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.

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PART I - FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

EQUINIX, INC.

Condensed Consolidated Balance Sheets

(in thousands)

	June 30, 2008 (unaudited)	December 31, 2007
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

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EQUINIX, INC.

Condensed Consolidated Statements of Operations

(in thousands, except per share data)

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	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

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EQUINIX, INC.

Condensed Consolidated Statements of Cash Flows

(in thousands)

	Six months ended June 30, 2008	Six months ended June 30, 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

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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.

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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,		Six months ended June 30,	
	2008	2007	2008	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,		Six months ended June 30,	
	2008	2007	2008	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

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.

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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.

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,		Six months ended June 30,	
	2008	2007	2008	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.

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.

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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

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.

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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.

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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.

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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.

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

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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.

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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.

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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,