exceeds the base conversion price, the conversion rate will be determined pursuant to a formula resulting in the receipt of up to 4.4616 additional shares of common stock per $1,000 principal amount of the 3.00% convertible subordinated notes, subject to adjustment. However, in no event would the total number of shares issuable upon conversion of the 3.00% convertible subordinated notes exceed 11.8976 per $1,000 principal amount of 3.00% convertible subordinated notes, subject to anti-dilution adjustments, or the equivalent of $84.05 per share of our common stock or a total of 4,711,283 shares of our common stock. As of September 30, 2012, had the holders of the 3.00% convertible subordinated notes converted their notes, the 3.00% convertible subordinated notes would have been convertible into 3,510,021 shares of our common stock.

*4.75% Convertible Subordinated Notes.* In June 2009, we issued $373.8 million aggregate principal amount of 4.75% convertible subordinated notes due June 15, 2016. Upon conversion, holders will receive, at our election, cash, shares of our common stock or a combination of cash and shares of our common stock. However, we may at any time irrevocably elect for the remaining term of the 4.75% convertible subordinated notes to satisfy our obligation in cash up to 100% of the principal amount of the 4.75% convertible subordinated notes converted, with any remaining amount to be satisfied, at our election, in shares of our common stock or a combination of cash and shares of our common stock. Upon conversion, if we elect to pay a sufficiently large portion of the conversion obligation in cash, additional consideration beyond the $373.8 million of gross proceeds received will be required.

The initial conversion rate is 11.8599 shares of common stock per $1,000 principal amount of 4.75% convertible subordinated notes, subject to adjustment. This represents an initial conversion price of approximately $84.32 per share of common stock. Holders of the 4.75% convertible subordinated notes may convert their notes at any time prior to the close of business on the business day immediately preceding the maturity date under the following circumstances:

- during any fiscal quarter (and only during that fiscal quarter) ending after December 31, 2009, if the sale price of our common stock, for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the previous fiscal quarter, is greater than 130% of the conversion price per share of common stock on such last trading day, which was $109.62 per share;
- subject to certain exceptions, during the five business day period following any 10 consecutive trading day period in which the trading price of the 4.75% convertible subordinated notes for each day of such period was less than 98% of the product of the sale price of our common stock and the conversion rate;
- upon the occurrence of specified corporate transactions described in the 4.75% convertible subordinated notes indenture, such as a consolidation, merger or binding share exchange in which our common stock would be converted into cash or property other than securities; or
- at any time on or after March 15, 2016.

Holders of the 4.75% convertible subordinated notes were eligible to convert their notes during the three months ended September 30, 2012, since the sale price of our common stock, for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the three months ended June 30, 2012, was greater than 130% of the conversion price per share of common stock on such last trading day. As of September 30, 2012, had the holders of the 4.75% convertible subordinated notes converted their notes, the 4.75% convertible subordinated notes would have been convertible into a maximum of 4,432,407 shares of our common stock.

*U.S. Financing.* In June 2012, we entered into a credit agreement with a group of lenders for a $750.0 million credit facility, referred to as the U.S. financing, comprised of a $200.0 million term loan facility, referred to as the U.S. term loan, and a $550.0 million multicurrency revolving credit facility, referred to as the U.S. revolving credit line. The U.S. financing contains several financial covenants with which we must comply on a quarterly basis, including a maximum senior leverage ratio covenant, a minimum fixed charge coverage ratio covenant and a minimum tangible net worth covenant. The U.S. financing is guaranteed by certain of our domestic subsidiaries and is secured by our and the guarantors' accounts receivable as well as pledges of the equity interests of certain of our direct and indirect subsidiaries. The U.S. term loan and U.S. revolving credit line both have a five-year term, subject to the satisfaction of certain conditions with respect to our outstanding convertible subordinated notes. We are required to repay the principal balance of the U.S. term loan in equal quarterly installments over the term. The U.S. term loan bears interest at a rate based on LIBOR or, at our option, the base rate, which is defined as the highest of (a) the Federal Funds Rate plus 1/2 of 1%, (b) the Bank of America prime rate and (c) one-month LIBOR plus 1.00%, plus, in either case, a margin that varies as a function of our senior leverage ratio in the range of 1.25%-2.00% per annum if we elect to use the LIBOR index and in the range of 0.25%-1.00% per annum if we elect to use the base rate index. In July 2012, we fully utilized the U.S. term loan and used the funds to prepay the outstanding balance of and terminate the Asia-Pacific financing (see below). As of September 30, 2012, we had $190.0 million outstanding under the U.S. term loan with an effective interest rate of 2.51% per annum.

The U.S. revolving credit line allows us to borrow, repay and reborrow over the term. The U.S. revolving credit line provides a sublimit for the issuance of letters of credit of up to $150.0 million at any one time. We may use the U.S. revolving credit line for working capital, capital expenditures, issuance of letters of credit, and other general corporate purposes. Borrowings under the U.S. revolving credit line bear interest at a rate based on LIBOR or, at our option, the base rate as defined above plus, in either case, a margin that varies as a function of our senior leverage ratio in the range of 0.95%-1.60% per annum if we elect to use the LIBOR index and in the range of 0.00%-0.60% per annum if we elect to use the base rate index. We are required to pay a quarterly letter of credit fee on the face amount of each letter of credit, which fee is based on the same margin that applies from time to time to LIBOR-indexed borrowings under the U.S. revolving credit line. We are also required to pay a quarterly facility fee ranging from 0.30%-0.40% per annum of the U.S. revolving credit line, regardless of the amount utilized, which fee also varies as a function of our senior leverage ratio. In June 2012, the outstanding letters of credit issued under the senior revolving credit line (see below) were assumed under the U.S. revolving credit line and the senior revolving credit line was terminated. As of September 30, 2012, we had 13 irrevocable letters of credit totaling $21.5 million issued and outstanding under the U.S. revolving credit line. As a result, the amount available to us to borrow under the U.S. revolving credit line was $528.5 million as of September 30, 2012. As of September 30, 2012, we were in compliance with all covenants of the U.S. financing. Debt issuance costs related to the U.S. financing, net of amortization, were $8.4 million as of September 30, 2012.

*Asia-Pacific Financing.* In May 2010, our five wholly-owned subsidiaries, located in Australia, Hong Kong, Japan and Singapore, completed a multi-currency credit facility agreement for approximately $223.6 million, comprising 79.2 million Australian dollars, 370.4 million Hong Kong dollars, 99.4 million Singapore dollars and 1.5 billion Japanese yen. The Asia-Pacific financing had a five-year term with semi-annual principal payments and quarterly debt service and consisted of two tranches: (i) Tranche A totaling approximately $90.8 million was available for immediate drawing upon satisfaction of certain conditions precedent and (ii) Tranche B totaling approximately $132.8 million was available for drawing in Australian, Hong Kong and Singapore dollars only for up to 24 months following the effective date of the Asia-Pacific financing. The Asia Pacific financing bore 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. The Asia-Pacific financing contained four financial covenants, which we had to comply with quarterly, consisting of two leverage ratios, an interest coverage ratio and a debt service ratio. The Asia-Pacific financing was guaranteed by us, and was secured by most of our five subsidiaries' assets and share pledges. As of December 31, 2011, our five subsidiaries had fully utilized Tranche A and Tranche B under the Asia-Pacific financing. The loans payable under the Asia-Pacific financing had a final maturity date of March 2015. In July 2012, we fully repaid and terminated the Asia-Pacific financing. As a result, we wrote off outstanding unamortized debt issuance costs associated with the Asia-Pacific Financing and recorded a loss on debt extinguishment of $5.2 million.

*Senior Revolving Credit Line.* In September 2011, we entered into a $150.0 million senior unsecured revolving credit facility with a group of lenders. This transaction is referred to as the senior revolving credit line. We were able to use the senior revolving credit line for working capital, capital expenditures, issuance of letters of credit, general corporate purposes and to refinance a portion of our existing debt obligations. The senior revolving credit line had a five-year term and allowed us to borrow, repay and re-borrow over the term. The senior revolving credit line provided a sublimit for the issuance of letters of credit of up to $100.0 million and a sublimit for swing line borrowings of up to $25.0 million. Borrowings under the senior revolving credit line carried an interest rate of US$ LIBOR plus an applicable margin ranging from 1.25%-1.75% per annum, which varied as a function of our senior leverage ratio. We were also subject to a quarterly non-utilization fee ranging from 0.30%-0.40% per annum, the pricing of which would also vary as a function of our senior leverage ratio. Additionally, we were able to increase the size of the senior revolving credit line at our election by up to $100.0 million, subject to approval by the lenders and based on current market conditions. The senior revolving credit line contained several financial covenants, which we had to comply with quarterly, including a leverage ratio, fixed charge coverage ratio and a minimum net worth covenant. In June 2012, the senior revolving credit line was replaced by the U.S. revolving credit line under the U.S. financing (see above).

*ALOG Financing.* In June 2012, ALOG completed a 100.0 million Brazilian real credit facility agreement, or approximately $49.3 million, referred to as the ALOG financing. The ALOG financing has a five-year term with semi-annual principal payments beginning in the third year of its term and quarterly interest payments during the entire term. The ALOG financing bears an interest rate of 2.75% above the local borrowing rate. The ALOG financing contains financial covenants, which ALOG must comply with annually, consisting of a leverage ratio and a fixed charge coverage ratio. The ALOG financing is not guaranteed by ALOG or us. The ALOG financing is not secured by ALOG's or our assets. The ALOG financing has a final maturity date of June 2017. In September 2012, ALOG fully utilized the ALOG financing and used a portion of the funds to prepay and terminate ALOG loans payable outstanding. As of

September 30, 2012, the effective interest rate under the ALOG financing was 10.7% per annum.

*Paris 4 IBX Financing.* During the nine months ended September 30, 2012, construction activity increased the Paris 4 IBX financing liability by $33.7 million and we made payments of $88.8 million from the restricted cash account under the Paris 4 IBX financing.

*Asia Tone Loans Payable.* In July 2012, we assumed approximately $20.7 million of debt from the Asia Tone acquisition. During the three months ended September 30, 2012, we prepaid and terminated a total of approximately $17.5 million of the Asia Tone loans payable. As of September 30, 2012, the remaining Asia Tone loans payable outstanding had an effective interest rate of 2.40% per annum.

**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 2035. The following represents our debt maturities, financings, leases and other contractual commitments as of September 30, 2012 (in thousands):

| | 2012 (3 months) | 2013 | 2014 | 2015 | 2016 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| Convertible debt (1) | $ — | $ — | $395,986 | $ — | $373,730 | $ — | $ 769,716 |
| Senior notes (1) | — | — | — | — | — | 1,500,000 | 1,500,000 |
| U.S. term loan (1) | 10,000 | 40,000 | 40,000 | 40,000 | 40,000 | 20,000 | 190,000 |
| ALOG financing (1) | — | 14,100 | 14,099 | 14,100 | 7,050 | — | 49,349 |
| Asia Tone loans payable (1) | 3,200 | — | — | — | — | — | 3,200 |
| Paris 4 IBX financing (2) | 2,389 | 6,046 | — | — | — | — | 8,435 |
| Interest (3) | 15,443 | 151,795 | 148,165 | 136,418 | 125,200 | 354,692 | 931,713 |
| Capital lease and other financing obligations (4) | 12,498 | 51,430 | 56,248 | 59,245 | 59,156 | 483,427 | 722,004 |
| Operating leases under accrued restructuring charges (5) | 610 | 2,444 | 2,459 | 1,445 | — | — | 6,958 |
| Operating leases (6) | 45,738 | 120,918 | 116,320 | 94,128 | 88,106 | 483,125 | 948,335 |
| Other contractual commitments (7) | 160,905 | 101,187 | 58,218 | 29,646 | 11 | — | 349,967 |
| Asset retirement obligations (8) | 85 | 1,930 | 5,150 | 8,774 | 442 | 45,253 | 61,634 |
| ALOG acquisition contingent consideration (9) | — | 9,416 | — | — | — | — | 9,416 |
| Redeemable non-controlling interests | — | — | 78,191 | — | — | — | 78,191 |
| | $250,868 | $499,266 | $914,836 | $383,756 | $693,695 | $2,886,497 | $5,628,918 |

(1) Represents principal only.
(2) Represents total payments to be made to complete the construction of the Paris 4 IBX center.
(3) Represents interest on ALOG financing, Asia Tone loans payable, convertible debt, senior notes and U.S. term loan based on their approximate interest rates as of September 30, 2012.
(4) Represents principal and interest.
(5) Excludes any subrental income.
(6) Represents minimum operating lease payments, excluding potential lease renewals.
(7) Represents off-balance sheet arrangements. Other contractual commitments are described below.
(8) Represents liability, net of future accretion expense.
(9) Represents an off-balance sheet arrangement for the ALOG acquisition contingent consideration and includes the portion of the contingent consideration that will be funded by Riverwood Capital L.P. ("Riverwood"), who has an indirect, non-controlling equity interest in ALOG through Zion RJ Participações S.A. ("Zion"), a Brazilian joint-stock company controlled by our wholly-owned subsidiary and co-owned by RW Brasil Fundo de Investimento em Participações, a subsidiary of Riverwood.

In connection with certain of our leases, we entered into 13 irrevocable letters of credit totaling $21.5 million under the U.S. revolving credit line. These letters of credit were provided in lieu of cash deposits under the revolving credit line. 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 senior revolving credit line. These contingent commitments are not reflected in the table above.

We had accrued liabilities related to uncertain tax positions totaling approximately $20.0 million as of September 30, 2012. These liabilities, which are reflected on our balance sheet, are not reflected in the table above since it is unclear when these liabilities will be paid.

Primarily as a result of our various IBX expansion projects, as of September 30, 2012, we were contractually committed for $90.4 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 2012 and thereafter, is reflected in the table above as “other contractual commitments.”

We had other non-capital purchase commitments in place as of September 30, 2012, such as commitments to purchase power in select locations and other open purchase orders, which contractually bind us for goods or services to be delivered or provided during 2012 and beyond. Such other purchase commitments as of September 30, 2012 which total $259.6 million, are also reflected in the table above as “other contractual commitments.”

In addition, although we are not contractually obligated to do so, we expect to incur additional capital expenditures of approximately $90.0 million to $120.0 million, in addition to the $90.4 million in contractual commitments discussed above as of September 30, 2012, in our various IBX expansion projects during 2012 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 Policies and Estimates**

Equinix’s financial statements and accompanying notes are prepared in accordance with generally accepted accounting principles in the United States of America. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets 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 business combinations, accounting for impairment of goodwill and accounting for property, plant and equipment, which are discussed in more detail under the caption “Critical Accounting Policies and 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, 2011.

**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**

While there have been no significant changes in our market risk, investment portfolio risk, interest rate risk, foreign currency risk and commodity price risk exposures and procedures during the nine months ended September 30, 2012 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, 2011, the U.S. dollar strengthened relative to certain of the currencies of the foreign countries in which we operate during the nine months ended September 30, 2012. 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 will 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.

(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.

## PART II – OTHER INFORMATION

### Item 1. Legal Proceedings

***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 Hawai'i, 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 added 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. In January 2011, one group of co-defendants (Morgan Stanley and certain persons and entities affiliated with it) entered into a separate settlement with plaintiffs. The Trial Court determined that the settlement was made in “good faith” in accordance with Hawai‘i statutory law, and certain non-settling defendants (including Equinix) filed an appeal from that order before the Intermediate Court of Appeals. That appeal was stayed pending resolution of plaintiffs’ appeal before the Hawai‘i Supreme Court. In August 2011, another group of co-defendants (UBS AG and UBS Capital Asia Pacific Limited Fund) entered into a separate settlement with plaintiffs. The parties stipulated that the ultimate disposition of the Morgan Stanley “good faith” determination would apply to the UBS settlement. In December 2011, the parties reached agreement in principle on a global settlement which provides, among other things, that all claims and proceedings against all defendants will be dismissed with prejudice. On June 29, 2012, the Court granted the parties’ motion for determination of good faith settlement and the parties signed stipulations for dismissal. On July 10, 2012, the Court entered the order granting the parties’ motion for determination of good faith settlement. On July 23, 2012, the parties filed a stipulation and request for dismissal in the Hawai’i Supreme Court, which granted an order approving the stipulation and dismissed the case with prejudice on August 8, 2012.

***Alleged Class Action and Shareholder Derivative Actions***

On March 4, 2011, an alleged class action entitled Cement Masons & Plasterers Joint Pension Trust v. Equinix, Inc., et al., No. CV-11-1016-SC, was filed in the United States District Court for the Northern District of California, against Equinix and two of our officers. The suit asserts purported claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 for allegedly misleading statements regarding our business and financial results. The suit is purportedly brought on behalf of purchasers of our common stock between July 29, 2010 and October 5, 2010, and seeks compensatory damages, fees and costs. Defendants filed a motion to dismiss on November 7, 2011. On March 2, 2012, the Court granted defendants’ motion to dismiss without prejudice and gave plaintiffs thirty days in which to amend their complaint. Pursuant to stipulation and order of the court entered on March 16, 2012, the parties agreed that plaintiffs would have up to and through May 2, 2012 to file a Second Amended Complaint. On May 2, 2012 plaintiffs filed a Second Amended Complaint asserting the same basic allegations as in the prior complaint. On June 15, 2012, defendants moved to dismiss the Second Amended Complaint. On September 19, 2012, the Court took the hearing on defendants’ motion to dismiss the Second Amended Complaint off calendar and notified the parties that it would make its decision on the pleadings. Subsequently, on September 24, 2012 the Court requested the parties submit supplemental briefing on or before October 9, 2012. The supplemental briefing was submitted on October 9, 2012.

On March 8, 2011, an alleged shareholder derivative action entitled Rikos v. Equinix, Inc., et al., No. CGC-11-508940, was filed in California Superior Court, County of San Francisco, purportedly on behalf of Equinix, and naming Equinix (as a nominal defendant), the members of our board of directors, and two of our officers as defendants. The suit is based on allegations similar to those in the federal securities class action and asserts causes of action against the individual defendants for breach of fiduciary duty, abuse of control, gross mismanagement, waste of corporate assets and unjust enrichment. By agreement and order of the court, this case has been temporarily stayed pending proceedings in the class action, and, pursuant to that agreement, defendants need not respond to the complaint at this time.

On May 20, 2011, an alleged shareholder derivative action entitled Stopa v. Clontz, et al., No. CV-11-2467-SC was filed in the United States District Court for the Northern District of California, purportedly on behalf of Equinix, naming Equinix (as a nominal defendant) and the members of our board of directors as defendants. The suit is based on allegations similar to those in the federal securities class action and the state court derivative action, and asserts causes of action against the individual defendants for breach of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement and waste of corporate assets. On June 10, 2011, the Court signed an order relating this case to the federal securities class action. Plaintiffs filed an amended complaint on December 14, 2011. By agreement and order of the court, this case has been temporarily stayed pending proceedings in the class action and, pursuant to that agreement, defendants need not respond to the complaint at this time.

Due to the inherent uncertainties of litigation, we cannot accurately predict the ultimate outcome of these matters, and 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:

### Risks Related to the Proposed REIT Conversion

**Although we have chosen to pursue conversion to a REIT, we may not be successful in converting to a REIT effective January 1, 2015, or at all.**

In September 2012, our board of directors approved the REIT conversion. There are significant implementation and operational complexities to address before we can convert to a REIT, including obtaining a favorable PLR from the IRS, completing internal reorganizations, modifying accounting, information technology and real estate systems, receiving stockholder approvals and making required stockholder payouts. Further, changes in legislation, U.S. federal tax rules and interpretations thereof could adversely impact our ability to convert to a REIT.

Additionally, several conditions must be met in order to complete the conversion to a REIT, and the timing and outcome of many of these conditions are beyond our control. For example, we cannot provide assurance that the IRS will ultimately provide us with a favorable PLR or that any favorable PLR will be received in a timely manner for us to convert successfully to a REIT as of January 1, 2015. Even if the transactions necessary to implement REIT conversion are effected, our board of directors may decide not to elect REIT status, or to delay such election, if it determines in its sole discretion that it is not in the best interests of us or our stockholders. We can provide no assurance if or when conversion to a REIT will be successful. Furthermore, the effective date of the REIT conversion could be delayed beyond January 1, 2015, in which event we could not elect REIT status until the taxable year beginning January 1, 2016, at the earliest.

**We may not realize the anticipated benefits to stockholders, including the achievement of significant tax savings for us and regular distributions to our stockholders.**

Even if we convert to a REIT and elect REIT status, we cannot provide assurance that our stockholders will experience benefits attributable to our qualification and taxation as a REIT, including our ability to reduce our corporate level federal tax through distributions to stockholders and to make regular distributions to stockholders. The realization of the anticipated benefits to stockholders will depend on numerous factors, many of which are outside our control. In addition, future distributions to stockholders will depend on our cash flows, as well as the impact of alternative, more attractive investments as compared to dividends. Further, changes in legislation or the federal tax rules could adversely impact the benefits of being a REIT.

**We may not qualify or remain qualified as a REIT.**

Although, if we convert to a REIT, we plan to operate in a manner consistent with REIT qualification rules, we cannot provide assurance that we will, in fact, qualify as a REIT or remain so qualified. REIT qualification involves the application of highly technical and complex provisions of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), to our operations as well as various factual determinations concerning matters and circumstances not entirely within our control. There are limited judicial or administrative interpretations of these provisions. Changes in legislation, U.S. federal tax rules and interpretations thereof could also prevent us from converting to a REIT or remaining qualified as a REIT.

**Complying with REIT qualification requirements may limit our flexibility or cause us to forego otherwise attractive opportunities.**

To qualify as a REIT for federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our common stock. For example, under the Code, no more than 25% of the value of the assets of a REIT may be represented by securities of one or more TRS and other nonqualifying assets. This limitation may affect our ability to make large investments in other non-REIT qualifying operations or assets. As such, compliance with REIT tests may hinder our ability to make certain attractive investments, including the purchase of significant nonqualifying assets and the material expansion of non-real estate activities.

**There are uncertainties relating to our estimate of our E&P distribution, as well as the timing of such E&P distribution and the percentage of common stock and cash we may distribute.**

We have provided an estimated range of the E&P distribution. We are in the process of conducting a study of our pre-REIT accumulated earnings and profits as of the close of our 2011 taxable year using our historic tax returns and other available information. This is a very involved and complex study, which is not yet complete, and the actual result of the study relating to our pre-REIT accumulated earnings and profits as of the close of our 2011 taxable year may be materially different from our current estimates. In addition, the estimated range of our E&P distribution is based on our projected taxable income for our 2012, 2013 and 2014 taxable years and our current business plans and performance, but our actual earnings and profits (and the actual E&P distribution) will vary depending on, among other items, the timing of certain transactions, our actual taxable income and performance for 2012, 2013 and 2014 and possible changes in legislation or tax rules and IRS revenue procedures relating to distributions of earnings and profits. For these reasons and others, our actual E&P distribution may be materially different from our estimated range.

We anticipate distributing a significant portion of the E&P distribution before 2015, with the balance distributed in 2015, but the timing of the planned E&P distribution, which may or may not occur, may be affected by potential tax law changes, the completion of various phases of the REIT conversion process and other factors beyond our control.

We also anticipate paying at least 80% of the E&P distribution in the form of common stock and up to 20% in the form of cash. We may in fact decide, based on our cash flows and strategic plans, IRS revenue procedures relating to distributions of earnings and profits, leverage and other factors, to pay these amounts in a different mix of cash and common stock.

**We may restructure or issue debt or raise equity to satisfy our E&P distribution and other conversion costs.**

Depending on the ultimate size and timing of the E&P distribution and the cash outlays associated with our conversion to a REIT, we may restructure or issue debt and/or issue equity to fund these disbursements, even if the then-prevailing market conditions are not favorable for these transactions. Whether we issue equity, at what price and amount and other terms of any such issuances will depend on many factors, including alternative sources of capital, our then existing leverage, our need for additional capital, market conditions and other factors beyond our control. If we raise additional funds through the issuance of equity securities or debt convertible into equity securities, the percentage of stock ownership by our existing stockholders may be reduced. In addition, new equity securities or convertible debt securities could have rights, preferences, and privileges senior to those of our current stockholders, which could substantially decrease the value of our securities owned by them. Depending on the share price we are able to obtain, we may have to sell a significant number of shares in order to raise the capital we deem necessary to execute our long-term strategy, and our stockholders may experience dilution in the value of their shares as a result.

**There are uncertainties relating to the costs associated with implementing the REIT conversion.**

We have provided an estimated range of our tax and other costs to convert to a REIT, including estimated tax liabilities associated with a change in our method of depreciating and amortizing various assets and annual compliance costs. Our estimate of these taxes and other costs, however, may not be accurate, and such costs may turn out to be higher than our estimates due to unanticipated outcomes in the PLR, changes in our business support functions and support costs, the unsuccessful execution of internal planning, including restructurings and cost reduction initiatives, or other factors.

***Other Risks***

**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 Switch & Data Facilities Company, Inc. in 2010, ALOG Data Centers do Brasil S.A. in 2011 and Asia Tone Limited and ancotel GmbH in 2012. We may make additional acquisitions in the future, which may include acquisitions of businesses, products, services or technologies that we believe to be complementary, acquisitions of new IBX data centers or real estate for development of new IBX data centers or through investments in local data center operators. 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 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 or investment;
- the possibility that we may not be able to successfully integrate acquired businesses, or businesses in which we invest, or achieve anticipated operating efficiencies or cost savings;
- 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 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 future acquisitions, like that of ALOG, may present new complexities in deal structure, related complex accounting and coordination with new partners;
- the possibility that future acquisitions may be in geographies, and regulatory environments, to which we are unaccustomed;
- 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 liability 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 of 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. Notwithstanding our intention to become free cash flow positive in 2013, we may not achieve such goal and may need to incur additional debt to support our growth. Additional debt may also be incurred to fund future acquisitions, the E&P distribution or the cash outlays associated with conversion to a REIT. As of September 30, 2012, our total indebtedness was approximately $3.0 billion, our stockholders' equity was $2.2 billion and our cash and investments totaled $519.8 million. In addition, as of September 30, 2012, we had approximately $528.5 million of additional liquidity available to us as a result of a new $750.0 million credit facility agreement entered into with a group of lenders in the U.S. as more fully described in Note 10 to Notes to Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q. Some of our debt contains covenants which may limit our operating flexibility. In addition to our substantial debt, we lease a majority of our IBX centers and certain equipment under non-cancelable lease agreements, the majority of which are accounted for as operating leases. As of September 30, 2012, our total minimum operating lease commitments under those lease agreements, excluding potential lease renewals, was approximately $948.3 million, which represents off-balance sheet commitments.

Our substantial amount of debt and related covenants, and our off-balance sheet commitments, could have important consequences. For example, they 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 operating flexibility through covenants with which we must comply, such as limiting our ability to repurchase shares of our common stock;
- 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. 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.

**Global economic uncertainty and debt issues could adversely impact our business and financial condition.**

The varying pace of global economic recovery continues to create uncertainty and unpredictability and add risk to our future outlook. Sovereign debt issues and economic uncertainty in Greece, Portugal, Spain, Ireland and other countries in Europe and around the world raise concerns in markets where we operate and which are important to our business. Issues in Europe, for example, could lead to the reintroduction of national currencies in some European countries or the abandonment of the euro, which could be disruptive to our operations. A global economic downturn could also result in churn in our customer base, reductions in sales of our products and services, longer sales cycles, slower adoption of new technologies and increased price competition, adversely affecting our liquidity. If customers in EMEA have difficulty paying us, due to the current European debt crisis or a global economic downturn generally, we may also be required to further increase our allowance for doubtful accounts, which would negatively impact our results. 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.

**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, 2011, the closing sale price of our common stock on the NASDAQ Global Select Market has ranged from $82.00 to $206.05 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 us or others, or speculations about our future plans, may also have a significant impact on the market price of our common stock. These may relate to:

- our operating results or forecasts;
- new issuances of equity, debt or convertible debt by us;
- changes to our capital allocation, tax planning or business strategy;
- our planned conversion to a REIT;
- our stock repurchase program;
- 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;
- our acquisitions 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. In addition, if we are unsuccessful in our planned conversion to a REIT, the market price of our common stock may decrease, and the decrease may be material. 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, obligations to service our debt and the costs associated with our REIT conversion, 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 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. We have also significantly expanded our sales force in the past year. It will take time for these new hires to become fully productive.

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.

**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' infrastructure and equipment located in our IBX data centers. While we own certain of our IBX data centers, others are leased by us, and we rely on the landlord for basic maintenance of the property. If such landlord has not maintained a leased property sufficiently, we may be forced into an early exit from the center which could be disruptive to our business. 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 a result of a problem at one of our IBX data centers. 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 one of the high hazard zones for earth movement which include, but are not limited to, California, Japan, the New Madrid Seismic Zone and the Pacific Northwest Seismic Zone, 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 and in other high hazard zones we have elected to self-insure. In the event of a large earthquake in any of these locations, 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 Americas region, Asia-Pacific region, EMEA 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 expand an existing data center, lease a new facility or acquire suitable land with or without structures to build new IBX data centers from the ground up. Expansions or new builds are currently underway, or being contemplated, in many of our markets. Any related construction requires us to carefully select and rely on the experience of one or more designers, general contractors, and associated subcontractors during the design and construction process. Should a designer, general contractor, 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/or other negative impacts to our expected returns.

Site selection is also a critical factor in our expansion plans. There may not be suitable properties available in our markets with the necessary combination of high power capacity and fiber connectivity, or selection may be limited. Thus, while we may prefer to locate new IBX data centers adjacent to our existing locations it may not always be possible. 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 international 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 ("GHG") emissions that are linked to global climate change. Regulations to limit GHG emissions are in force in the European Union in an effort to prevent or reduce climate change. In the United States, the U.S. Environmental Protection Agency ("EPA") regulates GHG emissions from major stationary sources under the Clean Air Act. Current regulations apply to large sources of GHGs such as, for example, fossil-fueled electricity generating facilities, and the construction of new facilities that 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. A small source exception applies to our existing and anticipated facilities, which exempts sources emitting 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, from permitting requirements until at least April 30, 2016. EPA may develop permitting requirements for smaller sources of GHGs after April 30, 2016, which could potentially affect our facilities. We 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 established a mandatory emissions reporting program. Regulations adopted by the California Air Resources Board took effect January 1, 2012, and will require allowances to be surrendered for emissions of GHGs commencing January 1, 2013. This first phase of the cap-and-trade program will increase our electricity costs by an amount that cannot yet be determined, but could exceed 5% of our costs of electricity at our California locations. In 2015, a second phase of the program will begin, imposing allowance obligations upon suppliers of most forms of fossil fuels, which will increase the costs of our petroleum fuels used for transportation and emergency generators.

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 representing the GHG attributable to our electricity or fossil fuel consumption. 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 impose new or unexpected costs, our business, results of operations or financial condition may be adversely affected.

**If we are unable to recruit or retain qualified personnel, our business could be harmed.**

We must continue to identify, hire, train and retain IT professionals, technical engineers, operations employees, and sales, marketing, finance and senior management personnel who maintain relationships with our customers and who can provide the technical, strategic and marketing skills required for our company to grow. There is a shortage of qualified personnel in these fields, and we compete with other companies for the limited pool of talent. The failure to recruit and retain necessary personnel, including but not limited to members of our executive team, could harm our business and our ability to grow our company.

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

We must be able to differentiate our IBX data centers and product offerings from those of our competitors. In addition to competing with other neutral colocation providers, we compete with traditional colocation providers, including telecom companies, carriers, internet service providers and managed services providers, and with large REITs, who also operate in our market, and may enjoy a cost advantage in providing services similar to those provided by our IBX data centers. We may experience competition from our landlords, some of which are REITs, which could also reduce the amount of space available to us for expansion in the future. 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, blurring the line between retail and wholesale space. We may also face competition from existing competitors or new entrants to the market seeking to replicate our global IBX data center concept by building or acquiring data centers, offering colocation on neutral terms or by replicating our strategy and messaging. Finally, customers may also decide it is cost-effective for them to build out their own data centers. Once customers have an established data center footprint, either through a relationship with one of our competitors or through in-sourcing, it may be extremely difficult to convince them to relocate to our IBX data centers.

Some of our competitors may adopt aggressive pricing policies, especially if they are not highly leveraged or have lower return thresholds than we do. As a result, we may suffer from pricing pressure that would adversely affect our ability to generate revenues. Some of these competitors may also provide our target customers with additional benefits, including bundled communication services or cloud services, and may do so in a manner that is more attractive to our potential customers than obtaining space in our IBX data centers. Competitors could also operate more successfully or form alliances to acquire significant market share.

Failure to compete successfully may materially adversely affect our financial condition, cash flows and results of operations.

**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, from the tornados on the U.S. east coast in 2004, and relating to the earthquake and tsunami in Japan in 2011, 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.

**If our internal controls are found to be ineffective, our financial results or our stock price may be adversely affected.**

Our most recent evaluation of our controls resulted in our conclusion that, as of December 31, 2011, in compliance with Section 404 of the Sarbanes-Oxley Act of 2002, our internal controls over financial reporting were effective. Our ability to manage our operations and growth, and to successfully implement our proposed REIT conversion, will require us to improve our controls and reporting systems and develop or adopt new controls and reporting systems. If in the future our internal control over financial reporting is found to be ineffective, or if a material weakness is identified in our financial reporting, our financial results may be adversely affected. Investors may also lose confidence in the reliability of our financial statements which could adversely affect our stock price.

**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, 2011, 2010 and 2009, we recognized 40%, 38% and 39%, respectively, of our revenues outside the U.S. For the nine months ended September 30, 2012, we recognized 41% of our revenues outside the U.S. We currently operate outside of the U.S. in Canada, Brazil, and in the EMEA and Asia-Pacific regions.

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 outside of the U.S. 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;
- difficulties in managing across cultures and in foreign languages;

- 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.

**Economic uncertainty in developing markets could adversely affect our revenue and earnings.**

We conduct business or are contemplating expansion in developing markets with economies that tend to be more volatile than those in the United States and Western Europe. The risk of doing business in developing markets such as China, Brazil, India, Indonesia, Russia, the United Arab Emirates and other economically volatile areas, could adversely affect our operations and earnings. Such risks include the financial instability among customers in these regions, political instability, fraud or corruption and other non-economic factors such as irregular trade flows that need to be managed successfully with the help of the local governments. In addition, commercial laws in some developing countries can be vague, inconsistently administered and retroactively applied. If we are deemed not to be in compliance with applicable laws in developing countries where we conduct business, our prospects and business in those countries could be harmed, which could then have a material adverse impact on our results of operations and financial position. Our failure to successfully manage economic, political and other risks relating to doing business in developing countries and economically and politically volatile areas could adversely affect our business.

**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 a limiting factor in many of 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 may 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 depreciation and interest expense 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 and our ability to ramp our newly-hired sales persons to full productivity within the time period we have forecasted;
- 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;
- 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 or changes in shared

operating costs in connection with our leases, which are commonly referred to as common area maintenance expenses;

- 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;
- our stock repurchase program;
- our proposed REIT conversion, including the timing of expenditures associated with the REIT conversion;
- 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.

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

As of September 30, 2012, our accumulated deficit was $155.3 million. Although we have generated net income for each fiscal year since 2008, which was 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 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.

**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 through 2035. 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. Most 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.

**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.

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. 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.

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.

**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 or our customers' operations. As we provide assurances to our customers that we provide the highest level of security, such a compromise could be particularly harmful to our brand and reputation. 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 able to determine the extent to which 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.

**Because we depend on the development and growth of a balanced customer base, including key magnet customers, failure to attract, grow 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 enterprises, cloud, digital content and 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 10 to Notes to Condensed Consolidated Financial Statements in Item 1 of 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 is considering 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. The CFTC is also considering regulation of companies that use automated and high-frequency trading systems. Any such regulation may ultimately affect our provision of services.

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.**

If customers combine businesses, they may require less colocation space, which could lead to churn in our customer base. Regional competitors may also consolidate to become a global competitor. Consolidation of our customers and/or our competitors may present a risk to our business model and have a negative impact on our revenues.

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

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;

- 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.

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. Mine Safety Disclosure**

Not applicable.

**Item 5. Other Information**

None.

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**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 | | |
| 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 Amendment of the Restated Certificate of Incorporation | 8-K | 6/14/11 | 3.1 | |
| 3.3 | Certificate of Designation of Series A and Series A-1 Convertible Preferred Stock. | 10-K/A | 12/31/02 | 3.3 | |
| 3.4 | Amended and Restated Bylaws of the Registrant. | 8-K | 6/7/12 | 3.2 | |
| 4.1 | Reference is made to Exhibits 3.1, 3.2, 3.3 and 3.4. | | | | |
| 4.2 | 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 | |
| 4.3 | Form of 3.00% Convertible Subordinated Note Due 2014 (see Exhibit 4.2). | | | | |
| 4.4 | 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 | |
| 4.5 | Form of 4.75% Convertible Subordinated Note Due 2016 (see Exhibit 4.4). | | | | |
| 4.6 | 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 | |
| 4.7 | Form of 8.125% Senior Note Due 2018 (see Exhibit 4.6). | | | | |
| 4.8 | Indenture dated July 13, 2011 by and between Equinix, Inc. and U.S. Bank National Association as trustee | 8-K | 7/13/11 | 4.1 | |

| Exhibit Number | Exhibit Description | Incorporated by Reference Form | Filing Date/ Period End Date | Exhibit | Filed Herewith |
|---|---|---|---|---|---|
| 4.9 | Form of 7.00% Senior Note due 2021 (see Exhibit 4.8) | 8-K | 7/13/11 | 4.2 | |
| 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-Q | 3/31/12 | 10.2 | |
| 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 Agreements for Stephen M. Smith under the Equinix, Inc. 2000 Equity Incentive Plan. | 10-Q | 3/31/07 | 10.45 | |
| 10.7 | Letter Agreement, dated April 22, 2008, by and between Eric Schwartz and Equinix Operating Co., Inc. | 10-Q | 6/30/08 | 10.34 | |
| 10.8 | Severance Agreement by and between Stephen Smith and Equinix, Inc. dated December 18, 2008. | 10-K | 12/31/08 | 10.31 | |
| 10.9 | Severance Agreement by and between Peter Van Camp and Equinix, Inc. dated December 10, 2008. | 10-K | 12/31/08 | 10.32 | |
| 10.10 | Severance Agreement by and between Keith Taylor and Equinix, Inc. dated December 19, 2008. | 10-K | 12/31/08 | 10.33 | |
| 10.11 | Severance Agreement by and between Peter Ferris and Equinix, Inc. dated December 17, 2008. | 10-K | 12/31/08 | 10.34 | |
| 10.12 | Change in Control Severance Agreement by and between Eric Schwartz and Equinix, Inc. dated December 19, 2008. | 10-K | 12/31/08 | 10.35 | |
| 10.13 | 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 | |

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| Exhibit Number | Exhibit Description | Incorporated by Reference Form | Filing Date/ Period End Date | Exhibit | Filed Herewith |
|---|---|---|---|---|---|
| 10.14 | 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 | |
| 10.15 | 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 | |
| 10.16 | 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 | |
| 10.17 | Confirmation for Additional 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 | |
| 10.18 | 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 | |
| 10.19 | 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 | |
| 10.20 | 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 | |
| 10.21 | 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 | |
| 10.22 | 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 | |

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| Exhibit Number | Exhibit Description | Incorporated by Reference Form | Filing Date/ Period End Date | Exhibit | Filed Herewith |
|---|---|---|---|---|---|
| 10.23 | 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 | |
| 10.24 | Offer Letter from Equinix, Inc. to Charles Meyers dated September 28, 2010. | 10-Q | 9/30/10 | 10.40 | |
| 10.25 | Restricted Stock Unit Agreement for Charles Meyers under the Equinix, Inc. 2000 Equity Incentive Plan. | 10-Q | 9/30/10 | 10.41 | |
| 10.26 | Change in Control Severance Agreement by and between Charles Meyers and Equinix, Inc. dated September 30. 2010. | 10-Q | 9/30/10 | 10.42 | |
| 10.27 | Form of amendment to existing severance agreement between the Registrant and each of Messrs. Ferris, Meyers, Smith, Taylor and Van Camp. | 10-K | 12/31/10 | 10.33 | |
| 10.28 | Letter amendment, dated December 14, 2010, to Change in Control Severance Agreement, dated December 18, 2008, and letter agreement relating to expatriate benefits, dated April 22, 2008, as amended, by and between the Registrant and Eric Schwartz. | 10-K | 12/31/10 | 10.34 | |
| 10.29 | Form of Restricted Stock Unit Agreement for CEO and CFO. | 10-Q | 3/31/11 | 10.34 | |
| 10.30 | Form of Restricted Stock Unit Agreement for all other Section 16 officers. | 10-Q | 3/31/11 | 10.35 | |
| 10.31* | English Translation of Shareholders Agreement, dated as of April 25, 2011, among Equinix South America Holdings, LLC, RW Brasil Fundo de Investimento em Participações and Zion RJ Participações S.A., and, for the limited purposes set forth therein, Sidney Victor da Costa Breyer, Antonio Eduardo Zago de Carvalho, Equinix, Inc., Riverwood Capital L.P., Riverwood Capital Partners L.P. and Riverwood Capital Partners (Parallel - A) L.P. | 10-Q | 6/30/11 | 10.36 | |

| Exhibit Number | Exhibit Description | Incorporated by Reference Form | Filing Date/ Period End Date | Exhibit | Filed Herewith |
|---|---|---|---|---|---|
| 10.32 | Lease Agreement between 2020 Fifth Avenue LLC and Switch & Data WA One LLC, dated October 13, 2011. | 10-Q | 9/30/11 | 10.37 | |
| 10.33 | Equinix, Inc. 2012 Incentive Plan | 10-Q | 3/31/12 | | |
| 10.34 | Form of 2012 Revenue/Adjusted EBITDA Restricted Stock Unit Agreement for CEO and CFO. | 10-Q | 3/31/12 | | |
| 10.35 | Form of 2012 Revenue/Adjusted EBITDA Restricted Stock Unit Agreement for all other Section 16 officers. | 10-Q | 3/31/12 | | |
| 10.36 | Form of 2012 TSR Restricted Stock Unit Agreement for CEO and CFO. | 10-Q | 3/31/12 | | |
| 10.37 | Form of 2012 TSR Restricted Stock Unit Agreement for all other Section 16 officers. | 10-Q | 3/31/12 | | |
| 10.38 | Credit Agreement, by and among Equinix, Inc., as borrower, Equinix Operating Co., Inc., Equinix Pacific, Inc., Switch & Data Facilities Company, Inc., Switch & Data Holdings, Inc. and Equinix Services, Inc., as guarantors, the Lenders (defined therein), Bank of America, N.A., as administrative agent, a Lender and L/C issuer, Wells Fargo Bank, National Association, as syndication agent, the Co-Documentation Agents (defined therein) and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as sole lead arranger and sole book manager, dated June 28, 2012. | 10-Q | 6/30/12 | 10.39 | |
| 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. | | | | X |

| Exhibit Number | Exhibit Description | Incorporated by Reference Form | Filing Date/ Period End Date | Exhibit | Filed Herewith |
|---|---|---|---|---|---|
| 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.INS** | XBRL Instance Document. | | | | X |
| 101.SCH** | XBRL Taxonomy Extension Schema Document. | | | | X |
| 101.CAL** | XBRL Taxonomy Extension Calculation Document. | | | | X |
| 101.DEF** | XBRL Taxonomy Extension Definition Document. | | | | X |
| 101.LAB** | XBRL Taxonomy Extension Labels Document. | | | | X |
| 101.PRE** | XBRL Taxonomy Extension Presentation Document. | | | | 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.

** XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

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**EQUINIX, INC.**

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EQUINIX, INC.

Date: November 6, 2012

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

## INDEX TO EXHIBITS

| Exhibit Number | Description of Document |
|---|---|
| 21.1 | Subsidiaries of Equinix, Inc. |
| 31.1 | Chief Executive Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
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| 101.INS** | XBRL Instance Document. |
| 101.SCH** | XBRL Taxonomy Extension Schema Document. |
| 101.CAL** | XBRL Taxonomy Extension Calculation Document. |
| 101.DEF** | XBRL Taxonomy Extension Definition Document. |
| 101.LAB** | XBRL Taxonomy Extension Labels Document. |
| 101.PRE** | XBRL Taxonomy Extension Presentation Document. |

** XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

**Exhibit 21.1**

**Subsidiaries of Equinix, Inc.**

| Name | Jurisdiction |
|---|---|
| Equinix Operating Co., Inc. | Delaware, U.S. |
| Equinix RP, Inc. | Delaware, U.S. |
| Equinix South America Holdings, LLC | Delaware, U.S. |
| Equinix RP II LLC | Delaware, U.S. |
| CHI 3, LLC | Delaware, U.S. |
| NY3, LLC | Delaware, U.S. |
| SV1, LLC | Delaware, U.S. |
| LA4, LLC | Delaware, U.S. |
| Equinix Pacific, Inc. | Delaware, U.S. |
| CHI 3 Procurement, LLC | Illinois, U.S. |
| Equinix Asia Pacific Pte Ltd | Singapore |
| Equinix Singapore Holdings Pte Ltd | Singapore |
| Equinix Singapore Pte Ltd | Singapore |
| Equinix Japan KK (in Kanji) | Japan |
| Equinix Australia Pty Ltd | Australia |
| Equinix Hong Kong Ltd | Hong Kong |
| Equinix Information Technologies Hong Kong Limited | Hong Kong |
| Equinix Information Technology (Shanghai) Co Ltd. | People's Republic of China |
| Asiatone Data System (Shanghai) Co Ltd (Shanghai) Co Ltd. | People's Republic of China |
| Equinix Europe Ltd | United Kingdom |
| Equinix Group Ltd | United Kingdom |
| Equinix (UK) Ltd | United Kingdom |
| Equinix (Services) Ltd | United Kingdom |
| Equinix Corporation Ltd | United Kingdom |
| Equinix Investments Ltd | United Kingdom |
| Equinix (London) Ltd | United Kingdom |
| Equinix (Real Estate) GmbH | Germany |
| Equinix (Germany) GmbH | Germany |
| Equinix (IBX Services) GmbH | Germany |
| Upminster GmbH | Germany |
| Equinix (France) SAS | France |
| Interconnect Exchange Europe SL | Spain |
| Equinix (Switzerland) GmbH | Switzerland |
| Intelisite BV | The Netherlands |
| Equinix (Netherlands) BV | The Netherlands |
| Equinix (Netherlands) Holding Coöperatie U.A | The Netherlands |
| Equinix (Holdings) B.V. | The Netherlands |
| Virtu Secure Web Services BV | The Netherlands |

| | |
|---|---|
| Equinix (Real Estate) B.V. | The Netherlands |
| Equinix (Luxembourg) Holdings S.à r.l. | Luxembourg |
| Equinix (Luxembourg) Investments S.à r.l. | Luxembourg |
| Equinix (Luxembourg) Investments S.à r.l. Hong Kong Branch | Hong Kong |
| Equinix Middle East FZ LLC | United Arab Emirates |
| Equinix Italia S.r.L | Italy |
| ancotel GmbH | Germany |
| ancotel UK Ltd | United Kingdom |
| ancotel HK Ltd | Hong Kong |
| Zion RJ Participações S.A. | Brazil |
| ALOG Data Centers do Brasil S.A. | Brazil |
| ALOG-01 Soluções do Tecnologia em Infomática Ltda. | Brazil |
| ALOG-02 Soluções do Tecnologia em Infomática S.A. | Brazil |
| ALOG-03 Soluções do Tecnologia em Infomática Ltda. | Brazil |
| Switch & Data Facilities Company, Inc. | Delaware, U.S. |
| Switch & Data Holdings, Inc. | Delaware, U.S. |
| Equinix Services, Inc. | Delaware, U.S. |
| Switch & Data Facilities Company LLC | Delaware, U.S. |
| Switch and Data Operating Company LLC | Delaware, U.S. |
| Equinix Operating Co LLC | Delaware, U.S. |
| Equinix Canada Ltd. | Canada |
| Switch & Data AZ One LLC | Delaware, U.S. |
| Switch & Data CA One LLC | Delaware, U.S. |
| Switch & Data CA Two LLC | Delaware, U.S. |
| Switch and Data CA Nine LLC | Delaware, U.S. |
| Switch And Data CA Eleven LLC | Delaware, U.S. |
| Switch & Data CO One LLC | Delaware, U.S. |
| Switch & Data FL One LLC | Delaware, U.S. |
| Switch & Data FL Two LLC | Delaware, U.S. |
| Switch and Data FL Seven LLC | Delaware, U.S. |
| Switch and Data GA Three LLC | Delaware, U.S. |
| Switch and Data GA Four LLC | Delaware, U.S. |
| Switch & Data IL One LLC | Delaware, U.S. |
| Switch & Data IN One LLC | Delaware, U.S. |
| Switch & Data MA One LLC | Delaware, U.S. |
| Switch & Data MI One LLC | Delaware, U.S. |
| Switch & Data MO One LLC | Delaware, U.S. |
| Switch And Data NJ Two LLC | Delaware, U.S. |
| Switch & Data NY One LLC | Delaware, U.S. |
| Switch and Data NY Four LLC | Delaware, U.S. |
| Switch and Data NY Five LLC | Delaware, U.S. |
| Switch & Data/NY Facilities Company, LLC | Delaware, U.S. |
| Switch & Data OH One LLC | Delaware, U.S. |
| Switch & Data PA Two LLC | Delaware, U.S. |

| | |
|---|---|
| Switch and Data PA Three LLC | Delaware, U.S. |
| Switch and Data PA Four LLC | Delaware, U.S. |
| Switch & Data TN Two LLC | Delaware, U.S. |
| Switch & Data TX One LLC | Delaware, U.S. |
| Switch and Data TX Five LP | Delaware, U.S. |
| Switch and Data Dallas Holdings I LLC | Delaware, U.S. |
| Switch and Data Dallas Holdings II LLC | Delaware, U.S. |
| Switch & Data VA One LLC | Delaware, U.S. |
| Switch & Data VA Two LLC | Delaware, U.S. |
| Switch and Data VA Four LLC | Delaware, U.S. |
| Switch & Data WA One LLC | Delaware, U.S. |
| Switch and Data WA Three LLC | Delaware, U.S. |
| 365 Services LLC | Delaware, U.S. |

**Exhibit 31.1**

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

I, Stephen M. Smith, certify that:

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

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

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

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

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

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

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

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

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

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 6, 2012

/s/ Stephen M. Smith

Stephen M. Smith
Chief Executive Officer and President

**Exhibit 31.2**

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

I, Keith D. Taylor, certify that:

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

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

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

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

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

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

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

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

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

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 6, 2012

/s/ Keith D. Taylor

Keith D. Taylor
Chief Financial Officer

**Exhibit 32.1**

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

In connection with the Quarterly Report of Equinix, Inc. (the “Company”) on Form 10-Q for the period ending September 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Stephen M. Smith, Chief Executive Officer and President of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Stephen M. Smith

Stephen M. Smith
Chief Executive Officer and President

November 6, 2012

**Exhibit 32.2**

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

In connection with the Quarterly Report of Equinix, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Keith D. Taylor, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Keith D. Taylor

Keith D. Taylor
Chief Financial Officer

November 6, 2012