EQUINIX INC
Form 10-Q
October 28, 2011

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**

September 30, 2011 For the quarterly period ended September 30, 2011

OR

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

For the transition period from to

Commission File Number 000-31293

EQUINIX, INC.

(Exact name of registrant as specified in its charter)

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

One Lagoon Drive, Fourth Floor, Redwood City, California 94065

(Address of principal executive offices, including ZIP code)

(650) 598-6000

(Registrant s telephone number, including area code)

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

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

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

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

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

The number of shares outstanding of the registrant s Common Stock as of September 30, 2011 was 47,409,736.

EQUINIX, INC.

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PART I FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

EQUINIX, INC.

Condensed Consolidated Balance Sheets

(in thousands)

	September 30, 2011 (unaudited)	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	$ 370,523	$ 442,841
Short-term investments	700,246	147,192
Accounts receivable, net	144,185	116,358
Other current assets	115,344	71,657
Total current assets	1,330,298	778,048
Long-term investments	99,419	2,806
Property, plant and equipment, net	3,122,094	2,650,953
Goodwill	867,280	774,365
Intangible assets, net	153,505	150,945
Other assets	158,091	90,892
Total assets	$ 5,730,687	$ 4,448,009
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 181,093	$ 145,854
Accrued property, plant and equipment	90,181	91,667
Current portion of capital lease and other financing obligations	11,367	7,988
Current portion of loans payable	74,652	19,978
Current portion of convertible debt	243,176	
Other current liabilities	55,687	52,628
Total current liabilities	656,156	318,115
Capital lease and other financing obligations, less current portion	376,848	253,945
Loans payable, less current portion	161,984	100,337
Convertible debt, less current portion	691,520	916,337
Senior notes	1,500,000	750,000
Other liabilities	253,300	228,760
Total liabilities	3,639,808	2,567,494
Redeemable non-controlling interests (Note 1)	66,372	
Commitments and contingencies (Note 10)		
Stockholders equity:		
Common stock	47	46
Additional paid-in capital	2,417,781	2,341,586
Accumulated other comprehensive loss	(120,416)	(112,018)
Accumulated deficit	(272,905)	(349,099)

Total stockholders equity	2,024,507	1,880,515
Total liabilities, redeemable non-controlling interests and stockholders equity	$ 5,730,687	$ 4,448,009

See accompanying notes to condensed consolidated financial statements

EQUINIX, INC.

Condensed Consolidated Statements of Operations

(in thousands, except per share data)

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
	(unaudited)			
Revenues	$ 417,601	$ 330,347	$ 1,175,530	$ 875,090
Costs and operating expenses:				
Cost of revenues	228,153	185,476	638,301	481,108
Sales and marketing	43,070	31,205	113,769	79,586
General and administrative	65,976	58,640	194,258	155,961
Restructuring charges	1,587	1,886	2,186	6,243
Acquisition costs	699	1,114	2,729	11,957
Total costs and operating expenses	339,485	278,321	951,243	734,855
Income from operations	78,116	52,026	224,287	140,235
Interest income	679	310	1,526	1,307
Interest expense	(51,114)	(38,363)	(126,152)	(101,653)
Other-than-temporary impairment recovery on investments		206		3,626
Loss on debt extinguishment and interest rate swaps, net				(4,831)
Other income (expense)	(1,694)	1,654	1,438	193
Income before income taxes	25,987	15,833	101,099	38,877
Income tax expense	(5,348)	(4,637)	(24,582)	(15,756)
Net income	20,639	11,196	76,517	23,121
Net income attributable to redeemable non-controlling interests	(320)		(323)	
Net income attributable to Equinix.	$ 20,319	$ 11,196	$ 76,194	$ 23,121
Earnings per share attributable to Equinix, after adjustments related to redeemable non-controlling interests (Note 3):				
Basic earnings per share	$ 0.21	$ 0.24	$ 1.40	$ 0.54
Weighted-average shares	47,202	45,745	46,861	42,961
Diluted earnings per share	$ 0.20	$ 0.24	$ 1.37	$ 0.53
Weighted-average shares	47,943	46,676	47,694	44,040

See accompanying notes to condensed consolidated financial statements

EQUINIX, INC.

Condensed Consolidated Statements of Cash Flows

(in thousands)

	Nine months ended September 30, 2011	2010
	(unaudited)	
Cash flows from operating activities:		
Net income	$ 76,517	$ 23,121
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	240,096	175,359
Stock-based compensation	53,060	50,020
Restructuring charges	2,186	6,243
Amortization of intangible assets	14,207	9,378
Amortization of debt issuance costs and debt discounts	23,816	19,403
Accretion of asset retirement obligation and accrued restructuring charges	3,473	2,501
Loss on debt extinguishment and interest rate swaps, net		4,831
Provision for allowance for doubtful accounts	3,609	1,454
Other items	1,933	903
Changes in operating assets and liabilities:		
Accounts receivable	(26,299)	(38,486)
Other assets	(7,217)	12,717
Accounts payable and accrued expenses	(9,492)	16,047
Other liabilities	24,099	(13,510)
Net cash provided by operating activities	399,988	269,981
Cash flows from investing activities:		
Purchases of investments	(1,027,855)	(599,845)
Sales of investments	104,800	24,778
Maturities of investments	274,620	506,811
Purchase of Switch and Data, net of cash acquired		(113,289)
Purchase of ALOG, net of cash acquired	(41,954)	
Purchase of Paris 4 IBX property	(14,951)	
Purchase of Frankfurt IBX property	(9,042)	
Purchases of property, plant and equipment	(495,515)	(436,046)
Increase in restricted cash	(95,932)	(1,160)
Release of restricted cash	1,000	244
Other investing activities	10	
Net cash used in investing activities	(1,304,819)	(618,507)
Cash flows from financing activities:		
Proceeds from employee equity awards	35,704	36,179
Proceeds from senior notes	750,000	750,000
Proceeds from loans payable	90,635	115,811
Repayment of capital lease and other financing obligations	(7,404)	(14,114)
Repayment of mortgage and loans payable	(21,273)	(469,077)
Debt issuance costs	(15,551)	(23,124)
Net cash provided by financing activities	832,111	395,675
Effect of foreign currency exchange rates on cash and cash equivalents	402	(4,056)

Net increase (decrease) in cash and cash equivalents	(72,318)	43,093
Cash and cash equivalents at beginning of period	442,841	346,056
Cash and cash equivalents at end of period	$ 370,523	$ 389,149
Supplemental cash flow information:		
Cash paid for taxes	$ 7,172	$ 3,129
Cash paid for interest	$ 100,283	$ 70,772

See accompanying notes to condensed consolidated financial statements

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared by Equinix, Inc. (Equinix or the Company) and reflect all adjustments, consisting only of normal recurring adjustments, which in the opinion of management are necessary to fairly state the financial position and the results of operations for the interim periods presented. The condensed consolidated balance sheet data at December 31, 2010 has been derived from audited consolidated financial statements at that date. The consolidated financial statements have been prepared in accordance with the regulations of the Securities and Exchange Commission (SEC), but omit certain information and footnote disclosure necessary to present the statements in accordance with generally accepted accounting principles in the United States of America. For further information, refer to the Consolidated Financial Statements and Notes thereto included in Equinix s Form 10-K as filed with the SEC on February 25, 2011. Results for the interim periods are not necessarily indicative of results for the entire fiscal year.

Consolidation

The accompanying unaudited condensed consolidated financial statements include the accounts of Equinix and its subsidiaries, including the operations of ALOG Data Centers do Brasil S.A. and its subsidiaries (ALOG) from April 25, 2011 (see Note 2) and Switch & Data Facilities Company, Inc. (Switch and Data) from April 30, 2010. All significant intercompany accounts and transactions have been eliminated in consolidation.

Reclassifications

Certain amounts in the accompanying condensed consolidated financial statements have been reclassified to conform to the consolidated financial statement presentation as of and for the three and nine months ended September 30, 2011.

Income Taxes

The Company s effective tax rates were 24.3% and 40.5% for the nine months ended September 30, 2011 and 2010, respectively. During the nine months ended September 30, 2011, the Company s unrecognized tax benefits increased by approximately $21,557,000 due to the ALOG Acquisition. A portion of these unrecognized tax benefits served to reduce the deferred tax assets acquired from the ALOG Acquisition.

Stock-Based Compensation

In February and March 2011, the Compensation Committee and the Stock Award Committee of the Board of Directors approved the issuance of an aggregate of 706,270 shares of restricted stock units to certain employees, including executive officers, pursuant to the 2000 Equity Incentive Plan as part of the Company s annual refresh program. These equity awards are subject to vesting provisions and had an average fair value per share on the dates of the grant of $85.64. Compensation expense related to these awards is expected to be amortized over a weighted-average period of 3.2 years.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In July 2011, ALOG, in which the Company has an indirect controlling interest (see Note 2), granted 885,840 stock options to purchase common shares of ALOG to certain of ALOG s employees (the ALOG Stock Options). The ALOG Stock Options are accounted for as liability-classified awards under the accounting standard for share-based payments and will be re-measured each reporting period prospectively until the underlying shares are settled. Under certain circumstances, the ALOG Stock Options are eligible for net cash settlement by the stock option holders. The ALOG Stock Options vest annually and have a vesting period of 4 years. The average fair value per share of the ALOG Stock Options on the date of the grant was approximately $2.50, which was computed using the Black-Scholes model with assumptions as follows:

Average exercise price	$ 8.34
Expected life (years)	2.75
Dividend yield	0%
Volatility	55%
Risk-free interest rate	12.9%

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

	Three months ended September 30,		Nine months ended September 30,	
	2011	**2010**	**2011**	**2010**
Cost of revenues	$ 1,573	$ 1,619	$ 4,417	$ 4,957
Sales and marketing	4,153	3,627	10,629	10,316
General and administrative	13,481	11,704	38,014	34,747
Restructuring charges		(3)		1,488
	$ 19,207	$ 16,947	$ 53,060	$ 51,508

Redeemable Non-Controlling Interests

The following table provides a summary of the activities of the Company s redeemable non-controlling interests (in thousands):

Balance at December 31, 2010	$
ALOG Acquisition (see Note 2)	66,777
Net income attributable to redeemable non-controlling interests	323
Foreign currency loss attributable to redeemable non-controlling interests	(9,096)
Change in redemption value of non-controlling interests	10,639
Impact of foreign currency exchange	(2,271)
Balance at September 30, 2011	$ 66,372

Recent Accounting Pronouncements

In September 2011, the FASB issued Accounting Standards Update (ASU) 2011-08, Testing Goodwill for Impairment. This ASU provides companies with the option to assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If, after assessing the qualitative factors, a company determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying value, then performing the two-step impairment test is unnecessary. However, if a company concludes otherwise, then it is required to perform the first step of the two-step goodwill impairment test. If the carrying value of a reporting unit exceeds its fair value, then a company is required to perform the second step of the two-step goodwill impairment test. This guidance is effective for goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. The Company is currently evaluating the impact that the adoption of this standard will have on its consolidated financial statements, if any, and whether to early adopt this standard.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In June 2011, the FASB issued ASU 2011-05, Presentation of Comprehensive Income. This ASU is intended to increase the prominence of other comprehensive income in financial statements by presenting the components of net income and other comprehensive income in one continuous statement, referred to as the statement of comprehensive income, or in two separate, but consecutive statements. The new guidance eliminates the current option to report other comprehensive income and its components in the statement of changes in stockholders equity. This new guidance is effective for fiscal years and interim periods beginning after December 15, 2011. While the new guidance changes the presentation of comprehensive income, there are no changes to the components that are recognized in net income or other comprehensive income under current accounting guidance; therefore, adoption of the new guidance in the first quarter of fiscal 2012 will not have any impact on the Company s consolidated financial position, results of operations or cash flows.

In May 2011, the FASB issued ASU 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (IFRSs), which amends ASC 820, Fair Value Measurement. ASU 2011-04 does not extend the use of fair value accounting, but provides guidance on how it should be applied where its use is already required or permitted by other standards within U.S. GAAP or IFRSs. ASU 2011-14 changes the wording used to describe many requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. Additionally, ASU 2011-14 clarifies the FASB's intent about the application of existing fair value measurements. ASU 2011-04 is effective for interim and annual periods beginning after December 15, 2011 and is applied prospectively; therefore, the Company will adopt ASU 2011-04 in its first quarter of fiscal 2012. The Company does not expect the adoption of ASU 2011-04 to have a material impact on its consolidated financial statements.

2. Business Combination

ALOG Acquisition

On April 25, 2011 (the Acquisition Date), Zion RJ Participações S.A. (Zion), a Brazilian joint-stock company controlled by a wholly-owned subsidiary of the Company and co-owned by RW Brasil Fundo de Investimento em Participações, a subsidiary of Riverwood Capital L.P. (Riverwood), completed the acquisition of approximately 90% of the outstanding capital stock of ALOG. As a result, the Company acquired an approximate 53% indirect, controlling equity interest in ALOG (the ALOG Acquisition). The Company paid a total of approximately 82,194,000 Brazilian reais in cash on the closing date, or approximately $51,723,000, to purchase the ALOG capital stock. An additional 36,000,000 Brazilian reais, or approximately $20,000,000, is payable by Zion in April 2013, subject to reduction for any post-closing balance sheet adjustments and any claims for indemnification (the Contingent Consideration). The Company s portion of the Contingent Consideration is 19,080,000 Brazilian reais, or approximately $11,000,000. ALOG operates three data centers in Brazil and is headquartered in Rio de Janeiro. ALOG will continue to operate under the ALOG trade name. There were no historical transactions between Equinix, Riverwood, Zion and ALOG.

Beginning in April 2014 and ending in May 2016, Equinix will have the right to purchase all of Riverwood's interest in Zion at a price equal to the greater of (i) its then current fair market value and (ii) a net purchase price that implies a compounded internal rate of return in U.S. dollars ("IRR") for Riverwood's investment of 12%. If Equinix exercises its right to purchase Riverwood's shares, Equinix also will have the right, and under certain circumstances may be required, to purchase the remaining approximate 10% of shares of ALOG that Zion does not own, which are held by ALOG management (collectively, the Call Options). If Equinix purchases all of Riverwood s interest in Zion at a price equal to its then current fair market value, the purchase price of the remaining approximate 10% of shares that are held by ALOG management will be equal to its then current fair market value. If Equinix purchases all of Riverwood s interest in Zion at a net purchase price that implies an IRR for Riverwood s investment of 12%, the purchase price per share of the remaining approximate 10% of shares that are held by ALOG management will be equal to the greater of (i) 50% of the purchase price per share of capital stock of ALOG in the ALOG Acquisition and (ii) a purchase price per share that implies an IRR equal to the sum of the IRR implied by the fair market value of the capital stock of ALOG plus 2%, declining over time.

Also beginning in April 2014 and ending in May 2016, Riverwood will have the right to require Equinix to purchase all of Riverwood's interests in Zion at a price equal to the greater of (i) its then current fair market value and (ii) a net purchase price that implies an IRR for Riverwood's investment of 8%, declining over time. If Riverwood exercises its right to require Equinix to purchase Riverwood's shares, Equinix will have the right, and under certain circumstances may be required, to purchase the remaining approximate 10% of shares of ALOG that Zion does not own, which are held by ALOG management (collectively, the Put Options). If Equinix purchases all of Riverwood s interest in Zion at a price equal to its then current fair market value, the purchase price of the remaining approximate 10% of shares that are held by ALOG management will be equal to its then current fair market value. If Equinix purchases all of Riverwood s interest in Zion at a net purchase price that implies an IRR for Riverwood s investment of 8%, declining over time, the purchase price per share of the remaining approximate 10% of shares that are held by

ALOG management will be equal to the greater of (i) 50% of the purchase price per share of capital stock of ALOG in the ALOG Acquisition and (ii) a purchase price per share that implies an IRR equal to the sum of the IRR implied by the fair market value of the capital stock of ALOG plus 2%, declining over time.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As the Company has an approximate 53% indirect controlling equity interest in ALOG, it began consolidating the results of ALOG s operations on the Acquisition Date. Upon consolidation, all amounts pertaining to the approximate 10% of ALOG that Zion does not own, as well as Riverwood s interest in ALOG and Zion, are reported as redeemable non-controlling interests in the Company s consolidated financial statements. The Company incurred acquisition costs of $678,000 and $2,307,000, respectively, for the three and nine months ended September 30, 2011 related to ALOG, which were included in the consolidated statements of operations.

Purchase Price Allocation

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

Cash and cash equivalents	$ 9,769
Accounts receivable	6,756
Prepaid expense and other current assets	575
Property, plant and equipment	52,542
Goodwill	104,799
Intangible assets	19,295
Other non-current assets	6,987
Total assets acquired	200,723
Accounts payable and accrued expenses	(49,965)
Debt	(25,669)
Other current liabilities	(4,643)
Other non-current liabilities	(1,946)
Redeemable non-controlling interests	(66,777)
Net assets acquired	$ 51,723

The Company s preliminary purchase price includes the Company s current estimate of the fair value of the Contingent Consideration. The Company continues to evaluate certain assets and liabilities related to the ALOG Acquisition. Additional information, which existed as of the Acquisition Date but was unknown to the Company at that time, may become known to the Company during the remainder of the measurement period, a period not to exceed 12 months from the Acquisition Date. Changes to the assets and liabilities recorded may result in a corresponding adjustment to goodwill.

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

Intangible assets	**Fair value**	**Estimated useful lives (years)**	**Weighted-average estimated useful lives (years)**
Customer contracts	$17,093	5 7	5.9
Other	2,202	3 6	4.3

The fair value of customer contracts was estimated by applying an income approach. The fair value was determined by calculating the present value of estimated future operating cash flows generated from exisiting customers less costs to realize the revenue. The Company applied a discount rate of approximately 15.6%, which reflects the nature of the asset as it relates to the estimated future operating cash flows. Other significant assumptions used to estimate the fair value of the customer contracts include projected revenue growth, customer attrition rates, sales and marketing expenses and operating margins. The fair value of the other acquired identifiable intangible assets were estimated by applying an income or cost approach as appropriate. The fair value measurements were based on significant inputs that are not observable in the market and thus represent Level 3 measurements as defined in the accounting standard for fair value measurements.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company determined the fair value of the loans payable assumed in the ALOG Acquisition by estimating ALOG s debt rating and reviewed market data with a similar debt rating and other characteristics of the debt, including the maturity date and security type. The Company determined that the book value approximated the fair value as of the Acquisition Date.

The Company determined the fair value of the redeemable non-controlling interests assumed in the ALOG Acquisition based on the consideration transferred, which included the values ascribed to the Call Options and Put Options. The Company will record an adjustment each reporting period to these redeemable non-controlling interests such that the carrying value of the redeemable non-controlling interests equals the greater of fair value or a minimum IRR as outlined in the Put Options.

Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired. Goodwill is attributable to the workforce of ALOG and the significant synergies expected to arise after the ALOG Acquisition. A portion of the goodwill is expected to be deductible for local tax purposes. Goodwill will not be amortized and will be tested for impairment at least annually. Goodwill recorded as a result of the ALOG Acquisition is attributable to the Company s Americas reportable segment (see Note 12) and reporting unit (see Note 4).

The consolidated financial statements of the Company include the operations of ALOG from April 25, 2011 through September 30, 2011 for the three and nine months ended September 30, 2011. The following table sets forth the results of operations of ALOG which were included in the Company s consolidated statements of operations (in thousands):

	Three months ended	Nine months ended
	September 30, 2011	
Revenues	$ 17,858	$ 29,582
Net income	807	804

The ALOG Acquisition was not material to the Company s consolidated balance sheets and results of operations; therefore, the Company does not present unaudited pro forma combined consolidated financial information.

3. Earnings Per Share

The Company computes its earnings per share (EPS) using the two-class method as prescribed by the accounting standard for earnings per share. The two-class method is an earnings allocation method for computing EPS when an entity s capital structure includes either two or more classes of common stock or includes common stock and participating securities. The two-class method calculates EPS based on distributed earnings (i.e., adjustments to redeemable non-controlling interests) and undistributed earnings. Undistributed losses are not allocated to participating securities under the two-class method unless the participating security has a contractual obligation to share in losses on a basis that is objectively determinable. Common shares of ALOG and Zion are considered participating securities in which the Company has indirect controlling equity interests.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Net income	$ 20,639	$ 11,196	$ 76,517	$ 23,121
Adjustments attributable to redeemable non-controlling interests	(10,959)		(10,962)	
Net income attributable to Equinix, basic and diluted	$ 9,680	$ 11,196	$ 65,555	$ 23,121
Weighted-average shares used to compute basic earnings per share	47,202	45,745	46,861	42,961
Effect of dilutive securities:				
Employee equity awards	741	931	833	1,079
Weighted-average shares used to compute diluted earnings per share	47,943	46,676	47,694	44,040
Earnings per share attributable to Equinix:				
Basic	$ 0.21	$ 0.24	$ 1.40	$ 0.54
Diluted	$ 0.20	$ 0.24	$ 1.37	$ 0.53

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

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Shares reserved for conversion of 2.50% convertible subordinated notes	2,232	2,232	2,232	2,232
Shares reserved for conversion of 3.00% convertible subordinated notes	2,945	2,945	2,945	2,945
Shares reserved for conversion of 4.75% convertible subordinated notes	4,433	4,433	4,433	4,433
Common stock related to employee equity awards	685	667	657	933
	10,295	10,277	10,267	10,543

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Balance Sheet Components

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

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

	September 30, 2011	December 31, 2010
Cash and cash equivalents:		
Cash	$ 81,432	$ 85,297
Cash equivalents:		
Money markets	285,891	110,563
U.S. government securities		246,981
U.S. government agencies securities	3,200	
Total cash and cash equivalents	370,523	442,841
Marketable securities:		
U.S. government securities	622,699	144,976
U.S. government agencies securities	117,555	
Corporate bonds	43,463	2,645
Certificates of deposit	7,859	
Foreign government securities	7,348	
Asset-backed securities	741	2,377
Total marketable securities	799,665	149,998
Total cash, cash equivalents and short-term and long-term investments	$ 1,170,188	$ 592,839

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

	September 30, 2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government securities	$ 622,722	$ 41	$ (64)	$ 622,699
U.S. government agencies securities	117,600	99	(144)	117,555
Corporate bonds	43,538	9	(84)	43,463
Certificates of deposit	7,859			7,859
Foreign government securities	7,358		(10)	7,348
Asset-backed securities	720	21		741
Total	$ 799,797	$ 170	$ (302)	$ 799,665

	December 31, 2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government securities	$ 144,972	$ 4	$	$ 144,976
Corporate bonds	2,632	13		2,645
Asset-backed securities	2,266	112	(1)	2,377
Total	$ 149,870	$ 129	$ (1)	$ 149,998

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of September 30, 2011 and December 31, 2010, cash equivalents included investments which were readily convertible to cash and had original maturity dates of 90 days or less. The maturities of securities classified as short-term investments were one year or less as of September 30, 2011 and December 31, 2010. The maturities of securities classified as long-term investments were greater than one year and less than three years as of September 30, 2011 and December 31, 2010.

While certain marketable securities carry unrealized losses, the Company expects that it will receive both principal and interest according to the stated terms of each of the securities and that the decline in market value is primarily due to changes in the interest rate environment from the time the securities were purchased as compared to interest rates at September 30, 2011.

The following table summarizes the fair value and gross unrealized losses related to 66 available-for-sale securities with an aggregate cost basis of $147,838,000, aggregated by type of investment and length of time that individual securities have been in a continuous unrealized loss position, as of September 30, 2011 (in thousands):

	Securities in a loss position for less than 12 months		Securities in a loss position for 12 months or more	
	Fair value	**Gross unrealized losses**	**Fair value**	**Gross unrealized losses**
U.S. government securities	$ 49,936	$ (64)	$	$
U.S. government agencies securities	65,260	(144)		
Corporate bonds	27,020	(84)		
Foreign government securities	5,320	(10)		
	$ 147,536	$ (302)	$	$

While the Company does not believe it holds investments that are other-than-temporarily impaired and believes that the Company s investments will mature at par as of September 30, 2011, the Company s investments are subject to the currently adverse market conditions. If market conditions were to deteriorate, the Company could sustain other-than-temporary impairments to its investment portfolio which could result in additional realized losses being recorded in interest income, net or securities markets could become inactive which could affect the liquidity of the Company s investments.

Accounts Receivable

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

	September 30, 2011	December 31, 2010
Accounts receivable	$ 249,339	$ 210,919
Unearned revenue	(100,670)	(90,753)
Allowance for doubtful accounts	(4,484)	(3,808)
	$ 144,185	$ 116,358

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

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other Current Assets

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

	September 30, 2011	December 31, 2010
Restricted cash, current	$ 57,015	$
Deferred tax assets, net	20,274	38,696
Prepaid expenses	19,656	17,810
Taxes receivable	11,551	6,857
Other receivables	1,680	4,779
Foreign currency forward contract receivable	381	
Other current assets	4,787	3,515
	$ 115,344	$ 71,657

Restricted cash, current has increased as a result of the Paris 4 IBX Financing (see Note 9).

Property, Plant and Equipment, Net

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

	September 30, 2011	December 31, 2010
IBX plant and machinery	$ 1,788,389	$ 1,524,559
Leasehold improvements	947,323	826,540
Buildings	525,768	395,752
IBX equipment	344,178	263,995
Site improvements	313,086	307,933
Computer equipment and software	130,244	114,263
Land	92,092	89,312
Furniture and fixtures	17,628	15,602
Construction in progress	199,565	128,535
	4,358,273	3,666,491
Less accumulated depreciation	(1,236,179)	(1,015,538)
	$ 3,122,094	$ 2,650,953

Leasehold improvements, IBX plant and machinery, computer equipment and software and buildings recorded under capital leases aggregated $128,312,000 and $117,289,000 at September 30, 2011 and December 31, 2010, respectively. Amortization on the assets recorded under capital leases is included in depreciation expense and accumulated depreciation on such assets totaled $31,300,000 and $29,235,000 as of September 30, 2011 and December 31, 2010, respectively.

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EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Goodwill and Intangible Assets

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

	September 30, 2011	December 31, 2010
Goodwill:		
Americas	$ 497,107	$ 408,730
EMEA	350,264	345,486
Asia-Pacific	19,909	20,149
	$ 867,280	$ 774,365
Intangible assets:		
Intangible asset customer contracts	$ 171,577	$ 156,621
Intangible asset favorable leases	18,207	18,285
Intangible asset others	5,336	3,483
	195,120	178,389
Accumulated amortization	(41,615)	(27,444)
	$ 153,505	$ 150,945

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

	Americas	EMEA	Asia-Pacific	Total
Balance at December 31, 2010	$ 408,730	$ 345,486	$ 20,149	$ 774,365
ALOG acquisition (see Note 2)	104,799			104,799
Impact of foreign currency exchange	(16,422)	4,778	(240)	(11,404)
Balance at September 30, 2011	$ 497,107	$ 350,264	$ 19,909	$ 867,280

The Company s goodwill and intangible assets in EMEA (see Note 12), denominated in British pounds and Euros, goodwill in Asia-Pacific, denominated in Singapore dollars, and certain goodwill and intangibles in Americas, denominated in Canadian dollars and Brazilian reais, are subject to foreign currency fluctuations. The Company s foreign currency translation gains and losses, including goodwill and intangibles, are a component of other comprehensive income and loss.

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

	Americas	EMEA	Total
Intangible assets, gross at December 31, 2010	$ 118,439	$ 59,950	$ 178,389
ALOG acquisition (see Note 2)	19,295		19,295
Impact of foreign currency exchange	(3,383)	819	(2,564)

Intangible assets, gross at September 30, 2011	$ 134,351	$ 60,769	$ 195,120

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the three and nine months ended September 30, 2011, the Company recorded amortization expense of $5,043,000 and $14,207,000, respectively, associated with its intangible assets. For the three and nine months ended September 30, 2010, the Company recorded amortization expense of $4,357,000 and $9,378,000, respectively, associated with its intangible assets. The Company s estimated future amortization expense related to these intangibles is as follows (in thousands):

Year ending:	
2011 (three months remaining)	$ 4,859
2012	19,436
2013	19,389
2014	19,024
2015	18,558
Thereafter	72,239
Total	$ 153,505

Other Assets

Other assets consisted of the following (in thousands):

	September 30, 2011	December 31, 2010
Restricted cash, non-current	$ 37,255	$ 4,309
Debt issuance costs, net	43,627	34,066
Deposits	31,918	24,604
Prepaid expenses, non-current	20,333	9,597
Deferred tax assets, net	19,446	16,955
Other assets, non-current	5,512	1,361
	$ 158,091	$ 90,892

Restricted cash, non-current has increased primarily as a result of the Paris 4 IBX Financing (see Note 9).

Accounts Payable and Accrued Expenses

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

	September 30, 2011	December 31, 2010
Accounts payable	$ 21,521	$ 12,585
Accrued compensation and benefits	53,192	53,259
Accrued taxes	34,594	15,707
Accrued interest	32,704	25,456
Accrued utilities and security	18,613	18,346
Accrued repairs and maintenance	3,385	2,894

Accrued professional fees	2,945	3,786
Accrued other	14,139	13,821
	$ 181,093	$ 145,854

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other Current Liabilities

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

	September 30, 2011	December 31, 2010
Deferred installation revenue	$ 34,913	$ 31,149
Customer deposits	11,251	12,624
Deferred recurring revenue	3,201	2,349
Accrued restructuring charges	2,751	3,089
Deferred rent	1,548	585
Deferred tax liabilities	993	993
Foreign currency forward contract payable	275	58
Asset retirement obligations	363	445
Other current liabilities	392	1,336
	$ 55,687	$ 52,628

Other Liabilities

Other liabilities consisted of the following (in thousands):

	September 30, 2011	December 31, 2010
Deferred tax liabilities, net	$ 93,678	$ 103,717
Asset retirement obligations, non-current	55,010	46,322
Deferred rent, non-current	46,938	43,705
Deferred installation revenue, non-current	23,207	19,488
Accrued taxes, non-current	16,020	
Deferred recurring revenue, non-current	5,904	4,897
Customer deposits, non-current	5,660	4,206
Accrued restructuring charges, non-current	4,478	3,952
Other liabilities	2,405	2,473
	$ 253,300	$ 228,760

The Company currently leases the majority of its IBX data centers and certain equipment under non-cancelable operating lease agreements expiring through 2035. The IBX data center lease agreements typically provide for base rental rates that increase at defined intervals during the term of the lease. In addition, the Company has negotiated some rent expense abatement periods for certain leases to better match the phased build-out of its centers. The Company accounts for such abatements and increasing base rentals using the straight-line method over the life of the lease. The difference between the straight-line expense and the cash payment is recorded as deferred rent.

5. Derivatives and Hedging Activities

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

The Company has not designated the foreign currency forward contracts as hedging instruments under the accounting standard for derivatives and hedging. Gains and losses on these contracts are included in other income (expense), net, along with those foreign currency gains and losses of the related foreign currency-denominated assets and liabilities associated with these foreign currency forward contracts. The Company entered into various foreign currency forward contracts during the three and nine months ended September 30, 2011 and 2010.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Net gain (loss)	$ 1,397	$ (1,677)	$ 163	$ 19

6. Fair Value Measurements

The Company s financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2011 were as follows (in thousands):

	Fair value as of September 30, 2011	Fair value measurement using		
		Level 1	Level 2	Level 3
Assets:				
U.S. government obligations	$ 622,699	$	$ 622,699	$
U.S. government agency obligations	120,755		120,755	
Cash and money markets	367,323	367,323		
Corporate bonds	43,463		43,463	
Certificates of deposit	7,859	7,859		
Foreign government securities	7,348		7,348	
Asset-backed securities	741		741	
Foreign currency forward contracts (1)	381		381	
	$ 1,170,569	$ 375,182	$ 795,387	$
Liabilities:				
Foreign currency forward contracts (1)	$ 275	$	$ 275	$

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

Cash, Cash Equivalents and Investments. The fair value of the Company's investments in available-for-sale money market funds approximates their face value. Such instruments are included in cash equivalents. These instruments 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. 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 considers each category of investments held to be an asset group. The asset groups held at September 30, 2011 were primarily U.S. government securities, cash and money market funds, corporate bonds, certificate of deposits and foreign government securities. The Company s fair value assessment includes an evaluation by each of these securities available-for-sale, all of which continue to be classified within Level 2 of the fair value hierarchy. 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.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 in stockholders equity as a component of other comprehensive income or loss, net of any related tax effect. The Company reviews its investment portfolio quarterly to determine if any securities may be other-than-temporarily impaired due to increased credit risk, changes in industry or sector of a certain instrument or ratings downgrades over an extended period of time. The Company determined that these quoted market prices qualify as Level 1 and Level 2.

Derivative Assets and Liabilities. For foreign currency derivatives, the Company uses forward contract and option valuation models employing market observable inputs, such as spot currency rates, time value and option volatilities with adjustments made to these values utilizing the credit default swap rates of our foreign exchange trading counterparties. Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit risk valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of September 30, 2011, the Company had assessed the significance of the impact of the credit risk valuation adjustments on the overall valuation of its derivative positions and had determined that the credit risk valuation adjustments were not significant to the overall valuation of its derivatives. Therefore, they are categorized as Level 2.

During the three and nine months ended September 30, 2011, the Company did not have any nonfinancial assets or liabilities measured at fair value on a recurring basis.

7. Related Party Transactions

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

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Revenues	$ 6,608	$ 5,758	$ 19,388	$ 16,792
Costs and services	915	1,840	2,709	2,649

	As of September 30,	
	2011	2010
Accounts receivable	$ 5,271	$ 4,397
Accounts payable	461	246

In connection with the ALOG Acquisition, the Company acquired a lease for one of the Brazilian IBX data centers in which the lessor is a member of ALOG management. This lease contains an option to purchase the underlying property for fair market value on the date of purchase. The Company accounts for this lease as a financing obligation as a result of structural building work pursuant to the accounting standard for lessee s involvement in asset construction. As of September 30, 2011, the Company had a financing obligation liability totaling approximately $4,576,000 related to this lease on its balance sheet. This amount is considered a related party liability, which is not reflected in the related party data presented above.

8. Capital Lease and Other Financing Obligations

Hong Kong 2 IBX Lease

In August 2010, an indirect wholly-owned subsidiary of the Company entered into a lease agreement for rental of space which will be used for its second IBX data center in Hong Kong. Additionally, in December 2010, the Company entered into a license agreement with the same Landlord to obtain the right to make structural changes to the leased space (the Hong Kong 2 IBX Lease). The Hong Kong 2 IBX Lease has a term of 12 years and a total cumulative rent obligation of approximately $40,447,000. Pursuant to the accounting standard for lessee s involvement in asset construction, the Company is now considered the owner of the leased space during the construction phase due to the structural work that the Company is now undertaking, which commenced in January 2011. As a result, in January 2011, the Company recorded a building asset and a related financing obligation liability totaling approximately $38,036,000 (using the exchange rate as of September 30, 2011).

New York 5 IBX Lease

In May 2011, the Company entered into a lease amendment for two buildings that the Company will develop and ultimately convert into its eighth IBX data center in the New York metro area (the NY 5 IBX Expansion Project and the NY 5 Lease Amendment). Under the NY 5 Lease Amendment, the Company exercised its first five year renewal option available in the original lease agreement, which was entered into in April 2010. The NY 5 Lease Amendment has a remaining term of 16.7 years and a total cumulative remaining rent obligation of approximately $41,168,000 commencing May 2011. The Company began the specified construction for one of the two buildings in June 2011. Pursuant to the accounting standard for lessee s involvement in asset construction, the Company is considered the owner of the building during the construction phase due to the structural building work that the Company is undertaking. As a result, the Company will be recording a building asset during the construction period and a related financing liability (the NY 5 IBX Building Financing), while the underlying land will be considered an operating lease. The building is expected to be completed during the second half of 2012. In connection with the NY 5 IBX Building Financing, the Company recorded a building asset totaling approximately $11,541,000 and a corresponding financing obligation liability totaling approximately $12,244,000 as of September 30, 2011. The other building is being accounted for as a capital lease.

DC 10 Lease

In December 2010, the Company entered into a lease for a building that the Company and the landlord will jointly develop to meet the Company s needs and which the Company will ultimately convert into its 10th IBX data center in the Washington, D.C. metro area (the DC 10 IBX Expansion Project and the DC 10 Lease). The DC 10 Lease has a term of 12 years commencing from the date the landlord delivers the completed building to the Company, which is expected to occur in the fourth quarter of 2011. Monthly payments under the DC 10 Lease are expected to commence six months after the date the landlord delivers the completed building to the Company and will be made through the end of the lease term at an effective interest rate of 11.1%. The DC 10 Lease has a total cumulative rent obligation of approximately $27,752,000. The landlord began construction of the building to the Company s specifications in May 2011. Pursuant to the accounting standard for lessee s involvement in asset construction, the Company is considered the owner of the building during the construction phase due to the building work that the landlord and the Company is undertaking. As a result, the Company will be recording a building asset during the construction period and a related financing liability (the DC 10 IBX Building Financing), while the underlying land will be considered an operating lease. In connection with the DC 10 IBX Building Financing, the Company recorded a building asset totaling approximately $11,304,000 and a corresponding financing obligation liability totaling approximately $11,514,000, representing the estimated percentage-of-completion of the building as of September 30, 2011.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Singapore 1 IBX Lease

In March 2011, the Company entered into a lease amendment to add space to its currently existing IBX data center in Singapore (the Singapore IBX Expansion Project and the Singapore 1 IBX Lease). The Company exercised an option to convert part of the space within the Singapore IBX Expansion project to meet the Company s needs. The Singapore 1 IBX Lease has a remaining term of 6.1 years and a total cumulative remaining rent obligation of approximately $15,374,000 (using the exchange rate as of September 30, 2011) commencing in April 2011. The Company began construction in July 2011. Pursuant to the accounting standard for lessee s involvement in asset construction, the Company is considered the owner of the building during the construction phase due to the building work that the Company is undertaking. As a result, the Company recorded a building asset during the construction period and a related financing liability (the Singapore 1 IBX Building Financing). In connection with the Singapore 1 IBX Building Financing, in July 2011, the Company recorded a building asset and a corresponding financing obligation liability totaling approximately $43,358,000 (using the exchange rate as of September 30, 2011).

Maturities of Capital Lease and Other Financing Obligations

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

	As of September 30, 2011		
	Capital lease obligations	**Other financing obligations**	**Total**
2011 (three months remaining)	$ 4,685	$ 4,757	$ 9,442
2012	18,368	20,999	39,367
2013	18,008	22,039	40,047
2014	18,602	22,956	41,558
2015	18,978	23,926	42,904
Thereafter	139,270	192,688	331,958
Total minimum lease payments	217,911	287,365	505,276
Plus amount representing residual property value		195,618	195,618
Less estimated building costs		(4,521)	(4,521)
Less amount representing interest	(81,625)	(226,533)	(308,158)
Present value of net minimum lease payments	136,286	251,929	388,215
Less current portion	(7,981)	(3,386)	(11,367)
	$ 128,305	$ 248,543	$ 376,848

9. Debt Facilities

Loans Payable

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

	September 30, 2011	**December 31, 2010**
New Asia-Pacific financing	$ 184,844	$ 120,315
Paris 4 IBX financing	40,054	

ALOG debt		11,738		
		236,636		120,315
Less current portion of principal		(74,652)		(19,978)
	$	161,984	$	100,337

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Senior Revolving Credit Line

In September 2011, the Company entered into a $150,000,000 senior unsecured revolving credit facility (the Senior Revolving Credit Line) with a group of lenders (the Lenders). The Senior Revolving Credit Line replaced the Company s $25,000,000 revolving credit facility with Bank of America (the Bank of America Revolving Credit Line). As a result, the outstanding letters of credit issued under the Bank of America Revolving Credit Line were all transferred into the Senior Revolving Credit Line. The Company may use the Senior Revolving Credit Line for working capital, capital expenditures, issuance of letters of credit, general corporate purposes and to refinance a portion of the Company s existing debt obligations. The Senior Revolving Credit Line has a five-year term and allows the Company to borrow, repay and re-borrow over the term. The Senior Revolving Credit Line provides a sublimit for the issuance of letters of credit of up to $100,000,000 and a sublimit for swing line borrowings of up to $25,000,000. Borrowings under the Senior Revolving Credit Line carry an interest rate of US$ LIBOR plus an applicable margin ranging from 1.25% to 1.75% per annum, which varies as a function of the Company s senior leverage ratio. The Company is also subject to a quarterly non-utilization fee ranging from 0.30% to 0.40% per annum, the pricing of which will also vary as a function of the Company s senior leverage ratio. Additionally, the Company may increase the size of the Senior Revolving Credit Line at its election by up to $100,000,000, subject to approval by the Lenders and based on current market conditions. The Senior Revolving Credit Line contains several financial covenants, which the Company must comply with quarterly, including a leverage ratio, fixed charge coverage ratio and a minimum net worth covenant. As of September 30, 2011, the Company was in compliance with all financial covenants associated with the Senior Revolving Credit Line.

As of September 30, 2011, the Company s cost of borrowing under the Senior Revolving Credit Line was 1.99% per annum. As of September 30, 2011, the Company had 14 irrevocable letters of credit totaling $18,960,000 issued and outstanding under the Senior Revolving Credit Line. As a result, the amount available to borrow was $131,040,000 as of September 30, 2011.

Paris 4 IBX Financing

In March 2011, the Company entered into two agreements with two unrelated parties to purchase and develop a building that will ultimately become the Company s fourth IBX data center in the Paris metro area. The first agreement allowed the Company the right to purchase the property for a total fee of approximately $20,160,000, payable to a company that held exclusive rights (including power rights) to the property and was already in the process of developing the property into a data center and will now, instead, become the anchor tenant in the Paris 4 IBX data center once it is open for business. The second agreement was entered into with the developer of the property and allowed the Company to take immediate title to the building and associated land and also requires the developer to construct the data center to the Company s specifications and deliver the completed data center to the Company in July 2012 for a total fee of approximately $101,725,000. Both agreements include extended payment terms. The Company made payments under both agreements totaling approximately $35,687,000 in March 2011 and the remaining payments due totaling approximately $86,197,000 are payable on various dates through March 2013 (the Paris 4 IBX Financing). Of the amounts paid or payable under the Paris 4 IBX Financing, a total of approximately $14,951,000 was allocated to land and building assets, $3,444,000 was allocated to a deferred charge, which will be netted against revenue associated with the anchor tenant of the Paris 4 IBX data center over the term of the customer contract, and the remainder totaling $103,490,000 was or will be allocated to construction costs inclusive of interest charges. The Company has imputed an interest rate of 5.90% per annum on the Paris 4 IBX Financing as of September 30, 2011. The Company will record additional construction costs and increase the Paris 4 IBX Financing liability over the course of the construction period. The Paris 4 IBX Financing also required the Company to post approximately $89,676,000 of cash into a restricted cash account to ensure liquidity for the developer during the construction period. As a result, the Company s restricted cash balances (both current and non-current) have increased (refer to Other Current Assets and Other Assets in Note 4).

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Senior Notes

The Company s senior notes consisted of the following (in thousands):

	September 30, 2011	December 31, 2010
8.125% senior notes due 2018	$ 750,000	$ 750,000
7.00% senior notes due 2021	750,000	
	1,500,000	750,000

7.00% Senior Notes

In July 2011, the Company issued $750,000,000 aggregate principal amount of 7.00% Senior Notes due July 15, 2021 (the 7.00% Senior Notes). Interest is payable semi-annually in arrears on January 15 and July 15 of each year, commencing on January 15, 2012.

The 7.00% Senior Notes are governed by an indenture dated July 6, 2011 between the Company, as issuer, and U.S. Bank National Association, as trustee (the 7.00% Senior Notes Indenture). The 7.00% Senior Notes Indenture contains covenants that limit the Company s ability and the ability of its subsidiaries to, among other things:

incur additional debt;