EQUINIX INC
Form 10-Q
August 05, 2008
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2008

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ______ to ______

Commission File Number 000-31293

EQUINIX, INC.

(Exact name of registrant as specified in its charter)

Delaware	**77-0487526**
(State of incorporation)	**(I.R.S. Employer Identification No.)**

301 Velocity Way, Fifth Floor, Foster City, California 94404

(Address of principal executive offices, including ZIP code)

(650) 513-7000

(Registrant s telephone number, including area code)

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

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

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

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

The number of shares outstanding of the registrant s Common Stock as of June 30, 2008 was 37,180,220.

Table of Contents

EQUINIX, INC.

INDEX

Table of Contents

PART I - FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

EQUINIX, INC.

Condensed Consolidated Balance Sheets

(in thousands)

	June 30, 2008	December 31, 2007
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 151,127	$ 290,633
Short-term investments	64,980	63,301
Accounts receivable, net	63,105	60,089
Prepaids and other current assets	14,514	12,738
Total current assets	293,726	426,761
Long-term investments	108,642	29,966
Property and equipment, net	1,331,017	1,162,720
Goodwill	458,849	442,926
Intangible assets, net	71,532	67,207
Debt issuance costs, net	19,571	21,333
Other assets	47,645	30,955
Total assets	$ 2,330,982	$ 2,181,868
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 74,722	$ 65,096
Accrued property and equipment	53,029	76,504
Current portion of capital lease and other financing obligations	4,038	3,808
Current portion of mortgage and loans payable	37,089	16,581
Current portion of convertible debt	32,250	
Other current liabilities	34,445	29,473
Total current liabilities	235,573	191,462
Capital lease and other financing obligations, less current portion	97,361	93,604
Mortgage and loans payable, less current portion	375,308	313,915
Convertible debt, less current portion	645,986	678,236
Deferred tax liabilities	24,115	25,955
Deferred rent and other liabilities	73,966	64,264
Total liabilities	1,452,309	1,367,436
Stockholders equity:		
Common stock	37	37
Additional paid-in capital	1,425,778	1,376,915
Accumulated other comprehensive loss	3,840	(3,888)

Accumulated deficit	(550,982)	(558,632)
Total stockholders equity	878,673	814,432
Total liabilities and stockholders equity	$ 2,330,982	$ 2,181,868

See accompanying notes to condensed consolidated financial statements

Table of Contents

EQUINIX, INC.

Condensed Consolidated Statements of Operations

(in thousands, except per share data)

	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
	(unaudited)			
Revenues	$ 172,044	$ 91,837	$ 330,262	$ 176,946
Costs and operating expenses:				
Cost of revenues	102,008	55,609	196,494	108,374
Sales and marketing	15,290	8,896	30,641	17,972
General and administrative	41,445	24,478	75,821	46,940
Restructuring charges		407		407
Total costs and operating expenses	158,743	89,390	302,956	173,693
Income from operations	13,301	2,447	27,306	3,253
Interest income	2,411	5,082	5,852	7,031
Interest expense	(12,823)	(5,986)	(26,417)	(9,578)
Other income (expense)	(918)	(129)	1,122	1
Loss on conversion of debt				(3,395)
Income (loss) before income taxes	1,971	1,414	7,863	(2,688)
Income taxes	258	(197)	(213)	(551)
Net income (loss)	$ 2,229	$ 1,217	$ 7,650	$ (3,239)
Basic net income (loss) per share:				
Net income (loss) per share	$ 0.06	$ 0.04	$ 0.21	$ (0.11)
Weighted-average shares	36,572	31,126	36,424	30,424
Diluted net income (loss) per share:				
Net income (loss) per share	$ 0.06	$ 0.04	$ 0.20	$ (0.11)
Weighted-average shares	37,844	32,641	37,570	30,424

See accompanying notes to condensed consolidated financial statements

Table of Contents

EQUINIX, INC.

Condensed Consolidated Statements of Cash Flows

(in thousands)

	Six months ended June 30, 2008	2007
	(unaudited)	
Cash flows from operating activities:		
Net income (loss)	$ 7,650	$ (3,239)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	70,207	41,597
Stock-based compensation	29,389	20,543
Amortization of intangible assets	3,546	266
Amortization of debt issuance costs	2,581	1,173
Accretion of asset retirement obligation and accrued restructuring charges	825	1,623
Other items	(740)	30
Changes in operating assets and liabilities:		
Accounts receivable	(1,531)	(1,410)
Prepaids and other assets	719	(2,784)
Accounts payable and accrued expenses	5,537	5,293
Accrued restructuring charges	(1,440)	(6,897)
Other liabilities	11,199	1,517
Net cash provided by operating activities	127,942	57,712
Cash flows from investing activities:		
Purchases of investments	(167,175)	(58,151)
Sales of investments	13,676	
Maturities of investments	74,568	43,221
Purchase of San Jose IBX property		(6,500)
Purchase of Los Angeles IBX property		(49,040)
Purchase of Virtu, net of cash acquired	(23,241)	
Purchases of other property and equipment	(210,101)	(206,888)
Change in accrued property and equipment	(26,241)	47,879
Purchase of restricted cash	(14,234)	(470)
Release of restricted cash	333	
Net cash used in investing activities	(352,415)	(229,949)
Cash flows from financing activities:		
Proceeds from employee equity awards	19,238	17,162
Proceeds from convertible debt		250,000
Proceeds from loans payable	77,525	69,263
Repayment of capital lease and other financing obligations	(1,918)	(945)
Repayment of mortgage and loans payable	(7,422)	(1,030)
Debt issuance costs	(901)	(10,678)
Net cash provided by financing activities	86,522	323,772
Effect of foreign currency exchange rates on cash and cash equivalents	(1,555)	500

Net increase (decrease) in cash and cash equivalents	(139,506)	152,035
Cash and cash equivalents at beginning of period	290,633	82,563
Cash and cash equivalents at end of period	$ 151,127	$ 234,598
Supplemental cash flow information:		
Cash paid for taxes	$ 336	$ 173
Cash paid for interest	$ 26,495	$ 9,859

See accompanying notes to condensed consolidated financial statements

Table of Contents

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation and Significant Accounting Policies

The accompanying unaudited condensed consolidated financial statements have been prepared by Equinix, Inc. (Equinix or the Company) and reflect all adjustments, consisting only of normal recurring adjustments, which in the opinion of management are necessary to fairly state the financial position and the results of operations for the interim periods presented. The balance sheet at December 31, 2007 has been derived from audited financial statements at that date. The financial statements have been prepared in accordance with the regulations of the Securities and Exchange Commission (SEC), but omit certain information and footnote disclosure necessary to present the statements in accordance with generally accepted accounting principles. For further information, refer to the Consolidated Financial Statements and Notes thereto included in Equinix s Form 10-K as filed with the SEC on February 27, 2008. Results for the interim periods are not necessarily indicative of results for the entire fiscal year.

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Certain amounts in the accompanying condensed consolidated financial statements have been reclassified to conform to the condensed consolidated financial statement presentation as of and for the three and six months ended June 30, 2008.

During the three months ended June 30, 2008, the Company recorded certain out-of-period adjustments. The Company concluded that the adjustments were not material to any previously-reported historical period and expected results of operations for the current fiscal year. As such, these adjustments were recorded as of and for the three months ended June 30, 2008 and are included in the condensed consolidated financial statements herein.

Consolidation and Foreign Currency Transactions

The accompanying unaudited condensed consolidated financial statements include the accounts of Equinix and its subsidiaries, including the operations of IXEurope from September 14, 2007 and Virtu from February 5, 2008 (see Note 2). All significant intercompany accounts and transactions have been eliminated in consolidation. Foreign exchange gains or losses resulting from foreign currency transactions, including intercompany foreign currency transactions that are anticipated to be repaid within the foreseeable future, are reported within other income (expense) on the Company s accompanying statements of operations.

Revenue Recognition and Allowance for Doubtful Accounts

Equinix derives more than 90% of its revenues from recurring revenue streams, consisting primarily of (1) colocation services, such as from the licensing of cabinet space and power; (2) interconnection services, such as cross connects and Equinix Exchange ports; (3) managed infrastructure services, such as Equinix Direct and bandwidth and (4) other services consisting of rent. The remainder of the Company s revenues are from non-recurring revenue streams, such as from the recognized portion of deferred installation revenues, professional services, contract settlements and equipment sales. Revenues from recurring revenue streams are billed monthly and recognized ratably over the term of the contract, generally one to three years for IBX space customers. Non-recurring installation fees, although generally paid in a lump sum upon installation, are deferred and recognized ratably over the longer of the term of the related contract or expected life of the installation. Professional service fees are recognized in the period in which the services were provided and represent the culmination of a separate earnings process as long as they meet the criteria for separate recognition under EITF No. 00-21, Revenue Arrangements with Multiple Deliverables. Revenue from bandwidth and equipment sales is recognized on a gross basis in accordance with EITF No. 99-19, Recording Revenue as a Principal versus Net as an Agent , primarily because the Company acts as the principal in the transaction, takes title to products and services and bears inventory and credit risk. To

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

the extent the Company does not meet the criteria for gross basis accounting for bandwidth and equipment revenue, the Company records the revenue on a net basis. Revenue from contract settlements, when a customer wishes to terminate their contract early, is generally recognized on a cash basis, when no remaining performance obligations exist, to the extent that the revenue has not previously been recognized.

The Company occasionally guarantees certain service levels, such as uptime, as outlined in individual customer contracts. To the extent that these service levels are not achieved, the Company reduces revenue for any credits given to the customer as a result. The Company generally has the ability to determine such service level credits prior to the associated revenue being recognized, and historically, these credits have generally not been significant. There were no significant service level credits issued during the three and six months ended June 30, 2008 and 2007.

Revenue is recognized only when the service has been provided and when there is persuasive evidence of an arrangement, the fee is fixed or determinable and collection of the receivable is reasonably assured. It is customary business practice to obtain a signed master sales agreement and sales order prior to recognizing revenue in an arrangement. Taxes collected from customers and remitted to governmental authorities are reported on a net basis and are excluded from revenue.

The Company assesses collection based on a number of factors, including past transaction history with the customer and the credit-worthiness of the customer. The Company generally does not request collateral from its customers although in certain cases the Company obtains a security interest in a customer s equipment placed in its IBX centers or obtains a deposit. If the Company determines that collection of a fee is not reasonably assured, the fee is deferred and revenue is recognized at the time collection becomes reasonably assured, which is generally upon receipt of cash. In addition, the Company also maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments for which the Company had expected to collect the revenues. If the financial condition of the Company s customers were to deteriorate or if they became insolvent, resulting in an impairment of their ability to make payments, greater allowances for doubtful accounts may be required. Management specifically analyzes accounts receivable and current economic news and trends, historical bad debts, customer concentrations, customer credit-worthiness and changes in customer payment terms when evaluating revenue recognition and the adequacy of the Company s reserves. A specific bad debt reserve of up to the full amount of a particular invoice value is provided for certain problematic customer balances. An additional reserve is established for all other accounts based on the age of the invoices and an analysis of historical credits issued. Delinquent account balances are written-off after management has determined that the likelihood of collection is not probable.

Net Income (Loss) per Share

The Company computes net income (loss) per share in accordance with SFAS No. 128, Earnings per Share; SEC Staff Accounting Bulletin (SAB) No. 98; EITF Issue 03-6, Participating Securities and the Two-Class Method Under FASB 128; EITF Issue 04-8 The Effect of Contingently Convertible Instruments on Diluted Earnings per Share and SFAS No. 123(R), Share-Based Payment. Basic net income (loss) per share is computed using net income (loss) and the weighted-average number of common shares outstanding. Diluted net income (loss) per share is computed using net income (loss), adjusted for interest expense as a result of the assumed conversion of the Company s Convertible Subordinated Debentures, 2.50% Convertible Subordinated Notes and 3.00% Convertible Subordinated Notes, if dilutive, and the weighted-average number of common shares outstanding plus any dilutive potential common shares outstanding. Dilutive potential common shares include the assumed exercise, vesting and issuance activity of employee equity awards using the treasury stock method, as well as warrants and shares issuable upon the conversion of the Convertible Subordinated Debentures, 2.50% Convertible Subordinated Notes and 3.00% Convertible Subordinated Notes.

Table of Contents

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Numerator:				
Numerator for basic net income (loss) per share	$ 2,229	$ 1,217	$ 7,650	$ (3,239)
Effect of assumed conversion of convertible subordinated debentures and notes:				
Interest expense, net of tax				
Numerator for diluted net income (loss) per share	$ 2,229	$ 1,217	$ 7,650	$ (3,239)
Denominator:				
Weighted-average shares	36,964	31,629	36,827	30,884
Weighted-average unvested restricted shares issued subject to forfeiture	(392)	(503)	(403)	(460)
Denominator for basic net income (loss) per share	36,572	31,126	36,424	30,424
Effect of dilutive securities:				
Convertible subordinated debentures				
2.50% convertible subordinated notes				
3.00% convertible subordinated notes				
Employee equity awards	1,272	1,515	1,146	
Warrants				
Total dilutive potential shares	1,272	1,515	1,146	
Denominator for diluted net income (loss) per share	37,844	32,641	37,570	30,424
Net income (loss) per share:				
Basic	$ 0.06	$ 0.04	$ 0.21	$ (0.11)
Diluted	$ 0.06	$ 0.04	$ 0.20	$ (0.11)

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

	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Shares reserved for conversion of convertible subordinated debentures	816	816	816	816
Shares reserved for conversion of 2.50% convertible subordinated notes	2,232	2,232	2,232	2,232

Shares reserved for conversion of 3.00% convertible subordinated notes	2,945		2,945	
Unvested restricted shares issued subject to forfeiture				505
Common stock warrants	1	1	1	1
Common stock related to employee equity awards	1,179	1,067	1,374	3,888
	7,173	4,116	7,368	7,442

Table of Contents

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Income Taxes

Income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts that are expected more likely than not to be realized in the future.

The Company recorded an additional deferred tax liability with an increase to goodwill as a result of the Virtu Acquisition. The deferred tax liability recognized is primarily attributable to the identifiable intangible assets that were recorded for the purchase.

The Company will continue to provide a valuation allowance for the net deferred tax assets, other than the deferred tax assets associated with its Singapore and Swiss subsidiaries, until it becomes more likely than not that the net deferred tax assets will be realizable. For the three and six months ended June 30, 2008, the Company recorded $258,000 of tax benefit and $213,000 of tax expense, respectively. The tax benefit and expense recorded during the periods ended June 30, 2008 were primarily attributable to the Company s foreign operations. For the three and six months ended June 30, 2007, the Company recorded a tax provision of $197,000 and $551,000, respectively. The tax provision recorded in the periods ended June 30, 2007 was primarily attributable to the Company s foreign operations. The tax provision for the six months ended June 30, 2008 includes a tax benefit of $185,000 the Company recorded due to a tax settlement with a state in which it operated. The Company did not record any excess tax benefit associated with the stock options exercised by employees during the three and six months ended June 30, 2008 and 2007.

In January 2007, the Company adopted the provisions of FIN 48, Accounting for Uncertainty in Income Taxes (FIN 48), which clarifies the accounting for uncertainty in income taxes recognized in the condensed consolidated financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The adoption of FIN 48 resulted in no cumulative effect of a change in accounting principle being recorded on the Company s condensed consolidated financial statements during the three months ended March 31, 2007. Prior to the adoption of FIN 48, the Company recorded liabilities related to uncertain income tax position based upon SFAS No. 5, Accounting for Contingencies.

During the three months ended March 31, 2008, the Company reached a final agreement with a state in which it operated to close an appeal filed by the Company in that state s tax court. The Company filed the appeal in 2006 to contest the decision made by the state auditor disallowing the refundable research and capital goods credits. The executed closing settlement specified that the state would credit the Company $357,000 plus interest, which was received. As a result of the settlement, the total unrecognized tax benefits decreased by $1,373,000 in the six months ended June 30, 2008. A majority of the unrecognized tax benefits, if subsequently recognized, will affect the Company s effective tax rate at the time of recognition. The Company will continue to classify the interest and penalties recognized in accordance with paragraphs 15 and 16, respectively, of FIN 48 in the financial statements as income tax. The Company s income tax returns for all tax years remain open to examination by federal and various state taxing authorities due to the Company s Net Operating Loss (NOL) carry-forward. In addition, the Company s tax years of 2001 through 2007 also remain open and subject to examination by local tax authorities in the foreign jurisdictions in which the Company has major operations.

Table of Contents

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Construction in Progress

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

Interest incurred is capitalized in accordance with SFAS No. 34, Capitalization of Interest Costs. The following table sets forth total interest cost incurred and total interest cost capitalized (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2008	**2007**	**2008**	**2007**
Interest expense	$ 12,823	$ 5,986	$ 26,417	$ 9,578
Interest capitalized	1,852	1,634	3,194	3,146
Interest charges incurred	$ 14,675	$ 7,620	$ 29,611	$ 12,724

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with SFAS No. 123(R), Share-Based Payment, and related pronouncements (SFAS 123(R)). Under the fair value recognition provisions of this statement, stock-based compensation cost is measured at the grant date for all stock-based awards made to employees and directors based on the fair value of the award and is recognized as expense over the requisite service period, which is generally the vesting period. SFAS 123(R) supersedes the Company s previous accounting under Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, (APB 25) for periods beginning in fiscal year 2006. Commencing in March 2008, the Company began granting restricted stock units to its employees in lieu of stock options.

In January 2008, the Compensation Committee of the Board of Directors approved the issuance of an aggregate of 123,000 shares of restricted stock units to executive officers pursuant to the 2000 Equity Incentive Plan. In addition, in February 2008, the Stock Award Committee of the Board of Directors approved the issuance of 308,267 restricted stock units to certain employees, excluding executive officers, as part of the Company s annual refresh program. All awards are subject to vesting provisions. All such equity awards described in this paragraph had a total fair value as of the date of grants, net of estimated forfeitures, of $28,565,000, which is expected to be amortized over a weighted-average period of 3.23 years.

During the three months ended June 30, 2008, the Company entered into compromise agreements with its two senior officers in Europe in connection with their resignations and modified their outstanding stock awards. As a result, the Company recorded an incremental stock-based compensation charge of $3,098,000 during the three and six months ended June 30, 2008.

Table of Contents

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Cost of revenues	$ 1,208	$ 1,004	$ 2,178	$ 2,141
Sales and marketing	2,753	1,765	5,054	4,391
General and administrative	13,087	7,276	22,157	14,011
	$ 17,048	$ 10,045	$ 29,389	$ 20,543

Goodwill and Other Intangible Assets

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

	June 30, 2008	December 31, 2007
Goodwill:		
Asia-Pacific	$ 19,092	$ 18,010
Europe	439,757	424,916
	458,849	442,926
Other intangibles:		
Intangible asset customer contracts	76,984	69,209
Intangible asset leases	5,514	5,254
Intangible asset tradename	446	361
Intangible asset workforce	160	160
Intangible asset lease expenses	111	111
Intangible asset non-compete	72	
	83,287	75,095
Accumulated amortization	(11,755)	(7,888)
	71,532	67,207
	$ 530,381	$ 510,133

As a result of the Virtu Acquisition, the Company recorded goodwill of $16,973,000 and intangible assets, comprised primarily of customer contracts, of $7,195,000. The customer contracts intangible asset is being amortized over an estimated useful life of 12 years. The Company s goodwill and intangible assets in Europe are assets denominated in British pounds and Euros and goodwill in Asia-Pacific is denominated in Singapore dollars and are subject to foreign currency fluctuations. The Company s foreign currency translation gains and losses, including goodwill and other intangibles, are a component of other comprehensive income and loss.

11

Table of Contents

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the three and six months ended June 30, 2008, the Company recorded amortization expense of $1,771,000 and $3,546,000, respectively. For the three and six months ended June 30, 2007, the Company recorded amortization expense of $57,000 and $136,000, respectively. The Company expects to record the following amortization expense during the remainder of 2008 and beyond (in thousands):

Year ending:	
2008 (six months remaining)	$ 5,088
2009	6,953
2010	6,914
2011	6,804
2012	6,784
2013 and thereafter	38,989
Total	$ 71,532

Derivatives and Hedging Activities

The Company follows SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended (SFAS 133), which requires the Company to recognize all derivatives on the consolidated balance sheet at fair value. The accounting for changes in the value of a derivative depends on whether the contract is for trading purposes or has been designated and qualifies for hedge accounting. In order to qualify for hedge accounting, a derivative must be considered highly effective at reducing the risk associated with the exposure being hedged. In order for a derivative to be designated as a hedge, there must be documentation of the risk management objective and strategy, including identification of the hedging instrument, the hedged item and the risk exposure, and how effectiveness is to be assessed prospectively and retrospectively.

To assess effectiveness, the Company uses a regression analysis. The extent to which a hedging instrument has been and is expected to continue to be effective at achieving offsetting changes in cash flows is assessed and documented at least quarterly. Any ineffectiveness is reported in current-period earnings. If it is determined that a derivative is not highly effective at hedging the designated exposure, hedge accounting is discontinued. For qualifying cash flow hedges, the effective portion of the change in the fair value of the derivative is recorded in other comprehensive income (loss) and recognized in the condensed consolidated statements of operations when the hedged cash flows affect earnings. The ineffective portions of cash flow hedges are immediately recognized in earnings. If the hedge relationship is terminated, then the change in fair value of the derivative recorded in other comprehensive income (loss) is recognized when the cash flows that were hedged occur, consistent with the original hedge strategy. For hedge relationships discontinued because the forecasted transaction is not expected to occur according to the original strategy, any related derivative amounts recorded in other comprehensive income (loss) are immediately recognized in earnings.

Cash Flow Hedges Interest Rate Swaps

The Company has variable-rate debt financing. These obligations expose the Company to variability in interest payments and therefore fluctuations in interest expense due to changes in interest rates. Interest rate swap contracts are used in the Company s risk management activities in order to minimize significant fluctuations in earnings that are caused by interest rate volatility. Interest rate swaps involve the exchange of variable-rate interest payments for fixed-rate interest payments based on the contractual underlying notional amount. Gains and losses on the interest rate swaps that are linked to the debt being hedged are expected to substantially offset this variability in earnings.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In May 2008, the Company entered into several interest rate swaps in order to minimize variability related to its variable-rate Chicago IBX Financing and European Financing (see Note 10 Debt Facilities and Other Financing Obligations). The Company also designated two existing interest rate swaps acquired in the IXEurope Acquisition as effective cash flow hedge relationships with the European Financing. Each of these hedge relationships were highly effective at achieving offsetting changes in cash flows as of June 30, 2008 with a small amount of ineffectiveness recorded in interest expense on the accompanying condensed consolidated statements of operations. As of June 30, 2008, the Company had the following interest rate swaps in place (in thousands):

	As of June 30, 2008		
	Notional Amount	**Fair Value (1)**	**Gain (Loss) (2)**
Assets:			
European Financing interest rate swaps	$ 127,192	$ 1,574	$ 1,316
Liabilities:			
Chicago IBX Financing interest rate swap	105,000	(77)	(77)
	$ 232,192	$ 1,497	$ 1,239

(1) Included in the condensed consolidated balance sheets within other assets or deferred rent and other liabilities.

(2) Included in the condensed consolidated balance sheets within other comprehensive income (loss).

Other Derivatives Foreign Currency Forward Contracts

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 SFAS 133. Gains and losses on these contracts are included in other income (expense), net, along with those gains and losses of the related hedged items. The Company entered into various foreign currency forward contracts during the three months ended June 30, 2008. As of June 30, 2008, the Company recorded a net liability of $237,000 representing the fair values of these foreign currency forward contracts.

Fair Value Measurements

Effective January 1, 2008, the Company adopted SFAS No. 157, Fair Value Measurements (SFAS 157). This standard establishes a framework for measuring fair value and expands disclosure about fair value measurements. The Company did not elect to adopt fair value accounting for any assets or liabilities allowed by SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS 159). The adoption of SFAS 157 did not have a material impact on the Company s financial position, results of operations or operating cash flow.

To increase consistency and comparability in fair value measurements, SFAS 157 establishes a fair value hierarchy to prioritize the inputs used in valuation techniques. There are three broad levels to the fair value hierarchy of inputs to fair value (Level 1 being the highest priority and Level 3 being the lowest priority) as follows:

Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Inputs reflect quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the asset or the liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Table of Contents

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Level 3: Unobservable inputs reflecting the Company s own assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

The Company measures and reports certain financial assets and liabilities at fair value on a recurring basis, including its investments in money market funds and available-for-sale debt investments in other public companies, governmental units and other agencies and derivatives.

The Company s assets and liabilities measured at fair value at June 30, 2008 were as follows (in thousands):

	Fair value at June 30, 2008	Fair value measurement using		
		Level 1	Level 2	Level 3
Assets:				
Money market funds	$ 122,151	$ 122,151	$	$
Other cash equivalent securities	28,976		28,976	
Short-term investments	64,980		64,980	
Long-term investments	108,642		108,642	
Derivative assets (1)	1,729		1,729	
	$ 326,478	$ 122,151	$ 204,327	$
Liabilities:				
Derivative liabilities (2)	(469)		(469)	
	$ (469)	$	$ (469)	$

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

(2) Included in the condensed consolidated balance sheets within other current liabilities and deferred rent and other liabilities.

The fair value of the Company s investment in available-for-sale money market funds approximates their face value. Such instruments are included in cash and cash equivalents. Cash equivalent securities include 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 investments are included in short-term investments and in long-term investments.

The Company does not have any fair value measurements using Level 3 inputs.

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.

The Company s money market fund instruments are classified within Level 1 of the fair value hierarchy because they are valued using quoted prices for identical instruments in active markets.

The types of instruments valued based on other observable inputs include available-for-sale debt investments in other public companies, governmental units and other agencies. Such instruments are generally classified within Level 2 of the fair value hierarchy.

Short-Term and Long-Term Investments. 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 based on quoted market prices with unrealized gains and losses reported

14

Table of Contents

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

in stockholders equity as a component of other comprehensive income or loss. 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. The Company determined that these quoted market prices qualify as Level 1 and Level 2.

Derivative Assets and Liabilities. In determining the fair value of the Company s interest rate swap derivatives, the Company uses the present value of expected cash flows based on observable market interest rate curves and volatilities commensurate with the term of each instrument and the credit valuation adjustments to appropriately reflect both the Company s own nonperformance risk and the counterparty s nonperformance risk. For foreign currency derivatives, the Company s approach is to use forward contract and option valuation models employing market observable inputs, such as spot currency rates, time value and option volatilities and adjust for the credit default swap market. Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit risk valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of June 30, 2008, the Company had assessed the significance of the impact of the credit risk valuation adjustments on the overall valuation of its derivative positions and had determined that the credit risk valuation adjustments were not significant to the overall valuation of its derivatives.

2. Virtu Acquisition

On February 5, 2008, a wholly-owned subsidiary of the Company acquired all of the issued and outstanding share capital of Virtu Secure Webservices B.V. (Virtu), a provider of network-neutral data center services in the Netherlands, for a cash payment of $23,345,000, including closing costs (the Virtu Acquisition). Under the terms of the Virtu Acquisition, the Company may also pay additional future contingent consideration, which will be payable in the form of up to 20,000 shares of the Company s common stock and cash of up to 1,500,000 Euros, contingent upon meeting certain pre-determined future annual operating targets from 2008 to 2011. Such contingent consideration, if paid, will be recorded as additional goodwill. Virtu, a similar business to that of the Company, operates data centers in the Netherlands, supplementing the Company s existing European operations. The combined company predominantly operates under the Equinix name and the majority of the current Virtu management team joined the Company s existing European management team in running the Company s operations in the Netherlands. The results of operations for Virtu are insignificant; therefore, the Company does not present pro forma combined results of operations.

3. IBX Acquisitions and Expansions

Sydney IBX Expansion Project

In January 2008, the Company entered into a long-term lease for a new building located adjacent to its existing Sydney IBX center and at the same time terminated the existing lease for the Company s original Sydney IBX center by incorporating it into the new lease. The Company extended the original lease term for an additional seven years in a single, revised lease agreement for both buildings (collectively, the Building). Minimum payments under this lease total 18,260,000 Australian dollars, or approximately $16,000,000, in cumulative lease payments with monthly payments that commenced in January 2008, of which 12,202,000 Australian dollars, or approximately $10,700,000, is incremental to the previous lease. As a result of the Company significantly altering the Building s footprint in order to meet the Company s IBX center needs, the Company followed the accounting provisions of EITF 97-10, The Effect of Lessee Involvement in Asset Construction (EITF 97-10). Pursuant to EITF 97-10, the Building is considered a financed asset (the Sydney IBX Building Financing) and subject to a ground lease for the underlying land, which is considered an operating lease. Pursuant to the Sydney IBX Building Financing, the Company recorded the Building asset and a corresponding financing obligation liability totaling 5,805,000 Australian dollars (or approximately $5,300,000) in January 2008. Monthly payments under the Sydney IBX Building Financing, which commenced in January 2008, are payable through December 2022, at an effective interest rate of approximately 7.90% per annum.

Table of Contents

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IBX Expansion Project Summary

The following table sets forth approximate balances of total cumulative capital expenditures incurred on the Company s significant expansion projects currently underway as of the following dates (in thousands):

	June 30, 2008	December 31, 2007
U.S. Expansion Projects:		
Washington, D.C. Metro Area Fifth IBX Center Expansion Project (DC5)	$ 77,637	$ 20,000
Silicon Valley Metro Area IBX Expansion Project (SV2 Phase II)	38,831	25,283
Los Angeles Metro Area IBX Expansion Project (LA4)	10,208	4,321
	126,676	49,604
Asia-Pacific Expansion Projects:		
Tokyo IBX Expansion Project (TY2)	26,894	16,600
Singapore IBX Expansion Project (SG1 Expansion Phase II and III)	26,675	15,500
Sydney IBX Expansion Project (SY2)	6,956	
Hong Kong IBX Expansion Project (HK1 Phase II)	11,868	
	72,393	32,100
Europe Expansion Projects:		
Paris IBX Expansion Project (PA2 Phase II and III)	25,457	8,513
Frankfurt IBX Expansion Project (FR2 Phase II(a) and II(b))	27,844	4,177
London IBX Expansion Project (LD4 Phase II)	28,024	5,529
Amsterdam IBX Expansion Project (AM1)	7,282	
	88,607	18,219
	$ 287,676	$ 99,923

The Company s planned capital expenditures during the remainder of 2008 in connection with the expansion efforts described above are substantial. For further information, refer to Other Purchase Commitments in Note 11.

4. Related Party Transactions

The Company has several significant stockholders, and other related parties, that are also customers and/or vendors. For the three and six months ended June 30, 2008, revenues recognized with these related parties were $5,505,000 and $7,604,000, respectively. For the three and six months ended June 30, 2007, revenues recognized with these related parties were $2,107,000 and $3,977,000, respectively. As of June 30, 2008 and 2007, accounts receivable with these related parties were $4,653,000 and $1,421,000, respectively. For the three and six months ended June 30, 2008, costs and services procured with these related parties were $760,000 and $1,515,000, respectively. For the three and six months ended June 30, 2007, costs and services procured with these related parties were $322,000 and $637,000, respectively. As of June 30, 2008 and 2007, accounts payable with these related parties were $115,000 and $112,000, respectively.

16

Table of Contents

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Accounts Receivable

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

	June 30, 2008	December 31, 2007
Accounts receivable	$ 108,638	$ 98,141
Unearned revenue	(44,740)	(37,606)
Allowance for doubtful accounts	(793)	(446)
	$ 63,105	$ 60,089

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. Unearned revenue consists of pre-billing for services that have not yet been provided, but which have been billed to customers ahead of time in accordance with the terms of their contract. Accordingly, the Company invoices its customers at the end of a calendar month for services to be provided the following month.

6. Property and Equipment

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

	June 30, 2008	December 31, 2007
IBX plant and machinery	$ 637,112	$ 503,755
Leasehold improvements	511,836	481,409
Buildings	158,469	153,692
Site improvements	148,794	96,041
IBX equipment	135,889	128,423
Computer equipment and software	67,748	60,881
Land	51,240	50,979
Furniture and fixtures	7,850	5,698
Construction in progress	138,263	133,501
	1,857,201	1,614,379
Less accumulated depreciation	(526,183)	(451,659)
	$ 1,331,017	$ 1,162,720

Leasehold improvements, IBX plant and machinery, computer equipment and software and buildings recorded under capital leases aggregated $40,807,000 and $40,486,000 at June 30, 2008 and December 31, 2007, respectively. Amortization on the assets recorded under capital leases is included in depreciation expense and accumulated depreciation on such assets totaled $9,814,000 and $5,899,000 as of June 30, 2008 and 2007, respectively.

As of June 30, 2008 and December 31, 2007, the Company had accrued property and equipment expenditures of $53,029,000 and $76,504,000, respectively. The Company s planned capital expenditures during the remainder of 2008 in connection with recently acquired IBX properties and expansion efforts are substantial. For further information, refer to Other Purchase Commitments in Note 11.

Table of Contents

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Accounts Payable and Accrued Expenses

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

	June 30, 2008	December 31, 2007
Accounts payable	$ 17,840	$ 14,816
Accrued compensation and benefits	21,600	18,875
Accrued utility and security	10,131	8,709
Accrued taxes	9,331	6,925
Accrued interest	5,733	6,461
Accrued professional fees	3,022	2,094
Accrued other	7,065	7,216
	$ 74,722	$ 65,096

8. Other Current Liabilities

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

	June 30, 2008	December 31, 2007
Deferred installation revenue	$ 19,443	$ 16,295
Customer deposits	5,579	4,643
Deferred recurring revenue	4,777	3,811
Accrued restructuring charges	3,415	3,973
Deferred rent	405	400
Other current liabilities	826	351
	$ 34,445	$ 29,473

9. Deferred Rent and Other Liabilities

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

	June 30, 2008	December 31, 2007
Deferred rent, non-current	$ 30,152	$ 26,512
Deferred installation revenue, non-current	13,700	10,241
Asset retirement obligations	10,690	8,759
Accrued restructuring charges, non-current	7,644	8,167
Deferred recurring revenue, non-current	5,651	5,745

Other liabilities	6,129	4,840
	$ 73,966	$ 64,264

The Company currently leases the majority of its IBX centers and certain equipment under non-cancelable operating lease agreements expiring through 2027. The centers lease agreements typically provide for base rental rates that increase at defined intervals during the term of the lease. In addition, the Company has negotiated rent expense abatement periods for certain properties to better match the phased build-out of its centers. The Company accounts for such abatements and increasing base rentals using the straight-line method over the life of the lease. The difference between the straight-line expense and the cash payment is recorded as deferred rent.

Table of Contents

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Debt Facilities and Other Financing Obligations

Chicago IBX Financing

During the six months ended June 30, 2008, the Company received additional advances under the Chicago IBX Financing totaling $4,379,000, bringing the cumulative and final loan payable to $109,991,000. The loan payable under the Chicago IBX Financing bears interest at a floating rate. As of June 30, 2008, the loan payable carried an approximate interest rate of 5.19% per annum.

In May 2008, the Company entered into an interest rate swap agreement with one counterparty to hedge the interest payments on a $105,000,000 notional amount of the Chicago IBX Financing, which will mature in February 2011. Under the terms of the interest rate swap transaction, the Company receives interest payments based on rolling one-month LIBOR terms and pays interest at the fixed rate of 6.34%. The Company s disclosures on derivatives and fair value are contained in Note 1 Derivative and Hedging Activities and Fair Value Measurements.

Asia-Pacific Financing

In January 2008, the Asia-Pacific Financing was amended to enable the Company s subsidiary in Australia to borrow up to 32,000,000 Australian dollars, or approximately $30,589,000, under the same general terms, amending the Asia-Pacific Financing into an approximately $75,000,000 multi-currency credit facility agreement. In June 2008, the Asia-Pacific Financing was further amended to enable the Company s subsidiary in Hong Kong to borrow up to 156,000,000 Hong Kong dollars, or approximately $20,000,000, under the same general terms, amending the Asia-Pacific Financing into an approximately $95,000,000 multi-currency credit facility agreement. Loans payable under the Asia-Pacific Financing bear interest at floating rates.

As of June 30, 2008, the Company had borrowed 18,282,000 Singapore dollars, or approximately $13,445,000, at an approximate interest rate per annum of 3.23%; 2,932,500,000 Japanese yen, or approximately $27,609,000, at an approximate interest rate per annum of 2.63%; 3,162,000 Australian dollars, or approximately $3,031,000, at an approximate interest rate per annum of 9.71% and 48,776,000 Hong Kong dollars, or approximately $6,258,000, at an approximate interest rate per annum of 4.22%. Collectively, the total amount borrowed was approximately equal to $50,343,000, leaving approximately $44,657,000 of available balance to borrow under the Asia-Pacific Financing. As of June 30, 2008, the Company was in compliance with all financial covenants associated with the Asia-Pacific Financing.

European Financing

During the six months ended June 30, 2008, the Company received additional advances totaling approximately 25,034,000 British pounds, or approximately $49,702,000, under the European Financing, leaving the amount available to borrow under the European Financing totaling approximately 14,000,000 British pounds, or approximately $27,900,000. As of June 30, 2008, a total of approximately 67,474,000 British pounds, or approximately $134,436,000, was outstanding under the European Financing with an approximate blended interest rate of 7.43% per annum. Loans payable under the European Financing bear interest at floating rates. The European Financing is available to fund the Company s expansion projects in France, Germany, Switzerland and the United Kingdom. As of June 30, 2008, the Company was in compliance with all financial covenants associated with the European Financing.

In May 2008, the Company entered into three interest rate swap agreements and re-designated two older ineffective interest rate swap agreements with a total of two counterparties to hedge the interest payments on the equivalent of $127,192,000 notional amount of the European Financing, which will mature in August 2009 and May 2011. Under the terms of the interest rate swap transactions, the Company

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

receives interest payments based on rolling one-month EURIBOR and LIBOR terms and pays fixed interest rates ranging from 6.71% to 7.94%. The Company s disclosures on derivatives and fair value are contained in Note 1 Derivative and Hedging Activities and Fair Value Measurements.

Netherlands Financing

In February 2008, as a result of the Virtu Acquisition, a wholly-owned subsidiary of the Company assumed senior credit facilities totaling approximately 5,500,000 Euros (the Netherlands Financing), which are callable by the lender and bear interest at a floating rate (three month EURIBOR plus 1.25%). As of June 30, 2008, a total of 4,951,000 Euros, or approximately $7,800,000, was outstanding under the Netherlands Financing with an approximate blended interest rate of 6.20% per annum. The Netherlands Financing contains several financial covenants, which must be complied with on an annual basis. The Company s wholly-owned subsidiary in the Netherlands was not in compliance with the December 31, 2007 financial covenants; however, in April 2008, the Company obtained a waiver from the lender for such non-compliance. As of June 30, 2008, the total amount outstanding under the Netherlands Financing is reflected as a current liability within the current portion of mortgage and loans payable on the accompanying balance sheet.

Silicon Valley Bank Credit Line

In February 2008, the Company terminated the Silicon Valley Bank Credit Line. As a result, all letters of credit previously issued under the Silicon Valley Bank Credit Line, totaling $12,144,000, were cash collateralized. The Company reports such restricted cash within other assets on the accompanying balance sheets. As of the termination date, the Company had no borrowings outstanding under the Silicon Valley Bank Credit Line and no termination penalties were incurred.

Maturities

Combined aggregate maturities for the Company s various debt facilities and other financing obligations as of June 30, 2008 were as follows (in thousands):

	Convertible debt (1)	Mortgage and loans payable (1)	Capital lease and other financing obligations (2)	Total
2008 (six months remaining)	$	$ 18,482	$ 5,996	$ 24,478
2009	32,250	37,790	12,108	82,148
2010		145,237	12,136	157,373
2011		34,152	12,225	46,377
2012	250,000	24,919	11,846	286,765
2013 and thereafter	395,986	151,817	112,780	660,583
	678,236	412,397	167,091	1,257,724
Less amount representing interest			(76,850)	(76,850)
Plus amount representing residual property value			11,158	11,158
	678,236	412,397	101,399	1,192,032
Less current portion of principal	(32,250)	(37,089)	(4,038)	(73,377)
	$ 645,986	$ 375,308	$ 97,361	$ 1,118,655

(1) Represents principal only.

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

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Commitments and Contingencies

Legal Matters

On June 29, 2006 and September 18, 2006, shareholder derivative actions were filed in the Superior Court of the State of California, County of San Mateo, naming Equinix as a nominal defendant and several of Equinix s current and former officers and directors as individual defendants. These actions were consolidated, and the consolidated complaint was filed in January 2007. In March 2007, the state court stayed this action in deference to a federal shareholder derivative action filed in the United States District Court for the Northern District of California in October 2006. The federal action named Equinix as a nominal defendant and several current and former officers and directors as individual defendants. This complaint alleged that the individual defendants breached their fiduciary duties and violated California and federal securities laws as a result of purported backdating of stock options, insider trading and the dissemination of false statements. On April 12, 2007, the federal action was voluntarily dismissed without prejudice pursuant to a joint stipulation entered as an order by the court. On May 3, 2007, the state court lifted the stay on proceedings in the state court action. On March 3, 2008, the state court plaintiff filed a second amended consolidated complaint after the court granted two motions to dismiss prior complaints with leave to amend. The second amended consolidated complaint alleged that the individual defendants breached their fiduciary duties and violated California securities law as a result of purported backdating of stock option grants, insider trading and the dissemination of false financial statements. The second amended consolidated complaint sought to recover, on behalf of the Company, unspecified monetary damages, corporate governance changes, equitable and injunctive relief, restitution and fees and costs. On July 8, 2008, the state court granted the Company s motion to dismiss the second amended consolidated complaint without leave to amend and entered a final judgment dismissing the action and all claims asserted therein in their entirety without leave to amend. The Company does not know whether the plaintiff will appeal the dismissal of this action.

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

On July 30, 2001 and August 8, 2001, putative shareholder class action lawsuits were filed against the Company, certain of its officers and directors (the Individual Defendants), and several investment banks that were underwriters of the Company s initial public offering (the Underwriter Defendants). The cases were filed in the United States District Court for the Southern District of New York. Similar lawsuits were filed against approximately 300 other issuers and related parties. The purported class action alleges violations of Sections 11 and 15 of the Securities Act of 1933 and Sections 10(b), Rule 10b-5 and 20(a) of the Securities Exchange Act of 1934 against the Company and the Individual Defendants. The plaintiffs have since dismissed the Individual Defendants without prejudice. The suits allege that the Underwriter Defendants agreed to allocate stock in the Company s initial public offering to certain investors in exchange for excessive and undisclosed commissions and agreements by those investors to make additional purchases in the aftermarket at pre-determined prices. The plaintiffs allege that the prospectus for the Company s initial public offering was false and misleading and in violation of the securities laws because it did not disclose these arrangements. The action seeks damages in an unspecified amount. On February 19, 2003, the Court dismissed the Section 10(b) claim against the Company, but denied the motion to dismiss the Section 11 claim. On December 5, 2006, the Second Circuit vacated a decision by the district court granting class certification in six focus cases, which are intended to serve as test cases. Plaintiffs selected these six cases, which do not include Equinix. On April 6, 2007, the Second Circuit denied a petition for rehearing filed by plaintiffs, but noted that plaintiffs could ask the district court to certify more narrow classes than those that were rejected. On August 14, 2007, plaintiffs filed amended complaints in the six focus cases. On September 27, 2007, plaintiffs moved to certify a class in the six focus cases. On November 14, 2007, the issuers and the underwriters named as defendants in the six focus cases moved to dismiss the amended complaints against them. On March 26, 2008, the district court dismissed the Section

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11 claims of those members of the putative classes in the focus cases who sold their securities for a price in excess of the initial offering price and those who purchased outside the previously certified class period. With respect to all other claims, the motions to dismiss were denied. The Company is awaiting a decision from the Court on the class certification motion.

The Company believes that while an unfavorable outcome to these litigations is reasonably possible, a range of potential loss cannot be determined at this time. As a result, the Company has not accrued for any amounts in connection with these legal matters as of June 30, 2008. The Company and its officers and directors intend to continue to defend the actions vigorously.

Other Purchase Commitments

Primarily as a result of the Company s various IBX expansion projects, as of June 30, 2008, the Company was contractually committed for $84,756,000 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 June 30, 2008, such as commitments to purchase power in select locations, primarily in the U.S., Singapore and the United Kingdom, through the remainder of 2008 and thereafter, and other open purchase orders for goods or services to be delivered or provided during the remainder of 2008. Such other miscellaneous purchase commitments totaled $77,526,000 as of June 30, 2008.

12. Other Comprehensive Income and Loss

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

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Net income (loss)	$ 2,229	$ 1,217	$ 7,650	$ (3,239)
Unrealized loss on available for sale securities	(443)	(95)	(247)	(2)
Unrealized gain on interest rate swaps	1,239		1,239	
Foreign currency translation gain (loss)	3,265	(519)	6,736	(97)
Comprehensive income (loss)	$ 6,290	$ 603	$ 15,378	$ (3,338)

There were no significant tax effects on comprehensive income (loss) for the three and six months ended June 30, 2008 and 2007.

13. Segment Information

The Company and its subsidiaries are principally engaged in a single reporting segment: the design, build-out and operation of network neutral IBX centers. Virtually all revenues result from the operation of these IBX centers. However, the Company operates in three distinct geographic regions, comprised of the U.S., Asia-Pacific and Europe. The Company s chief operating decision-maker evaluates performance, makes operating decisions and allocates resources based on financial data consistent with the presentation in the accompanying condensed consolidated financial statements and based on these three geographic regions. The Company has evaluated the criteria for aggregation of its geographic regions under SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information , and believes it meets each of the respective criteria set forth therein. The Company s geographic regions have similar long-term economic characteristics and maintain similar sales forces, each of which offers all of the Company s services due to the similar nature of such services. In addition, the geographic regions utilize similar means for delivering the Company s services and have similarity in the types of customers.

Table of Contents

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

While the Company believes it operates in one reporting segment, the Company nonetheless provides the following geographic disclosures (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2008	**2007**	**2008**	**2007**
Total revenues:				
United States	$ 107,247	$ 78,250	$ 206,443	$ 150,775
Asia-Pacific	20,604	13,587	38,777	26,171
Europe	44,193		85,042	
	$ 172,044	$ 91,837	$ 330,262	$ 176,946
Total depreciation and amortization:				
United States	$ 24,245	$ 19,835	$ 47,089	$ 38,442
Asia-Pacific	4,384	1,721	7,943	3,291
Europe	9,665		18,721	
	$ 38,294	$ 21,556	$ 73,753	$ 41,733
Income (loss) from operations:				
United States	$ 15,310	$ 1,246	$ 28,588	$ 1,614
Asia-Pacific	1,138	1,201	1,813	1,639
Europe	(3,147)		(3,095)	
	$ 13,301	$ 2,447	$ 27,306	$ 3,253
Capital expenditures:				
United States	$ 33,803	$ 165,946	$ 92,881	$ 236,523
Asia-Pacific	28,055	22,926	42,211	25,905
Europe	22,600		75,009	
	$ 84,458	$ 188,872	$ 210,101	$ 262,428

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

	June 30, 2008	December 31, 2007
United States	$ 1,093,843	$ 959,637
Asia-Pacific	136,932	91,478
Europe	806,481	703,992
	$ 2,037,256	$ 1,755,107

For information on the Company s goodwill, refer to Goodwill and Other Intangible Assets in Note 1.

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

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Colocation	$ 132,974	$ 65,641	$ 254,323	$ 125,400
Interconnection	23,392	17,653	45,540	34,373
Managed infrastructure	6,833	4,285	13,333	8,384
Rental	196	325	558	633
Recurring revenues	163,395	87,904	313,754	168,790
Non-recurring revenues	8,649	3,933	16,508	8,156
	$ 172,044	$ 91,837	$ 330,262	$ 176,946

Table of Contents

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

No single customer accounted for 10% or greater of the Company s revenues for the three and six months ended June 30, 2008 and 2007. No single customer accounted for 10% or greater of the Company s gross accounts receivable as of June 30, 2008 and December 31, 2007.

14. Restructuring Charges

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

The Company estimated the future cash payments required to exit these two leased spaces, net of any estimated subrental income and expense, through the remainder of these lease terms and then calculated the present value of such future cash flows in order to determine the appropriate restructuring charge to record. The Company records accretion expense to accrete its accrued restructuring liability up to an amount equal to the total estimated future cash payments necessary to complete the exit of these leases. Should the actual lease exit costs differ from the Company s estimates, the Company may need to adjust its restructuring charges associated with the excess lease spaces, which would impact net income in the period such determination was made.

A summary of the movement in the 2004 accrued restructuring charges from December 31, 2007 to June 30, 2008 is outlined as follows (in thousands):

	Accrued restructuring charge as of December 31, 2007	Accretion expense	Cash payments	Accrued restructuring charge as of June 30, 2008
Estimated lease exit costs	$ 12,140	$ 359	$ (1,440)	$ 11,059
	12,140	$ 359	$ (1,440)	11,059
Less current portion	(3,973)			(3,415)
	$ 8,167			$ 7,644

As the Company currently has no plans to enter into lease terminations with either of the landlords associated with these two excess space leases, 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 deferred rent and other liabilities on the accompanying condensed consolidated balance sheets as of June 30, 2008 and December 31, 2007. The Company is contractually committed to these two excess space leases through 2015.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Recent Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations (SFAS 141(R)). SFAS 141(R) replaces SFAS 141, Business Combinations. SFAS 141(R) establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest in the acquiree and the goodwill acquired or a gain from a bargain purchase. SFAS 141R also determines disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of a fiscal year that begins on or after December 15, 2008 and there are also implications for acquisitions that occur prior to this date. The Company is currently evaluating the impact that the adoption of SFAS No. 141 (R) will have on its financial position, results of operations and cash flows.

In December 2007, the FASB issued SFAS No. 160, Non-controlling Interests in Consolidated Financial Statements (SFAS 160). SFAS 160 amends ARB 51, Consolidated Financial Statements, and requires all entities to report non-controlling (minority) interests in subsidiaries within equity in the consolidated financial statements, but separate from the parent shareholders equity. SFAS 160 also requires any acquisitions or dispositions of non-controlling interests that do not result in a change of control to be accounted for as equity transactions. Further, SFAS 160 requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. SFAS 160 is effective for fiscal years beginning on or after December 15, 2008. As of June 30, 2008, all of the Company s subsidiaries were wholly-owned. As a result, SFAS 160 is not presently expected to impact the Company.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133 (SFAS 161). SFAS 161 requires enhanced disclosures about an entity s derivative and hedging activities and, thereby, improves the transparency of financial reporting. SFAS 161 is effective for fiscal years beginning on or after November 15, 2008. The Company is currently evaluating the impact that the adoption of SFAS 161 will have on its financial position, results of operations and cash flows.

In May 2008, the FASB issued FASB Staff Position No. APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (FSP APB 14-1). FSP APB 14-1 specifies that issuers of convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) should separately account for the liability and equity components in a manner that will reflect the entity s nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. FSP APB 14-1 is effective for fiscal years beginning after December 15, 2008. The Company is currently evaluating the impact that the adoption of FSP APB 14-1 will have on its financial position, results of operations and cash flows.

16. Subsequent Events

In July 2008, the Company received an additional advance of 39,000,000 Hong Kong dollars, or approximately $5,004,000, at an approximate interest rate per annum of 4.22% under the Asia-Pacific Financing. Collectively, the total amount borrowed under the Asia-Pacific Financing was approximately $55,347,000, leaving approximately $39,653,000 available to borrow.

In July 2008, the Company received additional advances totaling approximately 2,303,000 British pounds, or approximately $4,582,000, under the European Financing with an approximate interest rate of 6.72% per annum. As a result, the amount available to borrow under the European Financing totals approximately 11,700,000 British pounds or approximately $23,300,000.

Table of Contents

Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information in this discussion contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements are based upon current expectations that involve risks and uncertainties. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. For example, the words believes, anticipates, plans, expects, intends and similar expressions are intended to identify forward-looking statements. Our actual results and the timing of certain events may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such a discrepancy include, but are not limited to, those discussed in Liquidity and Capital Resources below and Risk Factors in Item 1A of Part II of this Quarterly Report on Form 10-Q. All forward-looking statements in this document are based on information available to us as of the date of this Report and we assume no obligation to update any such forward-looking statements.

Overview

Equinix provides network neutral colocation, interconnection and managed services to enterprises, content companies, systems integrators and the world s largest network providers. On September 14, 2007, we completed the acquisition of IXEurope Plc, or IXEurope, headquartered in London, U.K., whereby IXEurope became our wholly-owned subsidiary. We refer to this transaction as the IXEurope acquisition. On February 5, 2008, we completed the acquisition of Virtu Secure Webservices B.V., or Virtu, based in the Netherlands, whereby Virtu became our wholly-owned subsidiary. We refer to this transaction as the Virtu acquisition. Virtu, a similar business to ours, operated network neutral data centers in the Netherlands, and the Virtu acquisition supplements our existing European operations. As of June 30, 2008, we operate IBX centers in the Chicago, Dallas, Los Angeles, New York, Silicon Valley and Washington, D.C. metro areas in the United States, Australia, Hong Kong, Japan and Singapore in the Asia-Pacific region, and France, Germany, the Netherlands, Switzerland and the United Kingdom in the Europe region.

Direct interconnection to our aggregation of networks, which serve more than 90% of the world s Internet routes, allows our customers to increase performance while significantly reducing costs. Based on our network neutral model and the quality of our IBX centers, we believe we have established a critical mass of customers. As more customers locate in our IBX centers, it benefits their suppliers and business partners to do so as well to gain the full economic and performance benefits of direct interconnection. These partners, in turn, pull in their business partners, creating a network effect of customer adoption. Our interconnection services enable scalable, reliable and cost-effective interconnection and traffic exchange thus lowering overall cost and increasing flexibility. Our focused business model is based on our critical mass of customers and the resulting network effect. This critical mass and the resulting network effect, combined with our strong financial position, continue to drive new customer growth and bookings.

Historically, our market has been served by large telecommunications carriers who have bundled their telecommunications products and services with their colocation offerings. Each of these colocation providers own and operate a network. We do not own or operate a network, yet have greater than 300 networks operating out of our IBX centers. As a result, we are able to offer our customers a substantial choice of networks given our network neutrality thereby allowing our customers to choose from numerous network service providers. We believe this is a distinct and sustainable competitive advantage.

On a consolidated basis, and excluding customers acquired in the Virtu acquisition, our customer count increased to 2,090 as of June 30, 2008 versus 1,373 as of June 30, 2007, an increase of 52%. This significant increase was primarily due to the IXEurope acquisition in September 2007. Our utilization rate represents the percentage of our cabinet space billing versus net sellable cabinet space available taking into account power limitations. Excluding the impact of the IXEurope and the Virtu acquisitions, our utilization rate increased to 76% as of June 30, 2008 versus 77% as of June 30, 2007; however, excluding the impact of our recent IBX center openings in the Chicago and New York metro areas, our utilization rate would have been 80% as of June 30, 2008. Our utilization rate varies from market to market among our IBX centers in our markets across the U.S., Asia-Pacific and Europe. 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 draw our customers take 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 centers to support power and cooling needs twice that of previous IBX centers. We could face power limitations in our centers even though we may have additional physical cabinet capacity available within a specific IBX center. This could have a negative impact on the available utilization capacity of a given center, which could have a negative impact on our ability to grow revenues, affecting our financial performance, operating results and cash flows.

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 current market location, amount of incremental investment required by us in the targeted property, lead-time to break-even and in-place customers. Like our recent expansions and acquisitions, the right combination of these factors may be attractive to us. Dependent on the particular deal, these transactions may require upfront cash payments and additional capital expenditures or may be funded 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 are a significant component of our total revenues, comprising greater than 90% of our total revenues. Over the past few years, greater than half of our then existing customers order new services in any given quarter representing greater than half of the new orders received in each quarter.

Our non-recurring revenues are primarily comprised of installation services related to a customer s initial deployment and professional services that we perform. These services are considered to be non-recurring as they are billed typically once and only upon completion of the installation or professional services work performed. The majority of these non-recurring revenues are typically billed on the first invoice distributed to the customer in connection with their initial installation. As a percentage of total revenues, we expect non-recurring revenues to represent less than 10% of total revenues for the foreseeable future.

Our U.S. revenues are derived primarily from colocation and interconnection services while our Asia-Pacific and Europe revenues are derived primarily from colocation and managed infrastructure services. Our Asia-Pacific revenues are generated from Hong Kong, Singapore, Sydney and Tokyo. Our Europe revenues are generated from France, Germany, the Netherlands, Switzerland and the United Kingdom.

The largest cost components of our cost of revenues are depreciation, rental payments related to our leased IBX centers, utility costs, including electricity and bandwidth, IBX employees salaries and benefits, including stock-based compensation, 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 add or open new IBX centers. However, there are certain costs which are considered more variable in nature, including utilities and supplies that are directly related to growth in our existing and new customer base. We expect the cost of our utilities, specifically electricity, will increase in the future on a per unit or fixed basis in addition to on a customer growth or variable basis. In addition, the cost of electricity is generally higher in the summer months as compared to other times of the year.

Table of Contents

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 headquarters office lease and some depreciation expense.

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 business combinations, accounting for stock-based compensation, accounting for income taxes and accounting for restructuring charges, which are discussed in more detail under the caption Critical Accounting Policies and Estimates in our 2007 Annual Report on Form 10-K.

Results of Operations

Our results of operations for the three and six months ended June 30, 2007 do not include the operations of IXEurope, as the IXEurope acquisition closed on September 14, 2007, or the operations of Virtu, as the Virtu acquisition closed on February 5, 2008. Our results of operations for the six months ended June 30, 2008 include the operations of Virtu from February 5, 2008 to June 30, 2008.

Three Months Ended June 30, 2008 and 2007

Revenues. Our revenues for the three months ended June 30, 2008 and 2007 were split between the following revenue classifications and geographic regions (dollars in thousands):

	Three months ended June 30,				Change	
	2008	%	2007	%	$	%
U.S:						
Recurring revenues	$ 103,779	60%	$ 75,553	82%	$ 28,226	37%
Non-recurring revenues	3,468	2%	2,697	3%	771	29%
	107,247	62%	78,250	85%	28,997	37%
Asia-Pacific:						
Recurring revenues	18,658	11%	12,351	13%	6,307	51%
Non-recurring revenues	1,946	1%	1,236	2%	710	57%
	20,604	12%	13,587	15%	7,017	52%
Europe:						
Recurring revenues	40,958	24%			40,958	100%
Non-recurring revenues	3,235	2%			3,235	100%
	44,193	26%			44,193	100%
Total:						
Recurring revenues	163,395	95%	87,904	96%	75,491	86%
Non-recurring revenues	8,649	5%	3,933	4%	4,716	120%

$ 172,044	100%	$ 91,837	100%	$ 80,207	87%

28

U.S. Revenues. The period over period growth in recurring revenues was primarily the result of an increase in orders from both our existing customers and new customers acquired during the period as reflected in the growth in our customer count and utilization rate, as discussed above, in both our new and existing IBX centers, as well as selective price increases in each of our IBX markets. Most notably, during the three months ended June 30, 2008, we recorded $6.3 million of incremental revenues not generated during the same period of last year associated with our newly opened IBX centers in the Chicago and New York metro areas. We expect our U.S. recurring revenues, particularly from colocation and interconnection services, to remain our most significant source of revenue for the foreseeable future.

Asia-Pacific Revenues. Our revenues from Singapore represented approximately 36% of the regional revenues for both the three months ended June 30, 2008 and 2007. As in the U.S., Asia-Pacific revenue growth was due to an increase in orders from both our existing customers and new customers acquired during the period as reflected in the growth in our customer count and utilization rate, as discussed above, in both our new and existing IBX centers, as well as selective price increases in each of our IBX markets. In addition, during the three months ended June 30, 2008, we recorded $2.7 million of incremental revenues not generated during the same period of last year associated with our new IBX center in Tokyo, which we acquired in December 2006, and from our IBX center expansion in Singapore. We expect that our Asia-Pacific revenues will continue to grow in future periods as a result of our recently-opened IBX center expansions in the Singapore and Tokyo metro areas and expansion activity currently taking place in the Hong Kong, Singapore and Sydney metro areas.

Europe Revenues. Our revenues from the United Kingdom represented approximately 39% of the regional revenues for the three months ended June 30, 2008. We expect our Europe revenues to grow in future periods, as a result of our recently-opened IBX center expansions in the London and Paris metro areas and expansion activity currently taking place in the Amsterdam and Frankfurt metro areas.

Cost of Revenues. Our cost of revenues for the three months ended June 30, 2008 and 2007 were split between the following geographic regions (dollars in thousands):

	Three months ended June 30,				Change	
	2008	%	2007	%	$	%
U.S.	$ 56,988	56%	$ 47,871	86%	$ 9,117	19%
Asia-Pacific	13,360	13%	7,738	14%	5,622	73%
Europe	31,660	31%			31,660	100%
Total	$ 102,008	100%	$ 55,609	100%	$ 45,977	83%

	Three months ended June 30,	
	2008	2007
Cost of revenues as a percentage of revenues:		
U.S.	53%	61%
Asia-Pacific	65%	57%
Europe	72%	
Total	59%	61%

U.S. Cost of Revenues. U.S. cost of revenues for the three months ended June 30, 2008 and 2007 included $22.0 million and $18.3 million, respectively, of depreciation expense. Our U.S. cost of revenues for the three months ended June 30, 2008 also included $6.8 million of other incremental operating costs not incurred in the prior year associated with the recently opened IBX centers in the Chicago and New York metro areas. Excluding depreciation and the other incremental operating costs associated with operating our new IBX centers, U.S. cost of revenues increased period over period to $26.9 million for the three months ended June 30, 2008 from $22.5 million for the three months ended June 30, 2007, a 20% increase. This increase was primarily due to an increase in utility costs in line with increasing customer installations and revenues attributed to customer growth. We continue to anticipate that our U.S. cost of revenues will increase in the foreseeable future to the extent that the occupancy levels in our U.S. IBX centers increase and as newly-opened IBX centers in the Chicago and New York metro areas commence operations more fully during the remainder of 2008.

Table of Contents

Asia-Pacific Cost of Revenues. Asia-Pacific cost of revenues for the three months ended June 30, 2008 and 2007 included $4.3 million and $1.7 million, respectively, of depreciation expense. Excluding depreciation expense, Asia-Pacific cost of revenues increased period over period to $9.1 million for the three months ended June 30, 2008 from $6.1 million for the three months ended June 30, 2007, a 50% increase. This increase was primarily the result of increasing utility and bandwidth costs in line with increasing customer installations and revenues attributed to customer growth, as well as additional rent expense associated with new leases in connection with the Hong Kong and Singapore expansion projects. We anticipate that our Asia-Pacific cost of revenues will increase in the foreseeable future in connection with overall revenue growth and our expansion activity currently taking place in the Hong Kong, Singapore and Sydney metro areas.

Europe Cost of Revenues. Europe cost of revenues for the three months ended June 30, 2008 included $7.8 million of depreciation expense. We anticipate our Europe cost of revenues will increase in future periods, both as we sell out the available space in our existing data centers and as a result of expansion activity currently taking place in the Amsterdam and Frankfurt metro areas.

Sales and Marketing Expenses. Our sales and marketing expenses for the three months ended June 30, 2008 and 2007 were split between the following geographic regions (dollars in thousands):

	Three months ended June 30,				Change	
	2008	%	2007	%	$	%
U.S.	$ 8,527	55%	$ 7,482	84%	$ 1,045	14%
Asia-Pacific	2,191	15%	1,414	16%	777	55%
Europe	4,572	30%			4,572	100%
Total	$ 15,290	100%	$ 8,896	100%	$ 6,394	72%

	Three months ended June 30,	
	2008	2007
Sales and marketing expenses as a percentage of revenues:		
U.S.	8%	10%
Asia-Pacific	11%	10%
Europe	10%	
Total	9%	10%

U.S. Sales and Marketing Expenses. U.S. sales and marketing expenses for the three months ended June 30, 2008 and 2007 included $2.5 million and $1.5 million, respectively, of stock-based compensation expense. Excluding stock-based compensation expense, U.S. sales and marketing expenses increased to $6.1 million for the three months ended June 30, 2008 as compared to $5.9 million for the three months ended June 30, 2007, a 2% increase. We expect U.S. sales and marketing expenses to increase as we continue to grow our business and invest in various branding initiatives; however, as a percentage of revenues, we expect them to decrease.

Asia-Pacific Sales and Marketing Expenses. The increase in Asia-Pacific sales and marketing expenses was primarily due to an increase in general salary and sales compensation expenses over the prior period associated with the overall growth in this region. We expect Asia-Pacific sales and marketing expenses to increase as we continue to grow our business; however, as a percentage of revenues, we expect them to decrease.

Europe Sales and Marketing Expenses. Europe sales and marketing expenses for the three months ended June 30, 2008 included $1.6 million of amortization expense associated with an intangible asset. We expect Europe sales and marketing expenses to increase as we continue to grow our business; however, as a percentage of revenues, we expect them to decrease.

Table of Contents

General and Administrative Expenses. Our general and administrative expenses for the three months ended June 30, 2008 and 2007 were split between the following geographic regions (dollars in thousands):

	Three months ended June 30,				Change	
	2008	**%**	**2007**	**%**	**$**	**%**
U.S.	$ 26,422	64%	$ 21,244	87%	$ 5,178	24%
Asia-Pacific	3,915	9%	3,234	13%	681	21%
Europe	11,108	27%			11,108	100%
Total	$ 41,445	100%	$ 24,478	100%	$ 16,967	69%

	Three months ended June 30,	
	2008	**2007**
General and administrative expenses as a percentage of revenues:		
U.S. U.S.	25%	27%
Asia-Pacific	19%	24%
Europe	25%	
Total	24%	27%

U.S. General and Administrative Expenses. U.S. general and administrative expenses for the three months ended June 30, 2008 included $7.5 million of stock-based compensation expense and $2.2 million of depreciation expense compared to $6.4 million of stock-based compensation expense and $1.5 million of depreciation expense for the three months ended June 30, 2007. Excluding stock-based compensation and depreciation expense, U.S. general and administrative expenses increased to $16.8 million for the three months ended June 30, 2008, as compared to $13.4 million for the three months ended June 30, 2007, a 25% increase. This increase was primarily due to an increase in professional fees related to various consulting projects to support our growth. Going forward, we expect U.S. general and administrative expenses to increase as we continue to scale our operations to support our growth; however, as a percentage of revenues, we expect them to decrease.

Asia-Pacific General and Administrative Expenses. Asia-Pacific general and administrative expenses for the three months ended June 30, 2008 and 2007 included $1.1 million and $924,000, respectively, of stock-based compensation expense. The increase in Asia-Pacific general and administrative expenses was primarily due to higher compensation costs, including general salary increases and bonuses. Going forward, 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 expect them to decrease.

Europe General and Administrative Expenses. Europe general and administrative expenses for the three months ended June 30, 2008 included $4.5 million of stock-based compensation expense, of which $3.1 million was a one-time charge due to equity award modifications related to the executive change in our European operations. Excluding this $3.1 million incremental stock-based compensation, our Europe general and administrative expenses are expected to increase in future periods as we continue to scale our operations to support our growth and in connection with various integration initiatives related to investments in systems and internal control compliance; however, as a percentage of revenues, we expect them to decrease.

Restructuring Charges. During the three months ended June 30, 2007, we recorded an increase in a restructuring charge of $407,000 from revised sublease assumptions for our excess space lease in the Los Angeles metro area as a result of new information becoming available. The original restructuring charge for this lease, along with one other lease in the New York metro area, was recorded in the fourth quarter of 2004 and totaled $17.7 million. We are contractually committed to these two excess space leases through 2015. During the three months ended June 30, 2008, no restructuring charges were recorded.

Table of Contents

Interest Income. Interest income decreased to $2.4 million for the three months ended June 30, 2008 from $5.1 million for the three months ended June 30, 2007. Interest income decreased primarily due to lower yields on invested balances. The average yield for the three months ended June 30, 2008 was 3.29% versus 5.20% for the three months ended June 30, 2007. We expect our interest income to decrease for the foreseeable future due to the utilization of our cash to finance our expansion activities and the impact of lower interest rates.

Interest Expense. Interest expense increased to $12.8 million for the three months ended June 30, 2008 from $6.0 million for the three months ended June 30, 2007. The increase in interest expense was primarily due to new financings entered into during 2007 and 2008 consisting of (i) our $110.0 million Chicago IBX financing, which was drawn down during the construction period of the Chicago metro area IBX expansion project, with an approximate interest rate of 5.19% per annum; (ii) our approximately $95.0 million Asia-Pacific financing, of which approximately $50.3 million was outstanding as of June 30, 2008 with an approximate blended interest rate of 3.35% per annum; (iii) our $396.0 million 3.00% convertible subordinated notes offering in September 2007; (iv) our approximately $163.0 million European financing, of which approximately $134.4 million was outstanding as of June 30, 2008 with an approximate blended interest rate of 7.43% per annum and (v) our Netherlands financing of approximately $7.8 million, acquired as a result of the Virtu acquisition, with an approximate blended interest rate of 6.20% per annum. During the three months ended June 30, 2008 and 2007, we capitalized $1.9 million and $1.6 million, respectively, of interest expense to construction in progress. Going forward, we expect to incur higher interest expense as we fully utilize or recognize the full impact of our existing financings to fund our expansion efforts and as we complete expansion efforts and cease to capitalize interest expense.

Other Expense. For the three months ended June 30, 2008 and 2007, we recorded $918,000 and $129,000, respectively, of other expense, primarily attributable to foreign currency losses during those periods.

Income Taxes. For the three months ended June 30, 2008, we recorded $258,000 of income tax benefit compared to $197,000 of income tax expense for the three months ended June 30, 2007. The tax benefit (expense) recorded in both the three months ended June 30, 2008 and 2007 was primarily attributable to our foreign operations. We have not incurred any significant cash income tax expense since inception and we do not expect to incur any significant cash income tax expense during the remainder of 2008.

Six Months Ended June 30, 2008 and 2007

Revenues. Our revenues for the six months ended June 30, 2008 and 2007 were split between the following revenue classifications and geographic regions (dollars in thousands):

	Six months ended June 30,				Change	
	2008	%	2007	%	$	%
U.S.:						
Recurring revenues	$ 198,897	60%	$ 144,796	82%	$ 54,101	37%
Non-recurring revenues	7,546	3%	5,980	3%	1,566	26%
	206,443	63%	150,776	85%	55,667	37%
Asia-Pacific:						
Recurring revenues	35,666	11%	23,994	14%	11,672	49%
Non-recurring revenues	3,111	1%	2,176	1%	935	43%
	38,777	12%	26,170	15%	12,607	48%
Europe:						
Recurring revenues	79,191	24%			79,191	100%
Non-recurring revenues	5,851	2%			5,851	100%
	85,042	26%			85,042	100%
Total:						
Recurring revenues	313,754	95%	168,790	95%	144,964	86%
Non-recurring revenues	16,508	5%	8,156	5%	8,352	102%

	$ 330,262	100%	$ 176,946	100%	$ 153,316	87%

32

U.S. Revenues. The period over period growth in recurring revenues was primarily the result of an increase in orders from both our existing customers and new customers acquired during the period as reflected in the growth in our customer count and utilization rate, as discussed above, in both our new and existing IBX centers, as well as selective price increases in each of our IBX markets. Most notably, during the six months ended June 30, 2008, we recorded $14.0 million of incremental revenues not generated during the same period of last year associated with our newly opened IBX centers in the Chicago, New York and Washington, D.C. metro areas. We expect our U.S. recurring revenues, particularly from colocation and interconnection services, to remain our most significant source of revenue for the foreseeable future.

Asia-Pacific Revenues. Our revenues from Singapore represented approximately 36% of the regional revenues for both the six months ended June 30, 2008 and 2007. As in the U.S., Asia-Pacific revenue growth was due to an increase in orders from both our existing customers and new customers acquired during the period as reflected in the growth in our customer count and utilization rate, as discussed above, in both our new and existing IBX centers, as well as selective price increases in each of our IBX markets. In addition, during the six months ended June 30, 2008, we recorded $4.6 million of incremental revenues not generated during the same period of last year associated with our new IBX center in Tokyo, which we acquired in December 2006, and from our IBX center expansion in Singapore. We expect that our Asia-Pacific revenues will continue to grow in future periods as a result of our recently-opened IBX center expansions in the Singapore and Tokyo metro areas and expansion activity currently taking place in the Hong Kong, Singapore and Sydney metro areas.

Europe Revenues. Our revenues from the United Kingdom represented approximately 39% of the regional revenues for the six months ended June 30, 2008. We expect our Europe revenues to grow in future periods, as a result of our recently-opened IBX center expansions in the London and Paris metro areas and expansion activity currently taking place in the Amsterdam and Frankfurt metro areas.

Cost of Revenues. Our cost of revenues for six months ended June 30, 2008 and 2007 were split between the following geographic regions (dollars in thousands):

	Six months ended June 30,				Change	
	2008	%	2007	%	$	%
U.S.	$ 111,835	57%	$ 93,428	86%	$ 18,407	20%
Asia-Pacific	24,778	13%	14,946	14%	9,832	66%
Europe	59,881	30%			59,881	100%
Total	$ 196,494	100%	$ 108,374	100%	$ 88,120	81%

	Six months ended June 30,	
	2008	2007
Cost of revenues as a percentage of revenues:		
U.S.	54%	62%
Asia-Pacific	64%	57%
Europe	70%	
Total	59%	61%

U.S. Cost of Revenues. U.S. cost of revenues for the six months ended June 30, 2008 included $42.7 million of depreciation expense and $1.7 million of stock-based compensation expense. U.S. cost of revenues for the six months ended June 30, 2007 included $35.5 million of depreciation expense and $1.8 million of stock-based compensation expense. Our U.S. cost of revenues for the six months ended June 30, 2008 also included $12.9 million of other incremental operating costs not incurred in the prior year associated with the recently opened IBX centers in the Chicago, New York and Washington, D.C. metro areas. Excluding depreciation, stock-based compensation and the other incremental operating costs associated with operating our new IBX centers, U.S. cost of revenues increased period over period to $49.8 million for the six months ended June 30, 2008 from $43.6 million for the six months ended June 30, 2007, a 14% increase. We continue to anticipate that our U.S. cost of revenues will increase in the foreseeable future to the extent that the occupancy levels in our U.S. IBX centers increase and as newly-opened IBX centers in the Chicago, New York and Washington, D.C. metro areas commence operations more fully during the remainder of 2008.

33

Table of Contents

Asia-Pacific Cost of Revenues. Asia-Pacific cost of revenues for the six months ended June 30, 2008 and 2007 included $7.7 million and $3.2 million, respectively, of depreciation expense. Excluding depreciation expense, Asia-Pacific cost of revenues increased period over period to $17.1 million for the six months ended June 30, 2008 from $11.8 million for the six months ended June 30, 2007, a 45% increase. This increase was primarily the result of increasing utility and bandwidth costs in line with increasing customer installations and revenues attributed to customer growth, as well as additional rent expense associated with new leases in connection with the Hong Kong and Singapore expansion projects. We anticipate that our Asia-Pacific cost of revenues will increase in the foreseeable future in connection with overall revenue growth and our expansion activity currently taking place in the Hong Kong, Singapore and Sydney metro areas.

Europe Cost of Revenues. Europe cost of revenues for the six months ended June 30, 2008 included $14.8 million of depreciation expense. We anticipate our Europe cost of revenues will increase in future periods, both as we sell out the available space in our existing data centers and as a result of expansion activity currently taking place in the Amsterdam and Frankfurt metro areas.

Sales and Marketing Expenses. Our sales and marketing expenses for the six months ended June 30, 2008 and 2007 were split between the following geographic regions (dollars in thousands):

	Six months ended June 30,				Change	
	2008	%	2007	%	$	%
U.S.	$ 17,171	56%	$ 14,980	83%	$ 2,191	15%
Asia-Pacific	4,290	14%	2,992	17%	1,298	43%
Europe	9,180	30%			9,180	100%
Total	$ 30,641	100%	$ 17,972	100%	$ 12,669	70%

	Six months ended June 30,	
	2008	2007
Sales and marketing expenses as a percentage of revenues:		
U.S.	8%	10%
Asia-Pacific	11%	11%
Europe	11%	
Total	9%	10%

U.S. Sales and Marketing Expenses. U.S. sales and marketing expenses for the six months ended June 30, 2008 and 2007 included $4.5 million and $3.9 million, respectively, of stock-based compensation expense. Excluding stock-based compensation expense, U.S. sales and marketing expenses increased to $12.7 million for the six months ended June 30, 2008 as compared to $11.1 million for the six months ended June 30, 2007, a 14% increase. This increase was primarily attributable to increased sales compensation as a result of revenue growth. We expect U.S. sales and marketing expenses to increase as we continue to grow our business and invest in various branding initiatives; however, as a percentage of revenues, we expect them to decrease.

Asia-Pacific Sales and Marketing Expenses. The increase in Asia-Pacific sales and marketing expenses was primarily due to an increase in sales compensation over the prior period associated with the overall growth in this region. We expect Asia-Pacific sales and marketing expenses to increase as we continue to grow our business; however, as a percentage of revenues, we expect them to decrease.

Europe Sales and Marketing Expenses. Europe sales and marketing expenses for the six months ended June 30, 2008 included $3.2 million of amortization expense associated with an intangible asset. We expect Europe sales and marketing expenses to increase as we continue to grow our business; however, as a percentage of revenues, we expect them to decrease.

Table of Contents

General and Administrative Expenses. Our general and administrative expenses for the six months ended June 30, 2008 and 2007 were split between the following geographic regions (dollars in thousands):

	Six months ended June 30,				Change	
	2008	%	2007	%	$	%
U.S.	$ 48,849	64%	$ 40,347	86%	$ 8,502	21%
Asia-Pacific	7,896	10%	6,593	14%	1,303	20%
Europe	19,076	25%			19,076	100%
Total	$ 75,821	100%	$ 46,940	100%	$ 28,881	62%

	Six months ended June 30,	
	2008	2007
General and administrative expenses as a percentage of revenues:		
U.S.	24%	27%
Asia-Pacific	20%	25%
Europe	22%	
Total	23%	27%

U.S. General and Administrative Expenses. U.S. general and administrative expenses for the six months ended June 30, 2008 included $14.3 million of stock-based compensation expense and $4.2 million of depreciation expense compared to $12.2 million of stock-based compensation expense and $2.8 million of depreciation expense for the six months ended June 30, 2007. Excluding stock-based compensation and depreciation expense, U.S. general and administrative expenses increased to $30.3 million for the six months ended June 30, 2008, as compared to $25.4 million for the six months ended June 30, 2007, a 19% increase. This increase was primarily due to higher compensation costs, including general salary increases, benefits and headcount growth (242 U.S. general and administrative employees as of June 30, 2008 versus 229 as of June 30, 2007) and an increase in professional fees related to various consulting projects to support our growth. Going forward, we expect U.S. general and administrative expenses to increase as we continue to scale our operations to support our growth; however, as a percentage of revenues, we expect them to decrease.

Asia-Pacific General and Administrative Expenses. Asia-Pacific general and administrative expenses included $1.8 million of stock-based compensation expense for both the six months ended June 30, 2008 and 2007. The increase in Asia-Pacific general and administrative expenses was primarily due to higher compensation costs, including general salary increases and bonuses. Going forward, 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 expect them to decrease.

Europe General and Administrative Expenses. Europe general and administrative expenses for the six months ended June 30, 2008 included $6.0 million of stock-based compensation expense, of which $3.1 million was a one-time charge due to equity award modifications related to the executive change in our European operations. Excluding this $3.1 million incremental stock-based compensation, our Europe general and administrative expenses are expected to increase in future periods as we continue to scale our operations to support our growth and in connection with various integration initiatives related to investments in systems and internal control compliance; however, as a percentage of revenues, we expect them to decrease.

Restructuring Charges. During the six months ended June 30, 2007, we recorded an increase in a restructuring charge of $407,000 from revised sublease assumptions for our excess space lease in the Los Angeles metro area as a result of new information becoming available. The original restructuring charge for this lease, along with one other lease in the New York metro area, was recorded in the fourth quarter of 2004 and totaled $17.7 million. We are contractually committed to these two excess space leases through 2015. During the six months ended June 30, 2008, no restructuring charges were recorded.

Table of Contents

Interest Income. Interest income decreased to $5.9 million for the six months ended June 30, 2008 from $7.0 million for the six months ended June 30, 2007. Interest income decreased primarily due to lower yields on invested balances. The average yield for the six months ended June 30, 2008 was 3.06% versus 5.21% for the six months ended June 30, 2007. We expect our interest income to decrease for the foreseeable future due to the utilization of our cash to finance our expansion activities and the impact of lower interest rates.

Interest Expense. Interest expense increased to $26.4 million for the six months ended June 30, 2008 from $9.6 million for the six months ended June 30, 2007. The increase in interest expense was primarily due to new financings entered into during 2007 and 2008 consisting of (i) our $110.0 million Chicago IBX financing, which was drawn down during the construction period of the Chicago metro area IBX expansion project, with an approximate interest rate of 5.19% per annum; (ii) our $250.0 million 2.50% convertible subordinated notes offering in March 2007; (iii) our approximately $95.0 million Asia-Pacific financing, of which approximately $50.3 million was outstanding as of June 30, 2008 with an approximate blended interest rate of 3.35% per annum; (iv) our $396.0 million 3.00% convertible subordinated notes offering in September 2007; (v) our approximately $163.0 million European financing, of which approximately $134.4 million was outstanding as of June 30, 2008 with an approximate blended interest rate of 7.43% per annum and (vi) our Netherlands financing of approximately $7.8 million, acquired as a result of the Virtu acquisition, with an approximate blended interest rate of 6.20% per annum. This increase was partially offset by the $54.0 million partial conversion of our 2.50% convertible subordinated debentures in March 2007 that resulted in a decrease in interest expense. During the six months ended June 30, 2008 and 2007, we capitalized $3.2 million and $3.1 million, respectively, of interest expense to construction in progress. Going forward, we expect to incur higher interest expense as we fully utilize or recognize the full impact of our existing financings to fund our expansion efforts and as we complete expansion efforts and cease to capitalize interest expense.

Other Income. For the six months ended June 30, 2008 and 2007, we recorded $1.1 million and $1,000, respectively, of other income, primarily attributable to foreign currency gains during the period.

Loss on Debt Extinguishment and Conversion. During the six months ended June 30, 2007 we retired $54.0 million of our convertible subordinated debentures in exchange for approximately 1.4 million newly issued shares of our common stock and a $3.4 million cash inducement fee. As a result, we recognized a loss on debt conversion totaling $3.4 million in accordance with FASB No. 84, Induced Conversions of Convertible Debt, due to the inducement fee. During the six months ended June 30, 2008, no loss on debt extinguishment and conversion was recorded in our statement of operations.

Income Taxes. For the six months ended June 30, 2008 and 2007, we recorded $213,000 and $551,000, respectively, of income tax expense. The tax provision recorded in both the six months ended June 30, 2008 and 2007 was primarily attributable to our foreign operations. We have not incurred any significant cash income tax expense since inception and we do not expect to incur any significant cash income tax expense during the remainder of 2008.

Liquidity and Capital Resources

As of June 30, 2008, our total indebtedness was comprised of (i) convertible debt totaling $678.2 million from our convertible subordinated debentures, our 2.50% convertible subordinated notes and our 3.00% convertible subordinated notes and (ii) non-convertible debt and financing obligations totaling $513.8 million from our Washington D.C. metro area IBX capital lease, San Jose IBX equipment and fiber financing, Chicago IBX equipment financing, Los Angeles IBX financing, Ashburn campus mortgage payable, Chicago IBX financing, Asia-Pacific financing, European financing, Netherlands financing and other financing obligations.

We believe we have sufficient cash, coupled with anticipated cash generated from operating activities and anticipated cash from financings, to meet our operating requirements for at least the next 12 months. As of June 30, 2008, we had $324.7 million of cash, cash equivalents and short-term and long-term investments. As of June 30, 2008, we had a total of $72.6 million of additional liquidity available to us in the event we need additional cash to fund expansion activities, fund working capital requirements or pursue attractive strategic opportunities that may become available in the future, comprised of $44.7 million under the Asia-Pacific financing for expansion projects in Hong Kong, Singapore, Sydney and Tokyo, and $27.9 million under the European financing for general working capital and expansion projects in France, Germany, Switzerland and the United Kingdom. In addition, from time to time we assess external financing opportunities, both debt and equity, as alternative sources for financing such activities and opportunities, including any acquisition plans. While we expect that our cash flow from operations will continue to increase, we expect our cash flow used in investing activities, primarily as a result of our expected purchases of property and equipment to complete our announced expansion projects, will also increase and we expect our cash flow used in investing activities to be greater than our cash flows generated from operating activities. Given our limited operating history, additional potential expansion opportunities that we may decide to pursue and other business risks that may cause our operating results to fluctuate we may not achieve our desired levels of profitability or cash requirements in the future. For further information, refer to Risk Factors in Item 1A of Part II of this Quarterly Report on Form 10-Q below.

Sources and Uses of Cash

	Six months ended June 30,	
	2008	2007
	(in thousands)	
Net cash provided by operating activities	$ 127,942	$ 57,712
Net cash used in investing activities	(352,415)	(229,949)
Net cash provided by financing activities	86,522	323,772

Operating Activities. The increase in net cash provided by operating activities was primarily due to improved operating results and strong collections of account receivables, management of vendor payments and growth in customer installations, which increases deferred installation revenue, a liability account. We expect that we will continue to generate cash from our operating activities throughout the remainder of 2008 and beyond.

Investing Activities. Net cash used in investing activities for the six months ended June 30, 2008 was primarily due to $210.1 million of capital expenditures required to bring our recently announced and current IBX expansion projects to Equinix standards, and to support our growing customer base, as well as the Virtu acquisition of $23.2 million, partially offset by net maturities of our short-term and long-term investments. Net cash used in investing activities for the six months ended June 30, 2007 was primarily the result of the capital expenditures required to bring our recently announced and current IBX expansion projects to Equinix standards, and to support our growing customer base, the deposit for the conditional purchase of our San Jose IBX property in January 2007 of $6.5 million, as well as the purchase of our Los Angeles IBX property in June 2007 of $49.0 million, partially offset by net maturities of our short-term and long-term investments.

Financing Activities. Net cash provided by financing activities for the six months ended June 30, 2008, was primarily the result of gross proceeds from our loans payable in connection with our European financing, Asia-Pacific financing and Chicago IBX financing. Net cash provided by financing activities for the six months ended June 30, 2007, was primarily the result of $250.0 million in gross proceeds form our convertible subordinated notes offering, $69.3 million in gross proceeds from our loan payable in connection with the Chicago IBX financing and proceeds from our various employee stock plans, partially offset by debt issuance costs and principal payments for our capital leases and other financing obligations and our Ashburn campus mortgage payable.

Debt Obligations

Chicago IBX Financing. During the six months ended June 30, 2008, we received additional advances totaling $4.4 million, bringing the cumulative and final loan payable to approximately $110.0 million. As of June 30, 2008, the loan payable carried an approximate interest rate of 5.19% per annum. The loan payable under the Chicago IBX financing bears interest at a floating rate.

In May 2008, we entered into an interest rate swap agreement with one counterparty to hedge the interest payments on a $105.0 million notional amount of the Chicago IBX financing, which will mature in February 2011. Under the terms of the interest rate swap transaction, we receive interest payments based on rolling one-month LIBOR terms and pay interest at the fixed rate of 6.34%.

Asia-Pacific Financing. In January 2008, the Asia-Pacific financing was amended to enable our subsidiary in Australia to borrow up to 32.0 million Australian dollars, or approximately $30.6 million, under the same general terms, amending the Asia-Pacific financing into an approximately $75.0 million multi-currency credit facility agreement. In June 2008, the Asia-Pacific financing was further amended to enable our subsidiary in Hong Kong to borrow up to 156.0 million Hong Kong dollars, or approximately $20.0 million, under the same general terms, amending the Asia-Pacific financing into an approximately $95.0 million multi-currency credit facility agreement. Loans payable under the Asia-Pacific financing bear interest at floating rates. As of June 30, 2008, we had borrowed 18.3 million Singapore dollars, or approximately $13.4 million, at an approximate interest rate per annum of 3.23%; 2.9 billion Japanese yen, or approximately $27.6 million, at an approximate interest rate per annum of 2.63%; 3.2 million Australian dollars, or approximately $3.0 million, at an approximate interest rate per annum of 9.71% and 48.8 million Hong Kong dollars, or approximately $6.3 million, at an approximate interest rate per annum of 4.22%. Collectively, the total amount borrowed was approximately equal to $50.3 million, leaving approximately $44.7 million of available balance to borrow under the Asia-Pacific financing. As of June 30, 2008, we were in compliance with all financial covenants associated with the Asia-Pacific financing. In July 2008, we received an additional advance of 39.0 million Hong Kong dollars, or approximately $5.0 million, at an approximate interest rate per annum of 4.22% under the Asia-Pacific financing. Collectively, the total amount borrowed under the Asia-Pacific financing was approximately $55.3 million, leaving approximately $39.7 million available to borrow.

European Financing. During the six months ended June 30, 2008, we received additional advances totaling approximately 25.0 million British pounds, or approximately $49.7 million, under the European financing, leaving the amount available to borrow totaling approximately 14.0 million British pounds, or approximately $27.9 million. As of June 30, 2008, a total of approximately 67.5 million British pounds, or approximately $134.4 million, was outstanding under the European financing with an approximate blended interest rate of 7.43% per annum. Loans payable under the European financing bear interest at floating rates. The European financing is available to fund our expansion projects in France, Germany, Switzerland and the United Kingdom. As of June 30, 2008, we were in compliance with all financial covenants associated with the European financing. In July 2008, we received additional advances totaling approximately 2.3 million British pounds, or approximately $4.6 million, under the European financing with an approximate interest rate of 6.72% per annum. As a result, the amount available to borrow under the European financing totals approximately 11.7 million British pounds or approximately $23.3 million.

In May 2008, we entered into three interest rate swap agreements and re-designated two older ineffective interest rate swap agreements with a total of two counterparties to hedge the interest payments on the equivalent of $127.2 million notional amount of the European financing, which will mature in August 2009 and May 2011. Under the terms of the interest rate swap transactions, we receive interest payments based on rolling one-month EURIBOR and LIBOR terms and pay fixed interest rates ranging from 6.71% to 7.94%.

Netherlands Financing. In February 2008, as a result of the Virtu acquisition, our wholly-owned subsidiary assumed senior credit facilities totaling 5.5 million Euros bearing interest at a floating rate (three month EURIBOR plus 1.25%). As of June 30, 2008, a total of approximately 5.0 million Euros, or approximately $7.8 million, was outstanding under the Netherlands financing with an approximate blended interest rate of 6.20% per annum. The Netherlands financing contains several financial covenants, which must be complied with on an annual basis. Our wholly-owned subsidiary in the Netherlands was not in compliance with the December 31, 2007 financial covenants; however, in April 2008, we obtained a waiver from the lender for such non-compliance. As of June 30, 2008, the total amount outstanding under the Netherlands financing is reflected as a current liability within the current portion of mortgage and loans payable on the accompanying balance sheet. This is due to the fact that the Netherlands financing is not a committed facility and is, therefore, callable by the lender.

$75.0 Million Silicon Valley Bank Revolving Credit Line. In February 2008, we terminated the $75.0 million Silicon Valley Bank revolving credit line. As a result, all letters of credit issued and outstanding under the $75.0 million Silicon Valley Bank revolving credit line, totaling $12.1 million, were cash collateralized. As of the termination date, we had no borrowings outstanding under the Silicon Valley Bank revolving credit line and no termination penalties were incurred.

Table of Contents

Debt Maturities, Financings, Leases and Other Contractual Commitments

We lease our IBX centers and certain equipment under non-cancelable lease agreements expiring through 2027. The following represents our debt maturities, financings, leases and other contractual commitments as of June 30, 2008 (in thousands):

	2008 (6 months)	**2009**	**2010**	**2011**	**2012**	**2013 and thereafter**	**Total**
Convertible debt **(1)**	$	$ 32,250	$	$	$ 250,000	$ 395,986	$ 678,236
Chicago IBX financing **(1)**			109,991				109,991
Asia-Pacific financing **(1)**	3,421	15,485	16,781	13,360	1,296		50,343
European financing **(1)**	1,045	10,450	15,638	17,728	20,322	69,253	134,436
Netherlands financing **(1)**	7,800						7,800
Interest **(2)**	18,399	35,011	28,235	25,998	19,443	27,529	154,615
Mortgage payable **(3)**	5,082	10,164	10,164	10,164	10,165	133,503	179,242
Other note payable **(3)**	5,000	10,000					15,000
Capital lease and other financing obligations **(3)**	5,996	12,108	12,136	12,225	11,846	112,780	167,091
Operating leases under accrued restructuring charges **(3)**	2,393	4,025	4,094	4,224	4,472	11,524	30,732
Operating leases **(4)**	26,201	52,552	49,606	45,341	43,920	234,906	452,526
Other contractual commitments **(4)**	120,038	29,176	13,068				162,282
	$ 195,375	$ 211,221	$ 259,713	$ 129,040	$ 361,464	$ 985,481	$ 2,142,294

(1) Represents principal only.

(2) Represents interest on convertible debt, Chicago IBX financing, Asia-Pacific financing, European financing and Netherlands financing based on their approximate interest rates as of June 30, 2008.

(3) Represents principal and interest.

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

Primarily as a result of our various IBX expansion projects, as of June 30, 2008, we were contractually committed for $84.8 million of unaccrued capital expenditures, primarily for IBX equipment not yet delivered and labor not yet provided, in connection with the work necessary to open these IBX centers prior to making them available to customers for installation. This amount, which is expected to be paid during the remainder of 2008, is reflected in the table above as other contractual commitments.

We have other non-capital purchase commitments in place as of June 30, 2008, such as commitments to purchase power in select locations, primarily in the U.S., Singapore and the United Kingdom, through the remainder of 2008 and thereafter, and other open purchase orders, which contractually bind us for goods or services to be delivered or provided during the remainder of 2008. Such other purchase commitments as of June 30, 2008, which total $77.5 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 $150.0 million to $200.0 million beyond the $162.3 million contractually committed as of June 30, 2008 in our various IBX expansion projects during the remainder of 2008 in order to complete the work needed to open these IBX centers. These non-contractual capital expenditures are not reflected in the table above.

Recent Accounting Pronouncements

See Note 15 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

Market Risk

The following discussion about market risk disclosures involves forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements. We may be exposed to market risks related to changes in interest rates and foreign currency exchange rates and fluctuations in the prices of certain commodities, primarily electricity.

We currently employ interest rate swaps and foreign currency forward exchange contracts for the purpose of hedging certain specifically identified exposures. The use of these financial instruments is intended to mitigate some of the risks associated with either fluctuations in interest rates or currency exchange rates, but does not eliminate such risks. We do not use financial instruments for trading or speculative purposes.

Interest Rate Risk

Our exposure to market risk resulting from changes in interest rates relates primarily to our investment portfolio and variable-rate financings in place in the U.S., Asia-Pacific and Europe. All of our cash equivalents and marketable securities are designated as available-for-sale and are therefore recorded at fair market value on our condensed consolidated balance sheets with the unrealized gains or losses reported as a separate component of other comprehensive income or loss. We consider various factors in determining whether we should recognize an impairment charge for our securities, including the length of time and extent to which the fair value has been less than our cost basis and our intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in market value. The fair market value of our marketable securities could be adversely impacted due to a rise in interest rates, but we do not believe such impact would be material. Securities with longer maturities are subject to a greater interest rate risk than those with shorter maturities and as of June 30, 2008 our portfolio maturity was relatively short. If current interest rates were to increase or decrease by 10% from their position as of June 30, 2008, the fair market value of our investment portfolio could increase or decrease by approximately $370,000.

An immediate 10% increase or decrease in current interest rates from their position as of June 30, 2008 would furthermore not have a material impact on our debt obligations due to the fixed nature of the majority of our debt obligations. However, the interest expense associated with our Chicago IBX financing, Asia-Pacific financing, European financing and Netherlands financing, which bear interest at variable rates tied to local cost of funds or LIBOR/SIBOR/EURIBOR, could be affected. For every 100 basis point change in interest rates, our annual interest expense could increase or decrease by a total of $3.0 million based on the total balance of our borrowings under the Chicago IBX financing, Asia-Pacific financing, European financing and Netherlands financing as of June 30, 2008. To mitigate the risk of fluctuations in floating rates, we utilize interest rate swaps, which shift the risk to the counterparty in exchange for fixed payments by us. As of June 30, 2008, we had entered into a total of six swap agreements with maturity dates of less than three years, comprised of five swap agreements for the European financing with an aggregate notional amount of 38.3 million British pounds and 32.3 million Euros, or approximately $127.2 million, and one swap agreement for the Chicago IBX financing with an aggregate notional amount of $105.0 million. Under the five swap agreements for the European financing, we pay fixed rates of interest ranging from 6.71% to 7.94% on the notional amount and the counterparty pays us rates of interest on the notional amount based on LIBOR/EURIBOR. Under the swap agreement for the Chicago IBX financing, we pay a fixed rate of 6.34% on the notional amount and the counterparty pays us rates of interest on the notional amount based on one-month LIBOR. The fair values or changes in fair value of these swaps are recorded on our balance sheets.

The fair market value of our long-term fixed interest rate debt is subject to interest rate risk. Generally, the fair market value of fixed interest rate debt will increase as interest rates fall and decrease as interest rates rise. These interest rate changes may affect the fair market value of the fixed interest rate debt but do not impact our earnings or cash flows. The fair market value of our convertible subordinated debentures and convertible subordinated notes is based on quoted market prices. The estimated fair value of our convertible subordinated debentures at June 30, 2008 was approximately $74.1million. The estimated fair value of our 2.50% convertible subordinated notes at June 30, 2008 was approximately $255.0 million. The estimated fair value of our 3.00% convertible subordinated notes at June 30, 2008 was approximately $421.3 million.

Table of Contents

We may enter into additional interest rate hedging agreements in the future to mitigate our exposure to interest rate risk.

Foreign Currency Risk

The majority of our recognized revenue is denominated in U.S. dollars, generated mostly from customers in the U.S. However, approximately 37% of our revenues and 41% of our operating costs are in the Europe and Asia-Pacific regions and a large portion of those revenues and costs are denominated in a currency other than the U.S. dollar, primarily the British pound, Euro, Swiss franc, Singapore dollar, Japanese yen and Hong Kong and Australian dollars. As a result, our operating results and cash flows are impacted by currency fluctuations relative to the U.S. dollar. To protect against reductions in value and the volatility of future cash flows caused by changes in currency exchange rates, we have established a balance sheet management program. We hedge certain of our intercompany foreign currency assets and liabilities. Our balance sheet remeasurement hedge programs reduce, but do not entirely eliminate, the impact of currency exchange rate movements and its impact to the statements of operations. As of June 30, 2008, the outstanding foreign currency contracts had maturities of 180 days or less.

For the foreseeable future, we anticipate that approximately 35-40% of our revenues and operating costs will continue to be generated and incurred outside of the U.S. in currencies other than the U.S. dollar.

We may enter into significant hedging activities in the future to mitigate our exposure to foreign currency risk as our exposure to foreign currency risk continues to increase due to our growing foreign operations.

Commodity Price Risk

Certain operating costs incurred by us are subject to price fluctuations caused by the volatility of underlying commodity prices. The commodities most likely to have an impact on our results of operations in the event of price changes are electricity, supplies and equipment used in our IBX centers. We are closely monitoring the cost of electricity at all of our locations. We have entered into several power contracts to purchase power at fixed prices during 2008 and 2009 in certain locations in the U.S., as well as Singapore and the United Kingdom.

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

We do not currently employ forward contracts or other financial instruments to hedge commodity price risk other than the power contracts discussed above.

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.*** Other than the addition of certain new controls implemented to cover the operations of IXEurope and its subsidiaries, which we acquired on September 14, 2007 and which were implemented effective as of June 30, 2008, there were no changes in

Table of Contents

our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

On July 30, 2001 and August 8, 2001, putative shareholder class action lawsuits were filed against us, certain of our officers and directors (the Individual Defendants), and several investment banks that were underwriters of our initial public offering (the Underwriter Defendants). The cases were filed in the United States District Court for the Southern District of New York. Similar lawsuits were filed against approximately 300 other issuers and related parties. The purported class action alleges violations of Sections 11 and 15 of the Securities Act of 1933 and Sections 10(b), Rule 10b-5 and 20(a) of the Securities Exchange Act of 1934 against us and the Individual Defendants. The plaintiffs have since dismissed the Individual Defendants without prejudice. The suits allege that the Underwriter Defendants agreed to allocate stock in our initial public offering to certain investors in exchange for excessive and undisclosed commissions and agreements by those investors to make additional purchases in the aftermarket at pre-determined prices. The plaintiffs allege that the prospectus for our initial public offering was false and misleading and in violation of the securities laws because it did not disclose these arrangements. The action seeks damages in an unspecified amount. On February 19, 2003, the Court dismissed the Section 10(b) claim against us, but denied the motion to dismiss the Section 11 claim. On December 5, 2006, the Second Circuit vacated a decision by the district court granting class certification in six focus cases, which are intended to serve as test cases. Plaintiffs selected these six cases, which do not include Equinix. On April 6, 2007, the Second Circuit denied a petition for rehearing filed by plaintiffs, but noted that plaintiffs could ask the district court to certify more narrow classes than those that were rejected. On August 14, 2007, plaintiffs filed amended complaints in the six focus cases. On September 27, 2007, plaintiffs moved to certify a class in the six focus cases. On November 14, 2007, the issuers and the underwriters named as defendants in the six focus cases moved to dismiss the amended complaints against them. On March 26, 2008, the district court dismissed the Section 11 claims of those members of the putative classes in the focus cases who sold their securities for a price in excess of the initial offering price and those who purchased outside the previously certified class period. With respect to all other claims, the motions to dismiss were denied. We are awaiting a decision from the Court on the class certification motion.

Due to the inherent uncertainties of litigation, we cannot accurately predict the ultimate outcome of the matter. We are unable at this time to determine whether the outcome of the litigation would have a material impact on our results of operations, financial condition or cash flows. We intend to continue to defend the action vigorously.

On June 29, 2006 and September 18, 2006, shareholder derivative actions were filed in the Superior Court of the State of California, County of San Mateo, naming Equinix as a nominal defendant and several of Equinix s current and former officers and directors as individual defendants. These actions were consolidated, and the consolidated complaint was filed in January 2007. In March 2007, the state court stayed this action in deference to a federal shareholder derivative action filed in the United States District Court for the Northern District of California in October 2006. The federal action named Equinix as a nominal defendant and several current and former officers and directors as individual defendants. This complaint alleged that the individual defendants breached their fiduciary duties and violated California and federal securities laws as a result of purported backdating of stock options, insider trading and the dissemination of false statements. On April 12, 2007, the federal action was voluntarily dismissed without prejudice pursuant to a joint stipulation entered as an order by the court. On May 3, 2007, the state court lifted the stay on proceedings in the state court action. On March 3, 2008, the state court plaintiff filed a second amended consolidated complaint after the court granted two motions to dismiss prior complaints with leave to amend. The second amended consolidated complaint alleged that the individual defendants breached their fiduciary duties and violated California securities law as a result of purported backdating of stock option grants, insider trading and the dissemination of false financial statements. The second amended consolidated complaint sought to recover, on behalf of Equinix, unspecified monetary damages, corporate governance changes, equitable and injunctive relief, restitution and fees and costs. On July 8, 2008, the state court granted our motion to dismiss the second amended consolidated complaint without leave to amend and entered a final judgment dismissing the action and all claims asserted therein in their entirety without leave to amend. We do not know whether the plaintiff will appeal the dismissal of this action.

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

Item 1A. Risk Factors

In addition to the other information contained in this report, the following risk factors should be considered carefully in evaluating our business and us:

We may not be able to successfully integrate IXEurope and achieve the benefits we expect from the IXEurope acquisition.

We will only achieve the benefits that are expected to result from the IXEurope acquisition if we can successfully integrate its administrative, finance, operations, sales and marketing organizations, and implement appropriate systems and controls.

The success of the IXEurope acquisition and integration into our operations will involve a number of risks, including, but not limited to:

- the possible diversion of our management s attention from other business concerns, including our previously announced expansion plans in the U.S. and Asia-Pacific regions;
- the potential inability to successfully pursue or realize some or all of the anticipated revenue opportunities associated with the IXEurope acquisition, some of which were anticipated in our purchase price;
- the potential that our existing customer base will not choose us as their global colocation solution as expected;
- the potential inability to maintain our historic levels of stability, uptime and quality for our customers;
- the possible loss of IXEurope s key employees;
- the potential inability to achieve expected operating efficiencies in IXEurope s operations, including through the thorough integration of our operations, marketing, sales and financial systems;
- the increased complexity and diversity of our operations after the IXEurope acquisition compared to our prior operations;
- the impact on our internal controls and compliance with the regulatory requirements under the Sarbanes-Oxley Act of 2002; and

- unanticipated problems, expenses or liabilities.

If we fail to integrate IXEurope successfully and/or fail to realize the intended benefits of the IXEurope acquisition, our results of operations could be materially and adversely affected. In addition, the IXEurope acquisition resulted in a substantial goodwill asset, which will be subject to an annual impairment analysis. If this goodwill were to be impaired in the future, it could have a significant negative impact on our results of operations and financial condition.

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

We have a significant amount of debt. As of June 30, 2008, our total indebtedness was approximately $1.2 billion and our stockholders equity was $878.8 million.

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

- require us to dedicate a substantial portion of our cash flow from operations to make payments on our debt, reducing the availability of our cash flow to fund future capital expenditures, working capital, execution of our expansion strategy and other general corporate requirements;
- make it more difficult for us to satisfy our obligations under our various debt instruments;
- increase our vulnerability to general adverse economic and industry conditions and adverse changes in governmental regulations;
- limit our flexibility in planning for, or reacting to, changes in our business and industry, which may place us at a competitive disadvantage compared with our competitors;
- limit our ability to borrow additional funds, even when necessary to maintain adequate liquidity; and
- make us more vulnerable to increases in interest rates because of the variable interest rates on some of our borrowings.

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 and financial condition.

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

Although we have generated cash from operations since the quarter ended September 30, 2003, for the years ended December 31, 2007, 2006 and 2005, we incurred net losses of $5.2 million, $6.4 million and $42.6 million, respectively. We recorded net income of $7.7 million for the six months ended June 30, 2008. Although we have generated net income in our first and second quarters of 2008, we are also currently investing heavily in our future growth through the build-out of several additional IBX centers and IBX center expansions. As a result, we will incur higher depreciation and other operating expenses, as well as interest expense, that will negatively impact our ability to achieve and sustain profitability unless and until these new IBX centers generate enough revenue to exceed their operating costs and cover our additional overhead needed to scale our business for this anticipated growth. In addition, costs associated with the IXEurope acquisition and the integration of the two 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 achieve and 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.

Table of Contents

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

Our construction of additional new IBX centers could involve significant risks to our business.

In order to sustain our growth in certain of our existing and new markets, we must acquire suitable land with or without structures to build new IBX centers from the ground up. We call these greenfield builds. Greenfield builds are currently underway, or being contemplated, in several key markets. A greenfield build involves substantial planning and lead-time, much longer time to completion than an IBX retrofit of an existing data center, and significantly higher costs of construction, equipment and materials, which could have a negative impact on our returns. A greenfield build also requires us to carefully select and rely on the experience of one or more general contractors and associated subcontractors during the construction process. Should a general contractor or significant subcontractor experience financial or other problems during the construction process, we could experience significant delays, increased costs to complete the project and other negative impacts to our expected returns. Site selection is also a critical factor in our expansion plans, and there may not be suitable properties available in our markets with the necessary combination of high power capacity and fiber connectivity.

While we may prefer to locate new IBX centers adjacent to our existing locations, we may be limited by the inventory and location of suitable properties as well as by the need for adequate power and fiber to the site. In the event we decide to build new IBX centers separate from our existing IBX centers, we may provide services to interconnect these two centers. Should these services not provide the necessary reliability to sustain service, this could result in lower interconnection revenue, lower margins and could have a negative impact on customer retention over time.

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

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

Any failure of our physical infrastructure or services could lead to significant costs and disruptions that could reduce our revenue and harm our business reputation and financial results.

Our business depends on providing customers with highly reliable service. We must protect our customers IBX infrastructure and their equipment located in our IBX centers. We continue to acquire IBX centers not built by us. If we discover that these IBX 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 centers are subject to failure resulting from numerous factors, including:

- human error;
- physical or electronic security breaches;

- fire, earthquake, flood, tornados and other natural disasters;
- extreme temperatures;
- water damage;
- fiber cuts;
- power loss;
- terrorist acts;
- sabotage and vandalism; and
- the failure of business partners who provide our resale products.

Problems at one or more of our IBX centers, whether or not within our control, could result in service interruptions or significant equipment damage. We have service level commitment obligations to certain of our customers, including our significant customers. As a result, service interruptions or significant equipment damage in our IBX centers could result in difficulty maintaining service level commitments to these customers and potential claims related to such failures.

If we incur significant financial obligations to our customers in connection with a loss of power, or our failure to meet other service level commitment obligations, our liability insurance may not be adequate. 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.

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

We expect our operating results to fluctuate.

We have experienced fluctuations in our results of operations on a quarterly and annual basis. The fluctuations in our operating results may cause the market price of our common stock to decline. We expect to experience significant fluctuations in our operating results in the foreseeable future due to a variety of factors, including, but not limited to:

- financing or other expenses related to the acquisition, purchase or construction of additional IBX centers;
- mandatory expensing of employee stock-based compensation;
- financing or other expenses related to the IXEurope acquisition;

46

Table of Contents

demand for space, power and services at our IBX 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;

costs associated with the write-off or exit of unimproved or underutilized property;

the provision of customer discounts and credits;

the mix of current and proposed products and services and the gross margins associated with our products and services;

the timing required for new and future centers to open or become fully utilized;

competition in the markets in which we operate;

conditions related to international operations;

increasing repair and maintenance expenses in connection with aging IBX centers;

lack of available capacity in our existing IBX centers to book new revenue or delays in opening up new or acquired IBX centers that delay our ability to book new revenue in markets which have otherwise reached capacity;

the timing and magnitude of other operating expenses, including taxes, capital expenditures and expenses related to the expansion of sales, marketing, operations and acquisitions, if any, of complementary businesses and assets; and

the cost and availability of adequate public utilities, including power.

Any of the foregoing factors, or other factors discussed elsewhere in this report, could have a material adverse effect on our business, results of operations and financial condition. Although we have experienced growth in revenues in recent quarters, this growth rate is not necessarily indicative of future operating results. We have generated net losses every fiscal year since inception. It is possible that we may not be able to generate positive net income on a quarterly or annual basis in the future. In addition, a relatively large portion of our expenses are fixed in the short-term, particularly with respect to lease and personnel expenses, depreciation and amortization and interest expenses. Therefore, our results of operations are particularly sensitive to fluctuations in revenues. As such, comparisons to prior reporting periods should not be relied upon as indications of our future performance. In addition, our operating results in one or more future quarters may fail to meet the expectations of securities analysts or investors. If this occurs, we could experience an immediate and significant decline in the trading price of our stock.

Table of Contents

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

We believe that our ability to use our pre-2003 tax net operating losses, or NOLs, in any taxable year is subject to limitations under Section 382 of the United States Internal Revenue Code of 1986, as amended, or the Code, as a result of the significant change in the ownership of our stock that resulted from our combination with i-STT Pte Ltd and Pihana Pacific, Inc. in 2002. We expect that a significant portion of our NOLs that accrued prior to December 31, 2002 will expire unused as a result of this limitation.

We are exposed to potential risks from legislation requiring companies to evaluate controls under Section 404 of the Sarbanes-Oxley Act of 2002.

Although we received an unqualified opinion regarding the effectiveness of our internal controls over financial reporting as of December 31, 2007, in the course of our ongoing evaluation of our internal controls over financial reporting we have identified certain areas which we would like to improve and are in the process of evaluating and designing enhanced processes and controls to address these areas identified during our evaluation, none of which we believe constitutes or will constitute a material change. However, we cannot be certain that our efforts will be effective or sufficient for us, or our independent registered public accounting firm, to issue unqualified reports in the future, especially as our business continues to grow and evolve.

IXEurope, since it was acquired in September 2007, was scoped out of internal control testing for 2007; however, it will be in scope for 2008. It may be difficult to design and implement effective financial controls for combined operations, and differences in existing controls of any acquired businesses, including IXEurope, may result in weaknesses that require remediation when the financial controls and reporting are combined.

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

If we cannot effectively manage 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, 2007, 2006 and 2005, we recognized 23%, 14% and 13%, respectively, of our revenues outside the U.S. For the six months ended June 30, 2008, we recognized 37% of our revenues outside the U.S.

To date, the neutrality of our IBX centers and the variety of networks available to our customers has often been a competitive advantage for us. In certain of our acquired IBX centers the limited number of carriers available reduces that advantage. As a result, we may need to adapt our key revenue-generating services and pricing to be competitive in that market.

We may experience gains and losses resulting from fluctuations in foreign currency exchange rates. To date, the majority of our revenues and costs have been denominated in U.S. dollars; however, the majority of revenues and costs in our international operations have been denominated in foreign currencies. Although we have in the past and may decide to undertake foreign exchange hedging transactions in the future to reduce foreign currency transaction exposure, we do not currently intend to eliminate all foreign currency transaction exposure. Where our prices are denominated in U.S. dollars, our sales could be adversely affected by declines in foreign currencies relative to the U.S. dollar, thereby making our products and services more expensive in local currencies.

We are currently undergoing expansions or evaluating expansion opportunities in Europe and in the Asia-Pacific region. Undertaking and managing expansions in foreign jurisdictions may present unanticipated challenges to us. In addition, any expansion requires substantial operational and financial resources, and we may not have sufficient customer demand to support the expansion once complete. Unanticipated technological changes could also affect customer requirements for data centers and we may not have built such requirements into our expanded IBX centers. 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 from declines in the U.S dollar relative to foreign currencies.

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

the costs of customizing IBX centers for foreign countries;

- protectionist laws and business practices favoring local competition;
- greater difficulty or delay in accounts receivable collection;
- difficulties in staffing and managing foreign operations, including negotiating with foreign labor unions or workers councils;
- political and economic instability;
- our ability to obtain, transfer, or maintain licenses required by governmental entities with respect to our business; and
- compliance with evolving governmental regulation with which we have little experience.

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

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

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

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

- the potential inability to successfully pursue or realize some or all of the anticipated revenue opportunities associated with an acquisition, some of which would be anticipated in any purchase price;
- the possibility that we may not be able to successfully integrate acquired businesses or achieve the level of quality in such businesses to which our customers are accustomed;
- the possibility that additional capital expenditures may be required;
- the possibility that senior management may be required to spend considerable time negotiating agreements and integrating acquired businesses;

Table of Contents

the possible loss or reduction in value of acquired businesses;

the possibility that our customers may not accept either the existing equipment infrastructure or the look-and-feel of a new or different IBX center;

the possibility that carriers may find it cost-prohibitive or impractical to bring fiber and networks into a new IBX center;

the possibility of pre-existing undisclosed liabilities regarding the property or IBX center, including but not limited to environmental or asbestos liability, of which our insurance may be insufficient or for which we may be unable to secure insurance coverage; and

the possibility that the concentration of our IBX centers in the Silicon Valley, Los Angeles and Tokyo, Japan metro areas may increase our exposure to seismic activity, especially if these centers are located on or near fault zones.

We cannot assure you that the price for any future acquisitions will be similar to prior IBX acquisitions. In fact, we expect acquisition costs, including capital expenditures required to build or render new IBX centers operational, to increase in the future. If our revenue does not keep pace with these potential acquisition and expansion costs, we may not be able to maintain our current or expected margins as we absorb these additional expenses. There is no assurance we would successfully overcome these risks or any other problems encountered with these acquisitions.

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

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

Power outages, such as those that occurred in California during 2001, the Northeast in 2003, and from the tornados on the U.S. east coast in 2004, could harm our customers and our business. We attempt to limit exposure to system downtime by using backup generators and power supplies; however, we may not be able to limit our exposure entirely even with these protections in place, as was the case with the power outages we experienced in our Chicago and Washington, D.C. metro area IBX centers in 2005 and London metro area IBX centers in 2007.

In addition, global fluctuations in the price of power can increase the cost of energy, and although contractual price increase clauses may exist in some of our customer agreements, we may not be able to pass these increased costs on to our customers.

In each of our markets, we rely on third parties to provide a sufficient amount of power for current and future customers. At the same time, power and cooling requirements are growing on a per unit basis. As a result, some customers are consuming an increasing amount of power per cabinet. We generally do not control the amount of electric power our customers draw from their installed circuits. This means that we could face power limitations in our centers. This could have a negative impact on the effective available capacity of a given center and limit our ability to grow our business, which could have a negative impact on our financial performance, operating results and cash flows.

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

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

We agreed to a covenant in connection with our combination with i-STT Pte Ltd and Pihana Pacific, Inc. in 2002 (which we refer to as the FIRPTA covenant) that we would use all commercially reasonable efforts to ensure that at all times from and after the closing of the combination none of our capital stock issued to STT Communications would constitute United States real property interests within the meaning of Section 897(c) of the Code. Under Section 897(c) of the Code, our capital stock issued to STT Communications would generally constitute United States real property interests at such point in time that the fair market value of the United States real property interests owned by us equals or exceeds 50% of the sum of the aggregate fair market values of (a) our United States real property interests, (b) our interests in real property located outside the United States and (c) any other assets held by us which are used or held for use in our trade or business. Currently, the fair market value of our United States real property interests is significantly below the 50% threshold. However, in order to ensure compliance with the FIRPTA covenant, we may be limited with respect to the business opportunities we may pursue, particularly if the business opportunities would increase the amounts of United States real property interests owned by us or decrease the amount of other assets owned by us. In addition, we may take proactive steps to avoid our capital stock being deemed a United States real property interest, including, but not limited to, (a) a sale-leaseback transaction with respect to some or all of our real property interests, or (b) the formation of a holding company organized under the laws of the Republic of Singapore which would issue shares of its capital stock in exchange for all of our outstanding stock (which would require the submission of that transaction to our stockholders for their approval and the consummation of that exchange). We will take these actions only if such actions are commercially reasonable for our stockholders and us. We have entered into an agreement with STT Communications and its affiliate pursuant to which we will no longer be bound by the FIRPTA covenant as of September 30, 2009. If we were to breach this covenant, we may be liable for damages to STT Communications.

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

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

A small number of our stockholders has voting control over a substantial portion of our stock and has influence over matters requiring stockholder consent.

Several of our stockholders each hold voting control over greater than 10% of our outstanding common stock. In addition, these stockholders are not prohibited from buying shares of our stock in public or private transactions. As a result, each of these stockholders is able to exercise significant control over all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, which could prevent or delay a third party from acquiring or merging with us.

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

We continue to have contractual and other business relationships and may engage in material transactions with affiliates of STT Communications, a greater than 10% stockholder. Circumstances may arise in which the interests of STT Communications affiliates may conflict with the interests of our other stockholders. In addition, entities affiliated with STT Communications make investments in various companies. They have invested in the past, and may invest in the future, in entities that compete with us. In the context of negotiating commercial arrangements with affiliates, conflicts of interest have arisen in the past and may arise, in this or other contexts, in the future. We cannot assure you that any conflicts of interest will be resolved in our favor.

Table of Contents

Environmental regulations may impose upon us new or unexpected costs.

We are subject to various environmental and health and safety laws and regulations, including those relating to the generation, storage, handling and disposal of hazardous substances and wastes. Certain of these laws and regulations also impose joint and several liability, without regard to fault, for investigation and cleanup costs on current and former owners and operators of real property and persons who have disposed of or released hazardous substances into the environment. Our operations involve the use of hazardous substances and materials such as petroleum fuel for emergency generators, as well as batteries, cleaning solutions and other materials. In addition, we lease, own or operate real property at which hazardous substances and regulated materials have been used in the past. At some of 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. Noncompliance with existing, or adoption of more stringent, environmental or health and safety laws and regulations or the discovery of previously unknown contamination could require us to incur costs or become the basis of new or increased liabilities that could be material.

Fossil fuel combustion creates greenhouse gas emissions that are linked to global climate change. Regulations to limit greenhouse gas emissions are coming into force in the European Union in an effort to prevent or reduce climate change. In the United States, federal proposals are under consideration that would implement some form of regulation or taxation to mitigate greenhouse gas emissions. 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. The proposals include a tax on carbon, a carbon cap-and-trade market, and/or other restrictions on carbon and greenhouse gas emissions. California s recently enacted Global Warming Solutions Act of 2006 established a statewide greenhouse gas emissions cap and will require mandatory emissions reporting. We do not anticipate to be directly regulated by each of the potential or developing climate change-related laws, but such legislation is likely to increase the costs of electricity or fossil fuels, and these cost increases could materially increase our costs of operation or limit the availability of electricity or emergency generator fuels. If laws reducing greenhouse gas emissions are passed, we may be required to modify our emergency power sources systems, buildings or other infrastructure in order to comply, the cost of which could be substantial.

To the extent any of these environmental regulations impose new or unexpected costs, our business, results of operations or financial conditions may be adversely affected.

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

The presence of diverse telecommunications carriers fiber networks in our IBX centers is critical to our ability to retain and attract new customers. We are not a telecommunications carrier, and as such we rely on third parties to provide our customers with carrier services. We believe that the availability of carrier capacity will directly affect our ability to achieve our projected results. We rely primarily on revenue opportunities from the telecommunications carriers customers to encourage them to invest the capital and operating resources required to connect from their centers to our IBX centers. Carriers will likely evaluate the revenue opportunity of an IBX center based on the assumption that the environment will be highly competitive. We cannot assure you that any carrier will elect to offer its services within our IBX centers or that once a carrier has decided to provide Internet connectivity to our IBX centers that it will continue to do so for any period of time. Further, many carriers are experiencing business difficulties or announcing consolidations. As a result, some carriers may be forced to downsize or terminate connectivity within our IBX centers, which could have an adverse effect on our operating results.

Our new IBX centers require construction and operation of a sophisticated redundant fiber network. The construction required to connect multiple carrier facilities to our IBX centers is complex and involves factors outside of our control, including regulatory processes and the availability of construction resources. If the establishment of highly diverse Internet connectivity to our IBX centers does not occur, is materially delayed or is discontinued, or is subject to failure, our operating results and cash flow will be adversely affected. Any hardware or fiber failures on this network may result in significant loss of connectivity to our new IBX expansion centers. This could affect our ability to attract new customers to these IBX centers or retain existing customers.

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

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

A small number of customers account for a significant portion of our revenues, and the loss of any of these customers could significantly harm our business, financial condition and results of operations.

While no single customer accounted for 10% of our revenues for the six months ended June 30, 2008 or the year ended December 31, 2007, our top 10 customers accounted for 20%, inclusive of the impact of the IXEurope acquisition and exclusive of the impact of the Virtu acquisition, and 23%, exclusive of the impact of the IXEurope acquisition, respectively, of our revenues during these periods. As of June 30, 2008, excluding customers acquired in the Virtu acquisition, we had 2,090 customers. We expect that a small percentage of our customers will continue to account for a significant portion of our revenues for the foreseeable future. We cannot guarantee that we will retain these customers or that they will maintain their commitments in our IBX centers at current levels. For example, although the term of our contract with IBM, our single largest customer, runs through 2011, IBM currently has the right to reduce its commitment to us pursuant to the terms and requirements of its customer agreement. If we lose any of these key customers, or if any of them decide to reduce the level of their commitment to us, our business, financial condition and results of operations could be adversely affected.

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

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

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

Our IBX centers and other products and services must be able to differentiate themselves from those of other providers of space and services for telecommunications companies, webhosting companies and other colocation providers. In addition to competing with neutral colocation providers, we must compete with traditional colocation providers, including local phone companies, long distance phone companies, Internet service providers and web-hosting facilities. Similarly, with respect to our other products and services, including managed services, bandwidth services and security services, we must compete with more established providers of similar services. Most of these companies have longer operating histories and significantly greater financial, technical, marketing and other resources than us.

Because of their greater financial resources, some of our competitors have the ability to adopt aggressive pricing policies, especially if they have been able to restructure their debt or other obligations. As a result, in the future, we may suffer from pricing pressure that would adversely affect our ability to generate revenues and adversely affect our operating results. In addition, these competitors could offer colocation on neutral terms, and may start doing so in the same metropolitan areas in which we have IBX centers. Some of these competitors may also provide our target customers with additional benefits, including bundled communication services, and may do so in a manner that is more attractive to our potential customers than obtaining space in our IBX centers. If these competitors were able to adopt aggressive pricing policies together with offering colocation space, our ability to generate revenues would be materially adversely affected.

Table of Contents

We may also face competition from persons seeking to replicate our IBX concept by building new centers or converting existing centers that some of our competitors are in the process of divesting. We may continue to see increased competition for data center space and customers from large REITS who also operate in our market. We may experience competition from our landlords, some of which are REITS, in this regard. Rather than leasing available space in our buildings to large single tenants, they may decide to convert the space instead to smaller square foot units designed for multi-tenant colocation use. Landlords/REITS may enjoy a cost effective advantage in providing services similar to those provided by our IBXs, and in addition to the risk of losing customers to these parties this could also reduce the amount of space available to us for expansion in the future. Competitors may operate more successfully or form alliances to acquire significant market share. Furthermore, enterprises that have already invested substantial resources in outsourcing arrangements may be reluctant or slow to replace, limit or compete with their existing systems by becoming a customer. Customers may also decide it is cost effective for them to build out their own data centers which could have a negative impact on our results of operations. In addition, other companies may be able to attract the same potential customers that we are targeting. Once customers are located in competitors facilities, it may be extremely difficult to convince them to relocate to our IBX centers.

Because we depend on the retention of key employees, failure to maintain competitive compensation packages, including equity incentives, may be disruptive to our business.

Our success in retaining key employees and discouraging them from moving to a competitor is an important factor in our ability to remain competitive. As is common in our industry, our employees are typically compensated through grants of equity awards in addition to their regular salaries. In addition to granting equity awards to selected new hires, we periodically grant new equity awards to certain employees as an incentive to remain with us. To the extent we are unable to offer competitive compensation packages to our employees and adequately maintain equity incentives due to equity expensing or otherwise, and should employees decide to leave us, this may be disruptive to our business and may adversely affect our business, financial condition and results of operations.

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

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

Our products and services have a long sales cycle that may materially adversely affect our business, financial condition and results of operations.

A customer s decision to license cabinet space in one of our IBX centers and to purchase additional services typically involves a significant commitment of resources. In addition, some customers will be reluctant to commit to locating in our IBX centers until they are confident that the IBX center has adequate carrier connections. As a result, we have a long sales cycle. Furthermore, we may expend significant time and resources in pursuing a particular sale or customer that does not result in revenue. Delays due to the length of our sales cycle may materially adversely affect our business, financial condition and results of operations.

Table of Contents

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

While we own certain of our IBX centers, others are leased under long-term arrangements with lease terms expiring at various dates ranging from 2010 to 2027. 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 centers. All of our IBX center leases have renewal options available to us. However, 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 are exposed to fluctuations in the market values of our portfolio investments and in interest rates; impairment of our investments could harm our results of operations.

We maintain an investment portfolio of various holdings, types and maturities. These securities are generally classified as available-for-sale and, consequently, are recorded on our consolidated balance sheets at fair value with unrealized gains or losses as a separate component of accumulated other comprehensive income or loss. Our portfolio includes fixed income securities, the values of which are subject to market price volatility. If the market price declines, we may recognize in our statements of operations the decline in fair value of our investments below the cost basis when the decline is judged to be other-than-temporary. For information regarding the sensitivity of and risks associated with the market value of our portfolio and interest rates, refer to our discussion of Quantitative and Qualitative Disclosures About Market Risk included in Item 3 of this Quarterly Report on Form 10-Q.

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

Since January 1, 2007, the closing sale price of our common stock on the NASDAQ Global Select Market ranged from $57.78 to $116.66 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. In addition, actual sales, or the market s perception with respect to possible sales, of a substantial number of shares of our common stock within a narrow period of time could cause our stock price to fall. Announcements by others or us may also have a significant impact on the market price of our common stock. These announcements may relate to:

- our operating results;
- new issuances of equity, debt or convertible debt by us;
- developments in our relationships with corporate customers;
- announcements by our customers or competitors;
- changes in regulatory policy or interpretation;
- governmental investigations;
- changes in the ratings of our stock by securities analysts;
- our purchase or development of real estate and/or additional IBX centers;

Table of Contents

- acquisitions by us of complementary businesses; or

- the operational performance of our IBX 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.

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

In the past, securities class action litigation has often been brought against a company following periods of volatility in the market price of its securities. During the quarter ended September 30, 2001, putative shareholder class action lawsuits were filed against us, a number of our officers and directors, and several investment banks that were underwriters of our initial public offering. Similar complaints were filed against more than 300 other issuers, their officers and directors, and investment banks. The suits allege that the underwriter defendants agreed to allocate stock in our initial public offering to certain investors in exchange for excessive and undisclosed commissions and agreements by those investors to make additional purchases in the aftermarket at pre-determined prices. Plaintiffs allege that the prospectus for our initial public offering was false and misleading and in violation of the securities laws because it did not disclose these arrangements. A previously agreed upon settlement with the plaintiffs has been terminated. On August 14, 2007, the plaintiffs filed amended complaints in six cases selected as test, or focus, cases and moved for class certification on September 27, 2007. If plaintiffs are successful in obtaining class certification in the focus cases, they will also likely file an amended complaint against us. We are continuing to participate in the defense of this litigation, which may increase our expenses and divert management s attention and resources. In addition, we may, in the future, be subject to other securities class action or similar litigation.

On June 29, 2006 and September 18, 2006, shareholder derivative actions were filed in the Superior Court of the State of California, County of San Mateo, naming Equinix as a nominal defendant and several of Equinix s current and former officers and directors as individual defendants. These actions were consolidated, and the consolidated complaint was filed in January 2007. In March 2007, the state court stayed this action in deference to a federal shareholder derivative action filed in the United States District Court for the Northern District of California in October 2006. The federal action named Equinix as a nominal defendant and several current and former officers and directors as individual defendants. This complaint alleged that the individual defendants breached their fiduciary duties and violated California and federal securities laws as a result of purported backdating of stock options, insider trading and the dissemination of false statements. On April 12, 2007, the federal action was voluntarily dismissed without prejudice pursuant to a joint stipulation entered as an order by the court. On May 3, 2007, the state court lifted the stay on proceedings in the state court action. On March 3, 2008, the state court plaintiff filed a second amended consolidated complaint after the court granted two motions to dismiss prior complaints with leave to amend. The second amended consolidated complaint alleged that the individual defendants breached their fiduciary duties and violated California securities law as a result of purported backdating of stock option grants, insider trading and the dissemination of false financial statements. The second amended consolidated complaint sought to recover, on behalf of Equinix, unspecified monetary damages, corporate governance changes, equitable and injunctive relief, restitution and fees and costs. On July 8, 2008, the state court granted our motion to dismiss the second amended consolidated complaint without leave to amend and entered a final judgment dismissing the action and all claims asserted therein in their entirety without leave to amend. We do not know whether the plaintiff will appeal the dismissal of this action. In addition, we may be subject to additional derivative or other lawsuits that may be presented on an individual or class basis alleging claims based on our stock option granting practices. Responding to, investigating and/or defending against such complaints would present a substantial cost to us in both cash and the attention of certain management. Any adverse outcome in litigation could seriously harm our business and results of operations.

Table of Contents

Risks Related to Our Industry

If the use of the Internet does not continue to grow, our revenues may not grow.

Acceptance and use of the Internet may not continue to develop at historical rates. Demand for Internet services and products are subject to a high level of uncertainty and are subject to significant pricing pressure. As a result, we cannot be certain that a viable market for our IBX centers will be sustained. If the market for our IBX centers grows more slowly than we currently anticipate, our revenues may not grow and our operating results could suffer.

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

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

Industry consolidation may have a negative impact on our business model.

The telecommunications industry is currently undergoing consolidation. As customers combine businesses, they may require less colocation space, and there may be fewer networks available to choose from. Given the competitive and evolving nature of this industry, further consolidation of our customers and/or our competitors may present a risk to our network neutral business model and have a negative impact on our revenues. In addition, increased utilization levels industry-wide could lead to a reduced amount of attractive expansion opportunities available to us.

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

The September 11, 2001 terrorist attacks in the U.S., the ensuing declaration of war on terrorism and the continued threat of terrorist activity and other acts of war or hostility appear to be having an adverse effect on business, financial and general economic conditions internationally. These effects may, in turn, increase our costs due to the need to provide enhanced security, which would have a material adverse effect on our business and results of operations. These circumstances may also adversely affect our ability to attract and retain customers, our ability to raise capital and the operation and maintenance of our IBX centers. We may not have adequate property and liability insurance to cover catastrophic events or attacks.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Table of Contents

Item 4. Submission of Matters to a Vote of Security Holders

Our Annual Meeting of Stockholders was held on June 12, 2008 in Foster City, California, at which time the following proposals were subject to stockholder vote:

1. The election of eight directors to the Board of Directors to serve until the next Annual Meeting or until their successors have been duly elected and qualified; and

2. The ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2008.

The table below presents the voting results for the election of all eight members to our Board of Directors:

	Affirmative Votes	Votes Withheld
Steven T. Clontz	33,450,118	269,728
Steven P. Eng	31,712,622	2,007,224
Gary F. Hromadko	33,488,254	231,592
Scott G. Kriens	33,129,000	590,846
Irving F. Lyons, III.	33,169,308	550,538
Christopher B. Paisley	33,383,458	336,388
Stephen M. Smith	33,489,494	230,352
Peter F. Van Camp	33,342,348	377,498

The stockholders also ratified the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2008. The table below presents the voting results:

	Affirmative Votes	Negative Votes	Abstentions
Ratification of appointment of PricewaterhouseCoopers LLP as independent registered public accounting firm	33,444,434	271,812	3,600

Item 5. Other Information

None.

Table of Contents

Item 6. Exhibits

		Incorporated by Reference			
Exhibit Number	Exhibit Description	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 Designation of Series A and Series A-1 Convertible Preferred Stock.	10-K/A	12/31/02	3.3	
3.3	Bylaws of the Registrant.	10-K	12/31/02	3.2	
3.4	Certificate of Amendment of the Bylaws of the Registrant.	10-Q	6/30/03	3.4	
4.1	Reference is made to Exhibits 3.1, 3.2, 3.3 and 3.4.				
4.2	Registration Rights Agreement (see Exhibit 10.7).				
4.3	Indenture dated February 11, 2004 by and between Equinix, Inc. and U.S. Bank National Association, as trustee.	10-Q	3/31/04	10.99	
4.4	Indenture dated March 30, 2007 by and between Equinix, Inc. and U.S. Bank National Association, as trustee.	8-K	3/30/07	4.4	
4.5	Form of 2.50% Convertible Subordinated Note Due 2012 (see Exhibit 4.4).				
4.6	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	
4.7	Form of 3.00% Convertible Subordinated Note Due 2014 (see Exhibit 4.6).				
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+	Lease Agreement with Carlyle-Core Chicago LLC, dated as of September 1, 1999.	S-4/A (File No. 333-93749)	5/9/00	10.9	

Table of Contents

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Filing Date/ Period End Date	Exhibit	Filed Herewith
10.3	2000 Equity Incentive Plan, as amended.	10-K	12/31/07	10.3	
10.4	2000 Director Option Plan, as amended.	10-K	12/31/07	10.4	
10.5	2001 Supplemental Stock Plan, as amended.	10-K	12/31/07	10.5	
10.6	Form of Severance Agreement entered into by the Company and each of the Company s executive officers.	10-Q	9/30/02	10.58	
10.7	Registration Rights Agreement by and among Equinix and the Initial Purchasers, dated as of December 31, 2002.	10-K	12/31/02	10.75	
10.8	Securities Purchase and Admission Agreement, dated April 29, 2003, among Equinix, certain of Equinix s subsidiaries, i-STT Investments Pte Ltd, STT Communications Ltd and affiliates of Crosslink Capital.	8-K	5/1/03	10.1	
10.9+	Lease Agreement dated as of April 21, 2004 between Eden Ventures LLC and Equinix, Inc.	10-Q	6/30/04	10.103	
10.10	Equinix, Inc. 2004 International Employee Stock Purchase Plan effective as of June 3, 2004.	10-Q	6/30/04	10.105	
10.11	Equinix, Inc. Employee Stock Purchase Plan effective as of June 3, 2004.	10-Q	6/30/04	10.106	
10.12	Form of Restricted Stock Agreement for Equinix s executive officers under the Company s 2000 Equity Incentive Plan.	10-K	12/31/05	10.115	
10.13	Lease Agreement dated June 9, 2005 between Equinix Operating Co., Inc. and Mission West Properties L.P. and associated Guaranty of Equinix, Inc.	10-Q	6/30/05	10.117	
10.14	Letter Agreement dated October 6, 2005 among Equinix, Inc., STT Communications Ltd. and I-STT Investments Pte. Ltd.	8-K	10/6/05	99.1	
10.15	Lease Agreement dated December 21, 2005 between Equinix Operating Co., Inc. and iStar El Segundo, LLC and associated Guaranty of Equinix, Inc.	10-K	12/31/05	10.126	

Table of Contents

		Incorporated by Reference			
Exhibit Number	**Exhibit Description**	**Form**	**Filing Date/ Period End Date**	**Exhibit**	**Filed Herewith**
10.16+	Loan and Security Agreement and Note between Equinix RP II, LLC and SFT I, Inc. dated December 21, 2005 and associated Guaranty of Equinix, Inc.	10-K	12/31/05	10.127	
10.17	Lease Agreement dated as of December 21, 2005 between Equinix RP II, LLC and Equinix, Inc.	10-K	12/31/05	10.128	
10.18	Lease Agreement dated September 14, 2006 between 777 Sinatra Drive Corp. and Equinix, Inc.	10-Q	9/30/06	10.135	
10.19	First Omnibus Modification Agreement dated December 27, 2006 by and among SFT I, Inc. (SFT I), Equinix RP II, LLC (RP II) and Equinix, Inc. (Equinix), Amended and Restated Promissory Note dated December 27, 2006 by RP II in favor of SFT I and Reaffirmation of Guaranty dated December 27, 2006 by RP II and Equinix in favor of SFT I.	10-K	12/31/06	10.37	
10.20	First Amendment to Deed of Lease dated December 27, 2006 by and between Equinix RP II, LLC and Equinix Operating Co., Inc.	10-K	12/31/06	10.38	
10.21	Development Loan and Security Agreement dated February 2, 2007 by and between CHI 3, LLC and SFT I, Inc. and related Promissory Notes One through Four.	10-Q	3/31/07	10.37	
10.22	Guaranty dated February 2, 2007 by and between Equinix, Inc. and SFT I, Inc.	10-Q	3/31/07	10.38	
10.23	Completion and Payment Guaranty dated February 2, 2007 by and between Equinix, Inc. and SFT I, Inc.	10-Q	3/31/07	10.39	
10.24	Master Lease dated February 2, 2007 by and between CHI 3, LLC and Equinix Operating Co., Inc. and associated Guaranty of Lease by Equinix, Inc.	10-Q	3/31/07	10.40	
10.25	Severance Agreement dated March 16, 2007 by and between Stephen M. Smith and Equinix, Inc.	10-Q	3/31/07	10.44	
10.26	Form of Restricted Stock Agreements for Stephen M. Smith under the Equinix, Inc. 2000 Equity Incentive Plan.	10-Q	3/31/07	10.45	

		Incorporated by Reference			
Exhibit Number	Exhibit Description	Form	Filing Date/ Period End Date	Exhibit	Filed Herewith
10.27	Facility Agreement dated August 31, 2007 by and among Equinix Singapore Pte. Ltd., Equinix Japan K.K., the Additional Borrowers (as defined therein), the Lenders (as defined therein), and ABN AMRO BANK N.V., and related Guarantee dated August 31, 2007 by Equinix, Inc.	10-Q	9/30/07	10.47	
10.28	£82,000,000 Senior Facilities Agreement dated June 29, 2007 by and among IXEurope plc, CIT Bank Limited, as arranger, CIT Capital Finance (UK) Limited, as administrative agent and security trustee and the Lenders (as defined therein).	10-Q	9/30/07	10.49	
10.29	Amendment and Accession Agreement, dated as of January 31, 2008, by and among Equinix Singapore Pte. Ltd., Equinix Japan K.K. and Equinix Australia Pty. Limited, as Borrowers, ABN AMRO Bank N.V., Singapore Branch, ABN AMRO Bank N.V., Japan Branch and ABN AMRO Australia Pty Limited, as Lenders and ABN AMRO Bank N.V., as Facility Agent, Arranger and Collateral Agent and related Amendment No. 1 to Guarantee by Equinix, Inc.	10-K	12/31/07	10.32	
10.30	2008 Equinix Annual Incentive Plan.	10-K	12/31/07	10.33	
10.31	Form of Restricted Stock Unit Agreement for Equinix s executive officers under the Company s 2000 Equity Incentive Plan.	10-K	12/31/07	10.34	
10.32	Equinix, Inc. Sub-Plan to the 2004 International Employee Stock Purchase Plan for Participants Located in the European Economic Area.	10-Q	3/31/08	10.32	
10.33	Compromise Agreement, dated April 22, 2008, by and among Equinix, Inc., Equinix Group Limited and Guy Willner, and related non-executive director appointment letter from Equinix Group Limited.				X

Table of Contents

		Incorporated by Reference			
Exhibit Number	Exhibit Description	Form	Filing Date/ Period End Date	Exhibit	Filed Herewith
10.34	Letter Agreement, dated April 22, 2008, by and between Eric Schwartz and Equinix, Inc.				X
10.35	Severance Agreement, dated May 22, 2006, by and between Eric Schwartz and Equinix, Inc.				X
10.36	Letter Agreement, dated April 25, 2008, by and between Peter Ferris and Equinix, Inc.				X
10.37	Letter Amendment, dated May 6, 2008, to £82,000,000 Senior Facilities Agreement dated June 29, 2007, by and among Equinix Group Limited, CIT Bank Limited, as arranger, CIT Capital Finance (UK) Limited, as administrative agent and security trustee and the Lenders (as defined therein).				X
10.38	Second Amendment and Accession Agreement, dated as of June 6, 2008, by and among Equinix Singapore Pte. Ltd., Equinix Japan K.K., Equinix Australia Pty. Limited and Equinix Hong Kong Limited, as Borrowers, ABN AMRO Bank N.V. and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., Hong Kong Branch, as Lenders and ABN AMRO Bank N.V., as Facility Agent, Arranger and Collateral Agent and related Amendment No. 2 to Guarantee by Equinix, Inc.				X
31.1	Chief Executive Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.2	Chief Financial Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
32.1	Chief Executive Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.2	Chief Financial Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X

\+ Confidential treatment has been requested for certain portions which are omitted in the copy of the exhibit electronically filed with the Securities and Exchange Commission. The omitted information has been filed separately with the Securities and Exchange Commission pursuant to Equinix s application for confidential treatment.

Table of Contents

EQUINIX, INC.

SIGNATURES

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

Date: August 5, 2008	EQUINIX, INC.
	By: /s/ KEITH D. TAYLOR Chief Financial Officer (Principal Financial and Accounting Officer)

INDEX TO EXHIBITS

Exhibit Number	Description of Document
10.33	Compromise Agreement, dated April 22, 2008, by and among Equinix, Inc., Equinix Group Limited and Guy Willner, and related non-executive director appointment letter from Equinix Group Limited.
10.34	Letter Agreement, dated April 22, 2008, by and between Eric Schwartz and Equinix, Inc.
10.35	Severance Agreement, dated May 22, 2006, by and between Eric Schwartz and Equinix, Inc.
10.36	Letter Agreement, dated April 25, 2008, by and between Peter Ferris and Equinix, Inc.
10.37	Letter Amendment, dated May 6, 2008, to £82,000,000 Senior Facilities Agreement dated June 29, 2007, by and among Equinix Group Limited, CIT Bank Limited, as arranger, CIT Capital Finance (UK) Limited, as administrative agent and security trustee and the Lenders (as defined therein).
10.38	Second Amendment and Accession Agreement, dated as of June 6, 2008, by and among Equinix Singapore Pte. Ltd., Equinix Japan K.K., Equinix Australia Pty. Limited and Equinix Hong Kong Limited, as Borrowers, ABN AMRO Bank N.V. and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., Hong Kong Branch, as Lenders and ABN AMRO Bank N.V., as Facility Agent, Arranger and Collateral Agent and related Amendment No. 2 to Guarantee by Equinix, Inc.
31.1	Chief Executive Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Chief Financial Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Chief Executive Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Chief Financial Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.