

EQUINIX INC (EQIX)

10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filed on 10/28/2011

Filed Period 09/30/2011

THOMSON REUTERS ACCELUS™



THOMSON REUTERS

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

FORM 10-Q

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

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
(State of incorporation)

77-0487526
(I.R.S. Employer
Identification No.)

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

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

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

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

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

EQUINIX, INC.

INDEX

	Page No.
<u>Part I - Financial Information</u>	
Item 1. <u>Condensed Consolidated Financial Statements (unaudited):</u>	
<u>Condensed Consolidated Balance Sheets as of September 30, 2011 and December 31, 2010</u>	3
<u>Condensed Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2011 and 2010</u>	4
<u>Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2011 and 2010</u>	5
<u>Notes to Condensed Consolidated Financial Statements</u>	6
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	32
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	54
Item 4. <u>Controls and Procedures</u>	54
<u>Part II - Other Information</u>	
Item 1. <u>Legal Proceedings</u>	55
Item 1A. <u>Risk Factors</u>	57
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	74
Item 3. <u>Defaults Upon Senior Securities</u>	74
Item 4. <u>[Removed and Reserved]</u>	74
Item 5. <u>Other Information</u>	74
Item 6. <u>Exhibits</u>	75
<u>Signatures</u>	81
<u>Index to Exhibits</u>	82

PART I—FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

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

	September 30, 2011	December 31, 2010
	(unaudited)	
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	<u>\$ 5,730,687</u>	<u>\$ 4,448,009</u>
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	<u>\$ 5,730,687</u>	<u>\$ 4,448,009</u>

See accompanying notes to condensed consolidated financial statements

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2011	2010	2011	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	<u>339,485</u>	<u>278,321</u>	<u>951,243</u>	<u>734,855</u>
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.	<u>\$ 20,319</u>	<u>\$ 11,196</u>	<u>\$ 76,194</u>	<u>\$ 23,121</u>
Earnings per share attributable to Equinix, after adjustments related to redeemable non-controlling interests (Note 3):				
Basic earnings per share	<u>\$ 0.21</u>	<u>\$ 0.24</u>	<u>\$ 1.40</u>	<u>\$ 0.54</u>
Weighted-average shares	47,202	45,745	46,861	42,961
Diluted earnings per share	<u>\$ 0.20</u>	<u>\$ 0.24</u>	<u>\$ 1.37</u>	<u>\$ 0.53</u>
Weighted-average shares	<u>47,943</u>	<u>46,676</u>	<u>47,694</u>	<u>44,040</u>

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	<u>399,988</u>	<u>269,981</u>
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	<u>(1,304,819)</u>	<u>(618,507)</u>
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	<u>832,111</u>	<u>395,675</u>
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	<u>\$ 370,523</u>	<u>\$ 389,149</u>
Supplemental cash flow information:		
Cash paid for taxes	<u>\$ 7,172</u>	<u>\$ 3,129</u>
Cash paid for interest	<u>\$ 100,283</u>	<u>\$ 70,772</u>

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		Nine months ended	
	September 30,		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
	<u>\$ 19,207</u>	<u>\$ 16,947</u>	<u>\$ 53,060</u>	<u>\$ 51,508</u>

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	<u>\$</u>	<u>66,372</u>

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	\$	<u>51,723</u>

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):

<u>Intangible assets</u>	<u>Fair value</u>	<u>Estimated useful lives (years)</u>	<u>Weighted- average estimated useful lives (years)</u>
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 existing 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		Nine months ended	
	September 30,		September 30,	
	2011	2010	2011	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	<u>\$ 9,680</u>	<u>\$ 11,196</u>	<u>\$ 65,555</u>	<u>\$ 23,121</u>
Weighted-average shares used to compute basic earnings per share	<u>47,202</u>	<u>45,745</u>	<u>46,861</u>	<u>42,961</u>
Effect of dilutive securities:				
Employee equity awards	741	931	833	1,079
Weighted-average shares used to compute diluted earnings per share	<u>47,943</u>	<u>46,676</u>	<u>47,694</u>	<u>44,040</u>
Earnings per share attributable to Equinix:				
Basic	<u>\$ 0.21</u>	<u>\$ 0.24</u>	<u>\$ 1.40</u>	<u>\$ 0.54</u>
Diluted	<u>\$ 0.20</u>	<u>\$ 0.24</u>	<u>\$ 1.37</u>	<u>\$ 0.53</u>

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		Nine months ended	
	September 30,		September 30,	
	2011	2010	2011	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
	<u>10,295</u>	<u>10,277</u>	<u>10,267</u>	<u>10,543</u>

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	<u>370,523</u>	<u>442,841</u>
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	<u>799,665</u>	<u>149,998</u>
Total cash, cash equivalents and short-term and long-term investments	<u>\$ 1,170,188</u>	<u>\$ 592,839</u>

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	Gross	Gross	Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
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	<u>\$ 799,797</u>	<u>\$ 170</u>	<u>\$ (302)</u>	<u>\$ 799,665</u>

	December 31, 2010			
	Amortized	Gross	Gross	Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
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	<u>\$ 149,870</u>	<u>\$ 129</u>	<u>\$ (1)</u>	<u>\$ 149,998</u>

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)	—	—
	<u>\$ 147,536</u>	<u>\$ (302)</u>	<u>\$ —</u>	<u>\$ —</u>

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)
	<u>\$ 144,185</u>	<u>\$ 116,358</u>

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
	<u>\$ 115,344</u>	<u>\$ 71,657</u>

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)
	<u>\$ 3,122,094</u>	<u>\$ 2,650,953</u>

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.

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
	<u>\$ 867,280</u>	<u>\$ 774,365</u>
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)
	<u>\$ 153,505</u>	<u>\$ 150,945</u>

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	<u>\$ 497,107</u>	<u>\$ 350,264</u>	<u>\$ 19,909</u>	<u>\$ 867,280</u>

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	<u>\$ 134,351</u>	<u>\$ 60,769</u>	<u>\$ 195,120</u>

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	\$	<u>153,505</u>

Other Assets

Other assets consisted of the following (in thousands):

	September 30,		December 31,	
	2011		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
	\$	<u>158,091</u>	\$	<u>90,892</u>

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,		December 31,	
	2011		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
	\$	<u>181,093</u>	\$	<u>145,854</u>

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Other Current Liabilities

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

	September 30,	December 31,
	2011	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
	<u>\$ 55,687</u>	<u>\$ 52,628</u>

Other Liabilities

Other liabilities consisted of the following (in thousands):

	September 30,	December 31,
	2011	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
	<u>\$ 253,300</u>	<u>\$ 228,760</u>

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				Nine months ended			
	September 30,				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		Fair value measurement using					
	as of							
	September 30,							
	2011	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		—
		<u>\$</u>		<u>\$</u>		<u>\$</u>		<u>\$</u>
		1,170,569		375,182		795,387		—
Liabilities:								
Foreign currency forward contracts (1)		<u>\$</u>		<u>\$</u>		<u>\$</u>		<u>\$</u>
		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,		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.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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		
	Other		
	Capital lease obligations	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)
	<u>\$ 128,305</u>	<u>\$ 248,543</u>	<u>\$ 376,848</u>

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)
	<u>\$ 161,984</u>	<u>\$ 100,337</u>

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	—
	<u>1,500,000</u>	<u>750,000</u>

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;
- pay dividends or make other restricted payments;
- purchase, redeem or retire capital stock or subordinated debt;
- make asset sales;
- enter into transactions with affiliates;
- incur liens;
- enter into sale-leaseback transactions;
- provide subsidiary guarantees;
- make investments; and
- merge or consolidate with any other person.

Each of these restrictions has a number of important qualifications and exceptions. The 7.00% Senior Notes are unsecured and rank equal in right of payment to the Company's existing or future senior debt and senior in right of payment to the Company's existing and future subordinated debt including the Company's convertible debt. The 7.00% Senior Notes are effectively junior to any of the Company's existing and future secured indebtedness and any secured indebtedness of its subsidiaries. The 7.00% Senior Notes are also structurally subordinated to all debt and other liabilities (including trade payables) of the Company's subsidiaries and will continue to be subordinated to the extent that these subsidiaries do not guarantee the 7.00% Senior Notes in the future.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

At any time prior to July 15, 2014, the Company may on any one or more occasions redeem up to 35% of the aggregate principal amount of the 7.00% Senior Notes outstanding under the 7.00% Senior Notes Indenture, at a redemption price equal to 107.000% of the principal amount of the 7.00% Senior Notes to be redeemed, plus accrued and unpaid interest to, but not including, the redemption date, with the net cash proceeds of one or more equity offerings, provided that (i) at least 65% of the aggregate principal amount of the 7.00% Senior Notes issued under the 7.00% Senior Notes Indenture remains outstanding immediately after the occurrence of such redemption and (ii) the redemption must occur within 90 days of the date of the closing of such equity offerings. On or after July 15, 2016, the Company may redeem all or a part of the 7.00% Senior Notes, on any one or more occasions, at the redemption prices set forth below plus accrued and unpaid interest thereon, if any, up to, but not including, the applicable redemption date, if redeemed during the twelve-month period beginning on July 15 of the years indicated below:

	Redemption price of the
2016	103.500%
2017	102.333%
2018	101.167%
2019 and thereafter	100.000%

In addition, at any time prior to July 15, 2016, the Company may also redeem all or a part of the 7.00% Senior Notes at a redemption price equal to 100% of the principal amount of the 7.00% Senior Notes redeemed plus applicable premium (the "Applicable Premium") and accrued and unpaid interest, if any, to, but not including, the date of redemption (the "Redemption Date"). The Applicable Premium means the greater of:

- 1.0% of the principal amount of the 7.00% Senior Notes to be redeemed; and
- the excess of: (a) the present value at such redemption date of (i) the redemption price of the 7.00% Senior Notes to be redeemed at July 15, 2016 as shown in the above table, plus (ii) all required interest payments due on these 7.00% Senior Notes through July 15, 2016 (excluding accrued but unpaid interest, if any, to, but not including the redemption date), computed using a discount rate equal to the yield to maturity as of the redemption date of the United States Treasury securities with a constant maturity most nearly equal to the period from the redemption date to July 15, 2016, plus 0.50%; over (b) the principal amount of the 7.00% Senior Notes to be redeemed.

Upon a change in control, the Company will be required to make an offer to purchase each holder's 7.00% Senior Notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest to the date of purchase.

Debt issuance costs related to the 7.00% Senior Notes, net of amortization, were \$13,927,000 as of September 30, 2011.

Convertible Debt

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

	September 30, 2011	December 31, 2010
2.50% convertible subordinated notes due April 2012	\$ 250,000	\$ 250,000
3.00% convertible subordinated notes due October 2014	395,986	395,986
4.75% convertible subordinated notes due June 2016	373,750	373,750
	1,019,736	1,019,736
Less amount representing debt discount	(85,040)	(103,399)
	934,696	916,337
Less current portion	(243,176)	—
	\$ 691,520	\$ 916,337

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Maturities of Debt Facilities

The following table sets forth maturities of the Company's debt, including loans payable, senior notes and convertible debt, as of September 30, 2011 (in thousands):

Year ending:		
2011 (three months remaining)	\$	1,546
2012		317,207
2013		63,339
2014		460,444
2015		33,257
Thereafter		1,795,539
	<u>\$</u>	<u>2,671,332</u>

Fair Value of Debt Facilities

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

	September 30, 2011		December 31, 2010
Loans payable	\$ 244,827	\$	126,958
Senior notes	1,520,802		816,270
Convertible debt	1,019,348		995,012

Interest Charges

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

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Interest expense	\$ 51,114	\$ 38,363	\$ 126,152	\$ 101,653
Interest capitalized	3,325	2,010	9,266	8,746
Interest charges incurred	<u>\$ 54,439</u>	<u>\$ 40,373</u>	<u>\$ 135,418</u>	<u>\$ 110,399</u>

10. Commitments and Contingencies

Legal Matters

IPO Litigation

On July 30, 2001 and August 8, 2001, putative shareholder class action lawsuits were filed against the Company, certain of its officers and directors (the "Individual Defendants"), and several investment banks that were underwriters of 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. These lawsuits have been coordinated before a single judge. The purported class action alleges violations of Sections 11 and 15 of the Securities Act of 1933 and Sections 10(b), Rule 10b-5 and 20(a) of the Securities Exchange Act of 1934 against the Company and the Individual Defendants. The plaintiffs have since dismissed the Individual Defendants without prejudice. The suits allege that the Underwriter Defendants agreed to allocate stock in 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.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The parties in the approximately 300 coordinated cases, including the parties in the Equinix case, reached a settlement. It provides for releases of existing claims and claims that could have been asserted relating to the conduct alleged to be wrongful from the class of investors participating in the settlement. The insurers for the issuer defendants in the coordinated cases will make the settlement payment on behalf of the issuers, including Equinix. On October 6, 2009, the Court granted final approval to the settlement. The settlement approval was appealed to the United States Court of Appeals for the Second Circuit. One appeal was dismissed and the second appeal was remanded to the district court to determine if the appellant is a class member with standing to appeal. The district court ruled that the appellant is not a class member with standing to appeal. The appellant has filed with the United States Court of Appeals for the Second Circuit a notice of appeal of the district court opinion that he is not a class member.

Due to the inherent uncertainties of litigation, the Company cannot accurately predict the ultimate outcome of the matter. The Company is unable at this time to determine whether the outcome of the litigation would have a material impact on its results of operations, financial condition or cash flows. The Company intends to continue to defend the action vigorously if the settlement does not survive the remaining appeal.

The Company believes that while an unfavorable outcome to this litigation is reasonably possible, a range of potential loss cannot be determined at this time. The Company has not accrued any amounts in connection with this legal matter as of September 30, 2011 as the Company concluded that an unfavorable outcome is not probable.

Pihana Litigation

On August 22, 2008, a complaint was filed against Equinix, certain former officers and directors of Pihana Pacific, Inc. ("Pihana"), certain investors in Pihana, and others. The lawsuit was filed in the First Circuit Court of the State of Hawai'i, and arises out of December 2002 agreements pursuant to which Equinix merged Pihana and i-STT (a subsidiary of Singapore Technologies Telemedia Pte Ltd) into the Internet exchange services business of Equinix. Plaintiffs, who were allegedly holders of Pihana common stock, allege that their rights as shareholders were violated, and the transaction was effectuated improperly, by Pihana's majority shareholders, officers and directors, with the alleged assistance of Equinix and others. Among other things, plaintiffs contend that they effectively had a right to block the transaction, that this supposed right was disregarded, and that they improperly received no consideration when the deal was completed. The complaint seeks to recover unspecified punitive damages, equitable relief, fees and costs, and compensatory damages in an amount that plaintiffs allegedly "believe may be all or a substantial portion of the approximately \$725,000,000 value of Equinix held by Defendants" (a group that includes more than 30 individuals and entities). An amended complaint, which added new plaintiffs (other alleged holders of Pihana common stock) but is otherwise substantially similar to the original pleading, was filed on September 29, 2008 (the "Amended Complaint"). On October 13, 2008, a complaint was filed in a separate action by another purported holder of Pihana common stock, naming the same defendants and asserting substantially similar allegations as the August 22, 2008 and September 29, 2008 pleadings. On December 12, 2008, the court entered a stipulated order, which consolidated the two actions under one case number and set January 22, 2009 as the last day for Defendants to move to dismiss or otherwise respond to the Amended Complaint, the operative complaint in this case. On January 22, 2009, motions to dismiss the Amended Complaint were filed by Equinix and other Defendants. On April 24, 2009, plaintiffs filed a Second Amended Complaint ("SAC") to correct the naming of certain parties. The SAC is otherwise substantively identical to the Amended Complaint, and all motions to dismiss the Amended Complaint have been treated as responsive to the SAC. On September 1, 2009, the Court heard Defendants' motions to dismiss the SAC and ruled at the hearing that all claims against all Defendants are time-barred. The Court also considered whether there were further independent grounds for dismissing the claims, and supplemental briefing was submitted with respect to claims against one defendant and plaintiffs' renewed request for further leave to amend. On March 23, 2010, the Court entered final Orders granting the motions to dismiss as to all Defendants and issued a minute Order denying plaintiffs' renewed request for further leave to amend. On May 21, 2010, plaintiffs filed a Notice of Appeal, and plaintiffs' appeal is currently pending before the Hawaii Supreme Court. In January 2011, one group of co-defendants (Morgan Stanley and certain persons and entities affiliated with it) entered into a separate settlement with plaintiffs. The trial court determined that the settlement was made in "good faith" in accordance with Hawaii statutory law, and certain non-settling defendants (including Equinix) filed an appeal from that order before the Intermediate Court of Appeals. That appeal has been stayed pending resolution of plaintiffs' appeal before the Hawaii Supreme Court. The Company believes that plaintiffs' claims and alleged damages are without merit and it intends to continue to defend the litigation vigorously.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Due to the inherent uncertainties of litigation, the Company cannot accurately predict the ultimate outcome of the matter. The Company is unable at this time to determine whether the outcome of the litigation would have a material impact on its results of operations, financial condition or cash flows.

The Company believes that while an unfavorable outcome to this litigation is reasonably possible, a range of potential loss cannot be determined at this time. The Company has not accrued any amounts in connection with this legal matter as of September 30, 2011 as the Company concluded that an unfavorable outcome is not probable.

Alleged Class Action and Shareholder Derivative Actions

On March 4, 2011, an alleged class action entitled *Cement Masons & Plasterers Joint Pension Trust v. Equinix, Inc., et al.*, No. CV-11-1016-SC, was filed in the United States District Court for the Northern District of California, against Equinix and two of its officers. The suit asserts purported claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 for allegedly misleading statements regarding the Company's business and financial results. The suit is purportedly brought on behalf of purchasers of the Company's common stock between July 29, 2010 and October 5, 2010, and seeks compensatory damages, fees and costs. Defendants have not yet responded to the claims in this action.

On March 8, 2011, an alleged shareholder derivative action entitled *Rikos v. Equinix, Inc., et al.*, No. CGC-11-508940, was filed in California Superior Court, County of San Francisco, against Equinix (as a nominal defendant), the members of the Company's board of directors, and two of its officers. The suit is based on allegations similar to those in the federal securities class action and, allegedly on the Company's behalf, asserts purported state law causes of action against the individual defendants for breach of fiduciary duty, abuse of control, gross mismanagement, waste of corporate assets and unjust enrichment. The suit seeks, among other things, compensatory and treble damages, restitution and other equitable relief, and fees and costs. Defendants have not yet responded to the claims in this action.

On May 20, 2011, an alleged shareholder derivative action entitled *Stopa v. Clontz, et al.*, No. CV-11-2467-SC was filed in the United States District Court for the Northern District of California, purportedly on behalf of the Company, against the members of the Company's board of directors. The suit is based on allegations similar to those in the federal securities class action and the state court derivative action, and asserts causes of action against the individual defendants for breach of fiduciary duty for allegedly disseminating false and misleading information, breach of fiduciary duty for allegedly failing to maintain internal controls, unjust enrichment, abuse of control, gross mismanagement and waste of corporate assets. On June 10, 2011, the court signed an order relating this case to the federal securities class action. Defendants have not yet responded to the claims in this action.

Due to the inherent uncertainties of litigation, the Company cannot accurately predict the ultimate outcome of these matters. The Company is unable at this time to determine whether the outcome of the litigation would have a material impact on its results of operations, financial condition or cash flows.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Company believes that while an unfavorable outcome to this litigation is reasonably possible, a range of potential loss cannot be determined at this time. The Company has not accrued any amounts in connection with this legal matter as of September 30, 2011 as the Company concluded that an unfavorable outcome is not probable.

Other Purchase Commitments

Primarily as a result of the Company's various IBX expansion projects, as of September 30, 2011, the Company was contractually committed for \$221,305,000 of unaccrued capital expenditures, primarily for IBX equipment not yet delivered and labor not yet provided, in connection with the work necessary to open these IBX centers and make them available to customers for installation. In addition, the Company had numerous other, non-capital purchase commitments in place as of September 30, 2011, such as commitments to purchase power in select locations through the remainder of 2011 and thereafter, and other open purchase orders for goods or services to be delivered or provided during the remainder of 2011 and thereafter. Such other miscellaneous purchase commitments totaled \$99,309,000 as of September 30, 2011.

11. Other Comprehensive Income and Loss

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2011	2010	2011	2010
Net income	\$ 20,639	\$ 11,196	\$ 76,517	\$ 23,121
Unrealized loss on available for sale securities, net of tax of \$17, \$1, \$1 and \$123, respectively	(241)	(3)	(267)	(185)
Unrealized gain on interest rate swaps, net of tax of \$0, \$0, \$0 and \$3,469, respectively	—	—	—	4,933
Foreign currency translation gain (loss)	(88,659)	61,292	(17,227)	(10,831)
Comprehensive income (loss), net of tax	(68,261)	72,485	59,023	17,038
Net income, net of tax, attributable to redeemable non-controlling interests	(320)	—	(323)	—
Other comprehensive loss, net of tax, attributable to redeemable non-controlling interests	10,163	—	9,096	—
Comprehensive income (loss), net of tax, attributable to Equinix	\$ (58,418)	\$ 72,485	\$ 67,796	\$ 17,038

Changes in foreign currencies, particularly the British pound and Euro, can have a significant impact to the Company's consolidated balance sheets (as evidenced above in the Company's foreign currency translation gain or loss), as well as its consolidated results of operations, as amounts in foreign currencies are generally translating into more U.S. dollars when the U.S. dollar weakens or less U.S. dollars when the U.S. dollar strengthens. During the three months ended September 30, 2011, the U.S. dollar strengthened against certain of the currencies of the foreign countries in which the Company operates. This has significantly impacted the Company's condensed consolidated balance sheets (as evidenced in the Company's foreign currency translation loss in this period), as well as its condensed consolidated statements of operations as amounts denominated in foreign currencies are generally translating into less U.S. dollars. To the extent that the U.S. dollar weakens or strengthens in future periods, this will continue to impact the Company's consolidated financial statements including the amount of revenue that the Company reports in future periods.

12. Segment Information

During the nine months ended September 30, 2011, the Company changed its reportable segments as a result of the incorporation of legal entities in South America and the Middle East. The Company's prior North America segment was re-designated as the Americas segment, which includes both North and South America, and the Europe segment was re-designated as the Europe, Middle East and Africa ("EMEA") segment. The change in reportable segments did not impact the Company's prior periods' segment disclosures. While the Company has a single line of business, which is the design, build-out and operation of IBX data centers, it has determined that it has three reportable segments comprised of its Americas, EMEA and Asia-Pacific geographic regions. The Company's chief operating decision-maker evaluates performance, makes operating decisions and allocates resources based on the Company's revenue and adjusted EBITDA performance both on a consolidated basis and based on these three geographic regions.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2011	2010	2011	2010
Total revenues:				
Americas	\$ 268,854	\$ 215,325	\$ 755,270	\$ 555,527
EMEA	92,324	72,794	262,974	203,042
Asia-Pacific	56,423	42,228	157,286	116,521
	<u>\$ 417,601</u>	<u>\$ 330,347</u>	<u>\$ 1,175,530</u>	<u>\$ 875,090</u>
Total depreciation and amortization:				
Americas	\$ 57,610	\$ 50,414	\$ 166,780	\$ 120,822
EMEA	19,187	15,232	54,223	43,186
Asia-Pacific	13,949	7,652	33,300	20,729
	<u>\$ 90,749</u>	<u>\$ 73,298</u>	<u>\$ 254,303</u>	<u>\$ 184,737</u>
Income from operations:				
Americas	\$ 51,659	\$ 31,921	\$ 148,050	\$ 84,051
EMEA	16,305	10,258	41,954	26,251
Asia-Pacific	10,152	9,847	34,283	29,933
	<u>\$ 78,116</u>	<u>\$ 52,026</u>	<u>\$ 224,287</u>	<u>\$ 140,235</u>
Capital expenditures:				
Americas	\$ 52,849(1)	\$ 75,508	\$ 176,575(1)	\$ 372,555(2)
EMEA	33,475	33,447	172,098	111,672
Asia-Pacific	45,201	34,986	212,789	65,108
	<u>\$ 131,525</u>	<u>\$ 143,941</u>	<u>\$ 561,462</u>	<u>\$ 549,335</u>

(1) Includes the purchase price for the ALOG Acquisition, net of cash acquired, which totaled \$41,954,000.

(2) Includes the purchase price for the Switch and Data Acquisition, net of cash acquired, which totaled \$113,289,000.

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

	September 30,		December 31,	
	2011	2010	2011	2010
Americas	\$ 1,834,565	\$ 1,764,630	\$ 1,834,565	\$ 1,764,630
EMEA	746,217	596,609	746,217	596,609
Asia-Pacific	541,312	289,714	541,312	289,714
	<u>\$ 3,122,094</u>	<u>\$ 2,650,953</u>	<u>\$ 3,122,094</u>	<u>\$ 2,650,953</u>

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Colocation	\$ 312,900	\$ 257,295	\$ 895,221	\$ 690,974
Interconnection	59,256	48,837	170,516	119,011
Managed infrastructure	24,383	7,805	49,951	22,400
Rental	812	790	2,100	1,695
Recurring revenues	397,351	314,727	1,117,788	834,080
Non-recurring revenues	20,250	15,620	57,742	41,010
	<u>\$ 417,601</u>	<u>\$ 330,347</u>	<u>\$ 1,175,530</u>	<u>\$ 875,090</u>

No single customer accounted for 10% or greater of the Company's revenues for the three and nine months ended September 30, 2011 and 2010. No single customer accounted for 10% or greater of the Company's gross accounts receivable as of September 30, 2011 and December 31, 2010.

13. Restructuring Charges

Switch and Data Restructuring Charge

During the nine months ended September 30, 2011, the Company recorded restructuring charges related to one-time termination benefits, primarily comprised of severance, attributed to certain Switch and Data employees as presented below (in thousands):

Accrued restructuring charge as of December 31, 2010 (1)	\$ 1,035
Severance-related expenses (2)	392
Cash payments	(1,066)
Accrued restructuring charge as of September 30, 2011(1)	<u>\$ 361</u>

- (1) Included within other current liabilities.
(2) Included in the consolidated statements of operations as a restructuring charge.

2004 Restructuring Charge

A summary of the activity in the 2004 accrued restructuring charge associated with estimated lease exit costs from December 31, 2010 to September 30, 2011 is outlined as follows (in thousands):

Accrued restructuring charge as of December 31, 2010	\$ 6,006
Accretion expense	275
Restructuring charge adjustment (1)	1,794
Cash payments	(1,207)
Accrued restructuring charge as of September 30, 2011	<u>6,868</u>
Less current portion	(2,390)
	<u>\$ 4,478</u>

- (1) Recorded during the three months ended September 30, 2011 as a result of revised sublease assumptions on the Company's excess space in the New York metro area.

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

As the Company currently has no plans to enter into a lease termination with the landlord associated with the excess space lease in the New York metro area, the Company has reflected its accrued restructuring liability as both a current and non-current liability. The Company reports accrued restructuring charges within other current liabilities and other liabilities on the accompanying consolidated balance sheets as of September 30, 2011 and December 31, 2010. The Company is contractually committed to this excess space lease through 2015.

14. Subsequent Events

In October 2011, the Company entered into a lease for land and 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 an IBX data center in the Seattle, Washington metro area (the "Seattle 3 Lease"). The Seattle 3 Lease has a fixed term of 15 years, with options to renew, and a total cumulative rent obligation of approximately \$110,000,000, exclusive of renewal periods. Rental payments on the Seattle 3 Lease will commence when several conditions primarily related to the completion of the construction on the building have been met by the landlord, which is estimated to be in 2013. The landlord began modifying the building structure to the Company's specifications in October 2011.

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

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

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

- Overview
- Results of Operations
- Non-GAAP Financial Measures
- Liquidity and Capital Resources
- Contractual Obligations and Off-Balance-Sheet Arrangements
- Critical Accounting Policies and Estimates
- Recent Accounting Pronouncements

On April 25, 2011, as more fully described in Note 2 of Notes to Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q, Zion RJ Participações S.A., referred to as Zion, a Brazilian joint-stock company controlled by our wholly-owned subsidiary and co-owned by RW Brasil Fundo de Investimento em Participações, a subsidiary of Riverwood Capital L.P., referred to as Riverwood, completed the acquisition of approximately 90% of the outstanding capital stock of ALOG Data Centers do Brasil S.A. and its subsidiaries, referred to as ALOG, which resulted in Equinix acquiring an indirect, controlling interest in ALOG of approximately 53%. This transaction is referred to as the ALOG acquisition.

In July 2011, we issued \$750.0 million aggregate principal amount of 7.00% senior notes due July 15, 2021, which is referred to as the 7.00% senior notes offering. We intend to use the net proceeds from the 7.00% senior notes offering for general corporate purposes, including the funding of our expansion activities, and the repayment of our 2.50% convertible subordinated notes due April 15, 2012.

Overview

Equinix provides global data center services that protect and connect the world's most valued information assets. Global enterprises, financial services companies, and content and network service providers rely upon Equinix's leading insight and data centers in 38 markets around the world for the safeguarding of their critical IT equipment and the ability to directly connect to the networks that enable today's information-driven economy. Equinix offers the following data center services: premium data center colocation, interconnection and exchange services, and outsourced IT infrastructure services. As of September 30, 2011, we operated or had partner IBX data centers in the Atlanta, Boston, Buffalo, Chicago, Cleveland, Dallas, Denver, Detroit, Indianapolis, Los Angeles, Miami, Nashville, New York, Philadelphia, Phoenix, Pittsburgh, Rio De Janeiro, Sao Paulo, Seattle, Silicon Valley, St. Louis, Tampa, Toronto, Washington, D.C. metro areas in the Americas region; France, Germany, Italy, the Netherlands, Switzerland and the United Kingdom in the Europe, Middle East, Africa (EMEA) region; and Australia, Hong Kong, Japan, China and Singapore in the Asia-Pacific region.

We leverage our global data centers in 38 markets around the world as a global service delivery platform which serves more than 90% of the world's Internet routes and allows our customers to increase information and application delivery performance while significantly reducing costs. Based on our global delivery platform and the quality of our IBX data centers, we believe we have established a critical mass of customers. As more customers locate in our IBX data centers, it benefits their suppliers and business partners to collocate as well in order to gain the full economic and performance benefits of our services. These partners, in turn, pull in their business partners, creating a "marketplace" for their services. Our global delivery platform enables scalable, reliable and cost-effective collocation, interconnection and traffic exchange thus lowering overall cost and increasing flexibility. Our focused business model is based on our critical mass of customers and the resulting "marketplace" effect. This global delivery platform, combined with our strong financial position, continues to drive new customer growth and bookings as we drive scale into our global business.

Historically, our market has been served by large telecommunications carriers who have bundled their telecommunications products and services with their collocation offerings. The data center services market landscape has evolved to include cloud computing/utility providers, application hosting providers and systems integrators, managed infrastructure hosting providers and colocation providers with over 350 companies providing data center services in the United States alone. Each of these data center services providers can bundle various colocation, interconnection and network services, and outsourced IT infrastructure services. We are able to offer our customers a global platform that supports global reach to 12 countries, proven operational reliability, improved application performance and network choice, and a highly scalable set of services.

Excluding the ALOG acquisition, our customer count increased to 4,633 as of September 30, 2011 versus 4,151 as of September 30, 2010, an increase of 12%. This increase was due to organic growth in our business. Our utilization rate represents the percentage of our cabinet space billing versus net sellable cabinet space available taking into account power limitations. Excluding the impact of the ALOG acquisition, our utilization rate increased to 81% as of September 30, 2011 versus approximately 73% as of September 30, 2010; however, excluding the impact of our IBX data center expansion projects that have been open for less than four full quarters, our utilization rate would have increased to approximately 86% as of September 30, 2011. Our utilization rate varies from market to market among our IBX data centers across the Americas, EMEA and Asia-Pacific regions. We continue to monitor the available capacity in each of our selected markets. To the extent we have limited capacity available in a given market it may limit our ability for growth in that market. We perform demand studies on an ongoing basis to determine if future expansion is warranted in a market. In addition, power and cooling requirements for most customers are growing on a per unit basis. As a result, customers are consuming an increasing amount of power per cabinet. Although we generally do not control the amount of power our customers draw from installed circuits, we have negotiated power consumption limitations with certain of our high power demand customers. This increased power consumption has driven the requirement to build out our new IBX data centers to support power and cooling needs twice that of previous IBX data centers. We could face power limitations in our centers even though we may have additional physical cabinet capacity available within a specific IBX data center. This could have a negative impact on the available utilization capacity of a given center, which could have a negative impact on our ability to grow revenues, affecting our financial performance, operating results and cash flows.

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

Our business is based on a recurring revenue model comprised of colocation, interconnection and managed infrastructure services. We consider these services recurring as our customers are generally billed on a fixed and recurring basis each month for the duration of their contract, which is generally one to three years in length. Our recurring revenues have comprised more than 90% of our total revenues during the past three years. In addition, during the past three years, in any given quarter, greater than half of our monthly recurring revenue bookings came from existing customers, contributing to our revenue growth.

Our non-recurring revenues are primarily comprised of installation services related to a customer's initial deployment and professional services that we perform. These services are considered to be non-recurring as they are billed typically once and upon completion of the installation or professional services work performed. The majority of these non-recurring revenues are typically billed on the first invoice distributed to the customer in connection with their initial installation. However, revenues from installation services are deferred and recognized ratably over the longer of the term of the related contract or expected life of the services. Additionally, revenue from contract settlements, when a customer wishes to terminate their contract early, is generally recognized on a cash basis, when no remaining performance obligations exist, to the extent that the revenue has not previously been recognized. As a percentage of total revenues, we expect non-recurring revenues to represent less than 10% of total revenues for the foreseeable future.

Our Americas revenues are derived primarily from colocation and interconnection services while our EMEA and Asia-Pacific revenues are derived primarily from colocation and managed infrastructure services.

The largest components of our cost of revenues are depreciation, rental payments related to our leased IBX data centers, utility costs, including electricity and bandwidth, IBX data center employees' salaries and benefits, including stock-based compensation, repairs and maintenance, supplies and equipment and security services. A substantial majority of our cost of revenues is fixed in nature and should not vary significantly from period to period, unless we expand our existing IBX data centers or open or acquire new IBX data centers. However, there are certain costs which are considered more variable in nature, including utilities and supplies, that are directly related to growth in our existing and new customer base. We expect the cost of our utilities, specifically electricity, will increase in the future on a per-unit or fixed basis in addition to the variable increase related to the growth in consumption by the customer. In addition, the cost of electricity is generally higher in the summer months as compared to other times of the year. To the extent we incur increased utility costs, such increased costs could materially impact our financial condition, results of operations and cash flows. Furthermore, to the extent we incur increased electricity costs as a result of either climate change policies or the physical effects of climate change, such increased costs could materially impact our financial condition, results of operations and cash flows.

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

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

Due to our recurring revenue model, and a cost structure which has a large base that is fixed in nature and generally does not grow in proportion to revenue growth, we expect our cost of revenues, sales and marketing expenses and general and administrative expenses to decline as a percentage of revenue over time, although we expect each of them to grow in absolute dollars in connection with our growth. This is evident in the trends noted below in our discussion on our results of operations. However, for cost of revenues, this trend may periodically be impacted when a large expansion project opens or is acquired and before it starts generating any meaningful revenue. Furthermore, in relation to cost of revenues, we note that the Americas region has a lower cost of revenues as a percentage of revenue than either EMEA or Asia-Pacific. This is due to both the increased scale and maturity of the Americas region compared to either EMEA or Asia-Pacific, as well as a higher cost structure outside of Americas, particularly in EMEA. While we expect all three regions to continue to see lower cost of revenues as a percentage of revenues in future periods, we expect the trend of Americas having the lowest cost of revenues as a percentage of revenue and EMEA having the highest to continue. As a result, to the extent that revenue growth outside Americas grows in greater proportion than revenue growth in Americas, our overall cost of revenues as a percentage of revenues may increase in future periods. Sales and marketing expenses and general and administrative expenses may also periodically increase as a percentage of revenue as we continue to scale our operations to support our growth.

Constant Currency Presentation

Our revenues and certain operating expenses (cost of revenues, sales and marketing and general and administrative expenses) from our international operations have represented and will continue to represent a significant portion of our total revenues and certain operating expenses. As a result, our revenues and certain operating expenses have been and will continue to be affected by changes in the U.S. dollar against major international currencies such as the Brazilian reais, British pound, Canadian dollar, Euro, Swiss franc, Australian dollar, Hong Kong dollar, Japanese yen and Singapore dollar. In order to provide a framework for assessing how each of our business segments performed excluding the impact of foreign currency fluctuations, we present period-over-period percentage changes in our revenues and certain operating expenses on a constant currency basis in addition to the historical amounts as reported. Presenting constant currency results of operations is a non-GAAP financial measure and is not meant to be considered in isolation or as an alternative to GAAP results of operations. However, we have presented this non-GAAP financial measure to provide investors with an additional tool to evaluate our operating results. To present this information, our current and comparative prior period revenues and certain operating expenses from entities reporting in currencies other than the U.S. dollar are converted into U.S. dollars at constant exchange rates rather than the actual exchange rates in effect during the respective periods (i.e. average rates in effect for the three months ended September 30, 2010 are used as exchange rates for the three months ended September 30, 2011 when comparing the three months ended September 30, 2011 with the three months ended September 30, 2010 and average rates in effect for the nine months ended September 30, 2010 are used as exchange rates for the nine months ended September 30, 2011 when comparing the nine months ended September 30, 2011 with the nine months ended September 30, 2010).

Results of Operations

Our results of operations for the three months and nine months ended September 30, 2011 include the operations of ALOG from April 25, 2011. Our results of operations for the three months and nine months ended September 30, 2011 and 2010 include the operations of Switch & Data Facilities Company, Inc., which is referred to as Switch and Data, from May 1, 2010.

Three Months Ended September 30, 2011 and 2010

Revenues. Our revenues were generated from the following revenue classifications and geographic regions (dollars in thousands):

	Three months ended September 30,				% Change	
	2011	%	2010	%	Actual	Constant currency
Americas:						
Recurring revenues	\$ 259,265	62%	\$ 208,096	63%	25%	25%
Non-recurring revenues	9,589	2%	7,229	2%	33%	33%
	<u>268,854</u>	<u>64%</u>	<u>215,325</u>	<u>65%</u>	25%	25%
EMEA:						
Recurring revenues	85,108	20%	66,279	20%	28%	19%
Non-recurring revenues	7,216	2%	6,515	2%	11%	2%
	<u>92,324</u>	<u>22%</u>	<u>72,794</u>	<u>22%</u>	27%	17%
Asia-Pacific:						
Recurring revenues	52,978	13%	40,352	12%	31%	19%
Non-recurring revenues	3,445	1%	1,876	1%	84%	69%
	<u>56,423</u>	<u>14%</u>	<u>42,228</u>	<u>13%</u>	34%	22%
Total:						
Recurring revenues	397,351	95%	314,727	95%	26%	23%
Non-recurring revenues	20,250	5%	15,620	5%	30%	24%
	<u>\$ 417,601</u>	<u>100%</u>	<u>\$ 330,347</u>	<u>100%</u>	26%	23%

Americas Revenues. The increase in our Americas revenues was primarily due to (i) \$17.9 million of incremental revenues from the impact of the ALOG acquisition and (ii) an increase in orders from both our existing customers and new customers during the period as reflected in the growth in our customer count and utilization rate, as discussed above, in both our new and existing IBX data centers, including \$2.8 million of revenue generated from our recently-opened IBX data centers or IBX data center expansions in the Dallas and Silicon Valley metro areas. We expect that our Americas revenues will continue to grow in future periods as a result of continued growth in the recently-opened IBX data center expansions and additional IBX data center expansions currently taking place in the Chicago, Dallas, New York, Seattle and Washington, D.C. metro areas, which are expected to open during 2011 and 2012. Our estimates of future revenue growth take account of expected changes in recurring revenues attributed to customer bookings, customer churn or changes or amendments to customers' contracts.

EMEA Revenues. During the three months ended September 30, 2011, our revenues from the U.K., the largest revenue contributor in the EMEA region for the period, represented approximately 35% of the regional revenues. During the three months ended September 30, 2010, our revenues from Germany, the largest revenue contributor in the EMEA region for the period, represented approximately 36% of the regional revenues. Our EMEA revenue growth was due to an increase in orders from both our existing customers and new customers during the period as reflected in the growth in our customer count and utilization rate, as discussed above, in both our new and existing IBX data centers. During the three months ended September 30, 2011, we recorded approximately \$7.7 million of revenue from our recently-opened IBX data center expansions in the Amsterdam, London and Paris metro areas. During the three months ended September 30, 2011, the U.S. dollar was generally weaker relative to the British pound, Euro and Swiss Franc than during the three months ended September 30, 2010, resulting in approximately \$7.0 million of favorable foreign currency impact to our EMEA revenues during the three months ended September 30, 2011 on a constant currency basis. We expect that our EMEA revenues will continue to grow in future periods as a result of continued growth in the recently-opened IBX data center expansions and additional IBX data center expansions currently taking place in the Amsterdam, Frankfurt and Paris metro areas, which are expected to open during the remainder of 2011 and 2012. Our estimates of future revenue growth take into account expected changes in recurring revenues attributed to customer bookings, customer churn or changes or amendments to customers' contracts.

Asia-Pacific Revenues. Our revenues from Singapore, the largest revenue contributor in the Asia-Pacific region, represented approximately 39% and 38%, respectively, of the regional revenues for the three months ended September 30, 2011 and 2010. Our Asia-Pacific revenue growth was due to an increase in orders from both our existing customers and new customers during the period as reflected in the growth in our customer count and utilization rate, as discussed above, in both our new and existing IBX data centers. During the three months ended September 30, 2011, we recorded approximately \$4.2 million of revenue generated from our IBX data center expansions in the Hong Kong, Singapore, Sydney and Tokyo metro areas. During the three months ended September 30, 2011, the U.S. dollar was generally weaker relative to the Australian dollar, Hong Kong dollar, Japanese yen and Singapore dollar than during the three months ended September 30, 2010, resulting in approximately \$5.1 million of favorable foreign currency impact to our Asia-Pacific revenues during the three months ended September 30, 2011 on a constant currency basis. We expect that our Asia-Pacific revenues will continue to grow in future periods as a result of continued growth in these recently-opened IBX data center expansions and the additional IBX data center expansion currently taking place in the Hong Kong metro area which is expected to open during the remainder of 2011. Our estimates of future revenue growth take into account expected changes in recurring revenues attributed to customer bookings, or changes or amendments to customers' contracts.

Cost of Revenues. Our cost of revenues was split among the following geographic regions (dollars in thousands):

	Three months ended September 30,				% Change	
	2011	%	2010	%	Actual	Constant currency
Americas	\$ 138,121	61%	\$ 118,572	64%	16%	16%
EMEA	54,839	24%	43,722	24%	25%	15%
Asia-Pacific	35,193	15%	23,182	12%	52%	38%
Total	<u>\$ 228,153</u>	<u>100%</u>	<u>\$ 185,476</u>	<u>100%</u>	23%	19%

	Three months ended	
	2011	2010
<i>Cost of revenues as a percentage of revenues:</i>		
Americas	51%	55%
EMEA	59%	60%
Asia-Pacific	62%	55%
Total	55%	56%

Americas Cost of Revenues. Our Americas cost of revenues for the three months ended September 30, 2011 and 2010 included \$49.2 million and \$44.1 million, respectively, of depreciation expense. Growth in depreciation expense was primarily due to both our organic IBX data center expansion activity and the ALOG acquisition. Excluding depreciation expense, the increase in our Americas cost of revenues was primarily due to (i) \$9.3 million of incremental cost of revenues resulting from the ALOG acquisition and (ii) incremental costs associated with our organic expansion projects and revenue growth, such as \$2.7 million of higher utility costs arising from increased customer installations and revenues attributed to customer growth and \$1.6 million of higher compensation expense, including general salaries, bonuses and headcount growth (497 Americas cost of revenues employees as of September 30, 2011 versus 481 as of September 30, 2010). We expect Americas cost of revenues to increase as we continue to grow our business.

EMEA Cost of Revenues. EMEA cost of revenues for the three months ended September 30, 2011 and 2010 included \$17.5 million and \$13.7 million, respectively, of depreciation expense. Growth in depreciation expense was primarily due to our IBX center expansion activity. Excluding depreciation expense, the increase in EMEA cost of revenues was primarily the result of costs associated with our expansion projects and overall growth in costs to support our revenue growth, such as (i) an increase of \$2.4 million in utility costs arising from increased customer installations and revenues attributed to customer growth and (ii) \$1.2 million of higher compensation expense, including general salaries, bonuses and headcount growth (273 EMEA cost of revenues employees as of September 30, 2011 versus 230 as of September 30, 2010). During the three months ended September 30, 2011, the U.S. dollar was generally weaker relative to the British pound, Euro and Swiss Franc than during the three months ended September 30, 2010, resulting in approximately \$4.6 million of unfavorable foreign currency impact to our EMEA cost of revenues during the three months ended September 30, 2011 on a constant currency basis. We expect EMEA cost of revenues to increase as we continue to grow our business.

Asia-Pacific Cost of Revenues. Asia-Pacific cost of revenues for the three months ended September 30, 2011 and 2010 included \$13.5 million and \$7.4 million, respectively, of depreciation expense. Growth in depreciation expense was primarily due to our IBX center expansion activity. Excluding depreciation expense, the increase in Asia-Pacific cost of revenues was primarily the result of costs associated with our expansion projects and overall growth in costs to support our revenue growth, such as (i) \$2.6 million in higher utility costs and (ii) an increase of \$1.2 million of rent and facility costs. During the three months ended September 30, 2011, the U.S. dollar was generally weaker relative to Australian dollar, Hong Kong dollar, Japanese yen and Singapore dollar than during the three months ended September 30, 2010, resulting in approximately \$3.2 million of unfavorable foreign currency impact to our Asia-Pacific cost of revenues during the three months ended September 30, 2011 on a constant currency basis. We expect Asia-Pacific cost of revenues to increase as we continue to grow our business.

Sales and Marketing Expenses. Our sales and marketing expenses were split among the following geographic regions (dollars in thousands):

	Three months ended September 30,				% Change	
	2011	%	2010	%	Actual	Constant currency
Americas	\$ 29,126	67%	\$ 21,251	68%	37%	37%
EMEA	9,329	22%	6,253	20%	49%	39%
Asia-Pacific	4,615	11%	3,701	12%	25%	14%
Total	\$ 43,070	100%	\$ 31,205	100%	38%	35%

	Three months ended	
	2011	2010
<i>Sales and marketing expenses as a percentage of revenues:</i>		
Americas	11%	10%
EMEA	10%	9%
Asia-Pacific	8%	9%
Total	10%	9%

Americas Sales and Marketing Expenses. The increase in our Americas sales and marketing expenses was primarily due to (i) \$2.8 million of incremental sales and marketing expenses from the ALOG acquisition and (ii) \$5.3 million of higher compensation costs, including sales compensation, general salaries, bonuses, stock-based compensation and headcount growth (221 Americas sales and marketing employees as of September 30, 2011 versus 182 as of September 30, 2010). We have been investing in our Americas sales and marketing initiatives to further increase our revenue and we anticipate this increased investment will continue over the next several years, including anticipated headcount growth and new product innovation efforts and, as a result, our Americas sales and marketing expenses as a percentage of revenues are expected to continue to increase. In the long-term, we generally expect Americas sales and marketing expenses to increase as we continue to grow our business; however, as a percentage of revenues, we generally expect them to decrease in the long-term.

EMEA Sales and Marketing Expenses. The increase in our EMEA sales and marketing expenses was primarily due to an increase of \$1.7 million in compensation costs, including sales compensation, general salaries, bonuses and headcount growth (108 EMEA sales and marketing employees as of September 30, 2011 versus 75 as of September 30, 2010) and higher professional services from various consulting projects to support our growth. During the three months ended September 30, 2011, the impact of foreign currency fluctuations to our EMEA sales and marketing expenses was not significant on a constant currency basis. We intend to invest further in our EMEA sales and marketing initiatives over the next several years, including anticipated headcount growth and new product innovation efforts and, as a result, we expect our EMEA sales and marketing expenses as a percentage of revenues to increase accordingly. In the long-term, we generally expect EMEA sales and marketing expenses to increase as we continue to grow our business; however, as a percentage of revenues, we generally expect them to decrease in the long-term.

Asia-Pacific Sales and Marketing Expenses. The increase in our Asia-Pacific sales and marketing expenses was primarily due to higher compensation costs, including sales compensation, general salaries, bonuses and headcount growth (70 Asia-Pacific sales and marketing employees as of September 30, 2011 versus 56 as of September 30, 2010). For the three months ended September 30, 2011, the impact of foreign currency fluctuations to our Asia-Pacific sales and marketing expenses was not significant on a constant currency basis. We intend to invest further in our Asia-Pacific sales and marketing initiatives over the next several years, including anticipated headcount growth and new product innovation efforts and, as a result, we expect our Asia-Pacific sales and marketing expenses as a percentage of revenues to increase accordingly. In the long-term, we generally expect Asia-Pacific sales and marketing expenses to increase as we continue to grow our business; however, as a percentage of revenues, we generally expect them to decrease in the long-term.

General and Administrative Expenses. Our general and administrative expenses were split among the following geographic regions (dollars in thousands):

	Three months ended September 30,				% Change	
	2011	%	2010	%	Actual	Constant currency
Americas	\$ 47,684	72%	\$ 41,346	71%	15%	15%
EMEA	11,851	18%	11,796	20%	—	(6%)
Asia-Pacific	6,441	10%	5,498	9%	17%	10%
Total	\$ 65,976	100%	\$ 58,640	100%	13%	11%

	Three months ended	
	2011	2010
<i>General and administrative expenses as a percentage of revenues:</i>		
Americas	18%	19%
EMEA	13%	16%
Asia-Pacific	11%	13%
Total	16%	18%

Americas General and Administrative Expenses. The increase in our Americas general and administrative expenses was primarily due to (i) \$2.2 million of incremental general and administrative expenses from the ALOG acquisition, (ii) \$2.4 million of higher compensation costs, including general salaries, bonuses, stock-based compensation and headcount growth (565 Americas general and administrative employees as of September 30, 2011 versus 491 as of September 30, 2010), and (iii) \$1.4 million of higher depreciation expense as a result of our ongoing efforts to support our growth, such as investments in systems. Over the course of the past year, we have been investing in our Americas general and administrative functions to scale this region effectively for growth, which has included taking on additional office space to accommodate our headcount growth. Going forward, although we are carefully monitoring our spending given the current economic environment, we expect Americas general and administrative expenses to increase as we continue to further scale our operations to support our growth, including further investment in our back office systems; however, as a percentage of revenues, we generally expect them to decrease.

EMEA General and Administrative Expenses. Our EMEA general and administrative expenses did not change significantly during the three months ended September 30, 2011 compared to the three months ended September 30, 2010. For the three months ended September 30, 2011, the impact of foreign currency fluctuations to our EMEA general and administrative expenses was not significant on a constant currency basis. Over the course of the past year, we have been investing in our EMEA general and administrative functions as a result of our ongoing efforts to scale this region effectively for growth. Going forward, although we are carefully monitoring our spending given the current economic environment, we expect our EMEA general and administrative expenses to increase in future periods as we continue to scale our operations to support our growth; however, as a percentage of revenues, we generally expect them to decrease.

Asia-Pacific General and Administrative Expenses. The increase in our Asia-Pacific general and administrative expenses was primarily due to higher compensation costs, including general salaries, bonuses and headcount growth (153 Asia-Pacific general and administrative employees as of September 30, 2011 versus 120 as of September 30, 2010). For the three months ended September 30, 2011, the impact of foreign currency fluctuations to our Asia-Pacific general and administrative expenses was not significant on a constant currency basis. Going forward, although we are carefully monitoring our spending given the current economic environment, we expect Asia-Pacific general and administrative expenses to increase as we continue to scale our operations to support our growth; however, as a percentage of revenues, we generally expect them to decrease.

Restructuring Charges. During the three months ended September 30, 2011, we recorded restructuring charges totaling \$1.6 million primarily related to revised sublease assumptions on our excess leased space in the New York metro area. Our excess space lease in the New York metro area remains abandoned and continues to carry a restructuring charge. During the three months ended September 30, 2010, we recorded restructuring charges totaling \$1.9 million primarily related to one-time termination benefits attributed to certain Switch and Data employees.

Acquisition Costs. During the three months ended September 30, 2011, we recorded acquisition costs totaling \$699,000 primarily related to the ALOG acquisition. During the three months ended September 30, 2010, we recorded acquisition costs totaling \$1.1 million primarily related to our EMEA region.

Interest Income. Interest income increased to \$679,000 for the three months ended September 30, 2011 from \$310,000 for the three months ended September 30, 2010. The increase was primarily due to higher yields and higher invested balances as a result of the proceeds from the 7.00% senior notes offering in July 2011. The average yield for the three months ended September 30, 2011 was 0.25% versus 0.17% for the three months ended September 30, 2010. We generally expect our interest income to remain at these low levels for the foreseeable future due to the impact of a lower interest rate environment, a portfolio more weighted towards short-term U.S. treasuries and from the utilization of cash to finance our expansion activities.

Interest Expense. Interest expense for the three months ended September 30, 2011 and 2010 was \$51.1 million and \$38.4 million, respectively. The increase in interest expense was primarily due to our \$750.0 million 7.00% senior notes offering in July 2011. During the three months ended September 30, 2011 and 2010, we capitalized \$3.3 million and \$2.0 million, respectively, of interest expense to construction in progress. Going forward, we expect to incur higher interest expense as we recognize the full impact of our \$750.0 million 7.00% senior notes partially offset by repayment of debt. Going forward, we expect to incur significantly higher interest expense as we recognize the full impact of the 7.00% senior notes offering, which is approximately \$53.9 million annually. We may incur additional indebtedness to support our growth, resulting in further interest expense.

Other-Than-Temporary Impairment Recovery On Investments. During the three months ended September 30, 2011, no other-than-temporary impairment recovery on investments was recorded. During the three months ended September 30, 2010, we recorded a \$206,000 other-than-temporary impairment recovery on investments due to an additional distribution from one of our money market accounts we had previously written down during 2008 and 2009.

Other Income (Expense). For the three months ended September 30, 2011, we recorded \$1.7 million of other expense primarily due to foreign currency exchange losses during the period. For the three months ended September 30, 2010, we recorded \$1.7 million of other income, primarily due to foreign currency exchange gains during the period.

Income Taxes. For the three months ended September 30, 2011 and 2010, we recorded \$5.3 million and \$4.6 million of income tax expenses, respectively. Our effective tax rates were 20.6% and 29.3%, respectively, for the three months ended September 30, 2011 and 2010. The lower effective tax rate for the three months ended September 30, 2011 was primarily due to discrete tax benefits. We will reassess our valuation allowance related to our foreign operations in the future, which may result in discrete quarterly benefits and a reduction of our valuation allowance. The cash taxes for 2011 and 2010 are primarily for state income taxes and foreign income taxes.

Nine Months Ended September 30, 2011 and 2010

Revenues. Our revenues were generated from the following revenue classifications and geographic regions (dollars in thousands):

	Nine months ended September 30,				% Change	
	2011	%	2010	%	Actual	Constant currency
Americas:						
Recurring revenues	\$ 727,853	62%	\$ 536,307	61%	36%	36%
Non-recurring revenues	27,417	2%	19,220	2%	43%	43%
	<u>755,270</u>	<u>64%</u>	<u>555,527</u>	<u>63%</u>	36%	36%
EMEA:						
Recurring revenues	240,942	21%	186,388	21%	29%	21%
Non-recurring revenues	22,032	2%	16,654	2%	32%	24%
	<u>262,974</u>	<u>23%</u>	<u>203,042</u>	<u>23%</u>	30%	21%
Asia-Pacific:						
Recurring revenues	148,993	12%	111,385	13%	34%	21%
Non-recurring revenues	8,293	1%	5,136	1%	61%	50%
	<u>157,286</u>	<u>13%</u>	<u>116,521</u>	<u>14%</u>	35%	23%
Total:						
Recurring revenues	1,117,788	95%	834,080	95%	34%	30%
Non-recurring revenues	57,742	5%	41,010	5%	41%	36%
	<u>\$ 1,175,530</u>	<u>100%</u>	<u>\$ 875,090</u>	<u>100%</u>	34%	31%

Americas Revenues. The increase in our Americas revenues was primarily due to (i) \$121.0 million of incremental revenue from the impact of the Switch and Data acquisition and the ALOG acquisition and (ii) an increase in orders from both our existing customers and new customers during the period as reflected in the growth in our customer count and utilization rate, as discussed above, in both our new and existing IBX data centers, including \$4.9 million of revenue generated from our recently-opened IBX data centers or IBX data center expansions in the Dallas and Silicon Valley metro areas. We expect that our Americas revenues will continue to grow in future periods as a result of continued growth in the recently-opened IBX data center expansions and additional IBX data center expansions currently taking place in the Chicago, Dallas, New York, Seattle and Washington, D.C. metro areas, which are expected to open during 2011 and 2012. Our estimates of future revenue growth take account of expected changes in recurring revenues attributed to customer bookings, customer churn or changes or amendments to customers' contracts.

EMEA Revenues. During the nine months ended September 30, 2011, our revenues from the U.K., the largest revenue contributor in the EMEA region for the period, represented approximately 34% of the regional revenues. During the nine months ended September 30, 2010, our revenues from Germany, the largest revenue contributor in the EMEA region for the period, represented approximately 36% of the regional revenues. Our EMEA revenue growth was due to an increase in orders from both our existing customers and new customers during the period as reflected in the growth in our customer count and utilization rate, as discussed above, in both our new and existing IBX data centers. During the nine months ended September 30, 2011, we recorded approximately \$20.2 million of revenue from our recently-opened IBX data center expansions in the Amsterdam, London and Paris metro areas. During the nine months ended September 30, 2011, the U.S. dollar was generally weaker relative to the British pound, Euro and Swiss Franc than during the nine months ended September 30, 2010, resulting in approximately \$17.3 million of favorable foreign currency impact to our EMEA revenues during the nine months ended September 30, 2011 on a constant currency basis. We expect that our EMEA revenues will continue to grow in future periods as a result of continued growth in the recently-opened BX data center expansions and additional IBX data center expansions currently taking place in the Amsterdam, Frankfurt and Paris metro areas, which are expected to open during 2011 and 2012. Our estimates of future revenue growth take into account expected changes in recurring revenues attributed to customer bookings, customer churn or changes or amendments to customers' contracts.

Asia-Pacific Revenues. Our revenues from Singapore, the largest revenue contributor in the Asia-Pacific region, represented approximately 40% and 37%, respectively, of the regional revenues for the nine months ended September 30, 2011 and 2010. Our Asia-Pacific revenue growth was due to an increase in orders from both our existing customers and new customers during the period as reflected in the growth in our customer count and utilization rate, as discussed above, in both our new and existing IBX data centers. During the nine months ended September 30, 2011, we recorded approximately \$6.5 million of revenue generated from our IBX data center expansions in the Hong Kong, Singapore, Sydney and Tokyo metro areas. During the nine months ended September 30, 2011, the U.S. dollar was generally weaker relative to the Australian dollar, Hong Kong dollar, Japanese yen and Singapore dollar than during the nine months ended September 30, 2010, resulting in approximately \$14.5 million of favorable foreign currency impact to our Asia-Pacific revenues during the nine months ended September 30, 2011 on a constant currency basis. We expect that our Asia-Pacific revenues will continue to grow in future periods as a result of continued growth in these recently-opened IBX data center expansions and the additional IBX data center expansion currently taking place in the Hong Kong metro area which is expected to open during the remainder of 2011. Our estimates of future revenue growth take into account expected changes in recurring revenues attributed to customer bookings, or changes or amendments to customers' contracts.

Cost of Revenues. Our cost of revenues was split among the following geographic regions (dollars in thousands):

	Nine months ended September 30,				% Change	
	2011	%	2010	%	Actual	Constant currency
Americas	\$ 388,175	61%	\$ 291,061	60%	33%	n/a
EMEA	157,983	25%	127,232	27%	24%	15%
Asia-Pacific	92,143	14%	62,815	13%	47%	33%
Total	\$ 638,301	100%	\$ 481,108	100%	33%	29%

	Nine months ended	
	September 30,	
	2011	2010
<i>Cost of revenues as a percentage of revenues:</i>		
Americas	51%	52%
EMEA	60%	63%
Asia-Pacific	59%	54%
Total	54%	55%

Americas Cost of Revenues. Our Americas cost of revenues for the nine months ended September 30, 2011 and 2010 included \$142.7 million and \$107.5 million, respectively, of depreciation expense. Growth in depreciation expense was primarily due to both our organic IBX data center expansion activity and acquisitions. Excluding depreciation expense, the increase in Americas cost of revenues included \$55.7 million of incremental cost of revenues resulting from the Switch and Data acquisition and the ALOG acquisition. In addition, excluding the impact of the Switch and Data acquisition and the ALOG acquisition, we incurred incremental costs associated with our organic expansion projects and revenue growth, such as \$4.1 million of higher utility costs arising from increased customer installations and revenues attributed to customer growth. We expect Americas cost of revenues to increase as we continue to grow our business.

EMEA Cost of Revenues. EMEA cost of revenues for the nine months ended September 30, 2011 and 2010 included \$49.1 million and \$38.8 million, respectively, of depreciation expense. Growth in depreciation expense was primarily due to our IBX center expansion activity. Excluding depreciation expense, the increase in EMEA cost of revenues was primarily the result of costs associated with our expansion projects and overall growth in costs to support our revenue growth, such as (i) an increase of \$6.9 million in utility costs arising from increased customer installations and revenues attributed to customer growth, (ii) \$4.3 million of higher compensation expense, including general salaries, bonuses and headcount growth (273 EMEA cost of revenues employees as of September 30, 2011 versus 230 as of September 30, 2010) and (iii) a general increase of \$4.9 million among numerous cost categories, such as professional fees for various consulting projects, repair and maintenance costs and rent and facility costs incurred to support our revenue growth. During the nine months ended September 30, 2011, the U.S. dollar was generally weaker relative to the British pound, Euro and Swiss Franc than during the nine months ended September 30, 2010, resulting in approximately \$11.1 million of unfavorable foreign currency impact to our EMEA cost of revenues during the nine months ended September 30, 2011 on a constant currency basis. We expect EMEA cost of revenues to increase as we continue to grow our business.

Asia-Pacific Cost of Revenues. Asia-Pacific cost of revenues for the nine months ended September 30, 2011 and 2010 included \$32.1 million and \$20.1 million, respectively, of depreciation expense. Growth in depreciation expense was primarily due to our IBX center expansion activity. Excluding depreciation expense, the increase in Asia-Pacific cost of revenues was primarily the result of costs associated with our expansion projects and overall growth in costs to support our revenue growth, such as (i) \$6.6 million in higher utility costs, (ii) an increase of \$5.2 million of rent and facility costs, (iii) \$2.0 million of higher compensation costs, including sales compensation, general salaries, bonuses and headcount growth (148 Asia-Pacific cost of revenues employees as of September 30, 2011 versus 99 as of September 30, 2010) and (iv) \$1.2 million of higher professional services related to various consulting projects to support our growth. During the nine months ended September 30, 2011, the U.S. dollar was generally weaker relative to the Australian dollar, Hong Kong dollar, Japanese yen and Singapore dollar than during the nine months ended September 30, 2010, resulting in approximately \$8.4 million of unfavorable foreign currency impact to our Asia-Pacific cost of revenues during the nine months ended September 30, 2011 on a constant currency basis. We expect Asia-Pacific cost of revenues to increase as we continue to grow our business.

Sales and Marketing Expenses. Our sales and marketing expenses were split among the following geographic regions (dollars in thousands):

	Nine months ended September 30,				% Change	
	2011	%	2010	%	Actual	Constant currency
Americas	\$ 74,620	66%	\$ 52,709	66%	42%	n/a
EMEA	26,466	23%	17,159	22%	54%	44%
Asia-Pacific	12,683	11%	9,718	12%	31%	21%
Total	\$ 113,769	100%	\$ 79,586	100%	43%	40%

	Nine months ended	
	2011	2010
<i>Sales and marketing expenses as a percentage of revenues:</i>		
Americas	10%	9%
EMEA	10%	8%
Asia-Pacific	8%	8%
Total	10%	9%

Americas Sales and Marketing Expenses. The increase in our Americas sales and marketing expenses included (i) \$4.2 million of incremental sales and marketing expenses resulting from the ALOG acquisition, (ii) \$11.6 million of higher compensation costs, including sales compensation, general salaries, bonuses, stock-based compensation and headcount growth (221 Americas sales and marketing employees as of September 30, 2011 versus 182 as of September 30, 2010), (iii) \$2.2 million of higher bad debt expense, which is partially due to the revenue growth as discussed above and partially due to the growth in the Americas collection team that has initiated additional collection efforts and procedures, and (iv) \$1.5 million of higher recruiting costs. We have been investing in our Americas sales and marketing initiatives to further increase our revenue and we anticipate this increased investment will continue over the next several years, including anticipated headcount growth and new product innovation efforts and, as a result, our Americas sales and marketing expenses as a percentage of revenues have increased and are expected to continue to increase. In the long-term, we generally expect Americas sales and marketing expenses to increase as we continue to grow our business; however, as a percentage of revenues, we generally expect them to decrease in the long-term.

EMEA Sales and Marketing Expenses. The increase in our EMEA sales and marketing expenses was primarily due to (i) \$6.1 million of higher compensation costs, including sales compensation, general salaries, bonuses, stock-based compensation expense and headcount growth (108 EMEA sales and marketing employees as of September 30, 2011 versus 75 as of September 30, 2010) and \$1.3 million of higher professional fees to support our growth. During the nine months ended September 30, 2011, the U.S. dollar was generally weaker relative to the British pound, Euro and Swiss Franc than during the nine months ended September 30, 2010, resulting in approximately \$1.7 million of unfavorable foreign currency impact to our EMEA sales and marketing expenses during the nine months ended September 30, 2011 on a constant currency basis. We intend to invest further in our EMEA sales and marketing initiatives over the next several years, including anticipated headcount growth and new product innovation efforts and, as a result, we expect our EMEA sales and marketing expenses as a percentage of revenues to increase accordingly. In the long-term, we generally expect EMEA sales and marketing expenses to increase as we continue to grow our business; however, as a percentage of revenues, we generally expect them to decrease in the long-term.

Asia-Pacific Sales and Marketing Expenses. The increase in our Asia-Pacific sales and marketing expenses was primarily due to \$1.9 million of higher compensation costs, including sales compensation, general salaries, bonuses and headcount growth (70 Asia-Pacific sales and marketing employees as of September 30, 2011 versus 56 as of September 30, 2010). For the nine months ended September 30, 2011, the impact of foreign currency fluctuations to our Asia-Pacific sales and marketing expenses was not significant on a constant currency basis. We intend to invest further in our Asia-Pacific sales and marketing initiatives over the next several years, including anticipated headcount growth and new product innovation efforts and, as a result, we expect our Asia-Pacific sales and marketing expenses as a percentage of revenues to increase accordingly. In the long-term, we generally expect Asia-Pacific sales and marketing expenses to increase as we continue to grow our business; however, as a percentage of revenues, we generally expect them to decrease in the long-term.

General and Administrative Expenses. Our general and administrative expenses were split among the following geographic regions (dollars in thousands):

	Nine months ended September 30,				% Change	
	2011	%	2010	%	Actual	Constant currency
Americas	\$ 139,640	72%	\$ 110,271	71%	27%	n/a
EMEA	36,557	19%	31,635	20%	16%	8%
Asia-Pacific	18,061	9%	14,055	9%	29%	19%
Total	\$ 194,258	100%	\$ 155,961	100%	25%	22%

	Nine months ended	
	2011	2010
<i>General and administrative expenses as a percentage of revenues:</i>		
Americas	18%	20%
EMEA	14%	16%
Asia-Pacific	11%	12%
Total	17%	18%

Americas General and Administrative Expenses. The increase in our Americas general and administrative expenses included (i) \$3.8 million of incremental general and administrative expenses resulting from the ALOG acquisition, (ii) \$15.6 million of higher compensation costs, including general salaries, bonuses, stock-based compensation and headcount growth (565 Americas general and administrative employees as of September 30, 2011 versus 491 as of September 30, 2010), and (iii) \$6.0 million of higher depreciation expense as a result of our ongoing efforts to support our growth, such as investments in systems. Over the course of the past year, we have been investing in our Americas general and administrative functions to scale this region effectively for growth, which has included taking on additional office space to accommodate our headcount growth. Going forward, although we are carefully monitoring our spending given the current economic environment, we expect Americas general and administrative expenses to increase as we continue to further scale our operations to support our growth, including further investment in our back office systems; however, as a percentage of revenues, we generally expect them to decrease.

EMEA General and Administrative Expenses. The increase in our EMEA general and administrative expenses was primarily due to (i) \$2.9 million of higher compensation costs, including general salaries, bonuses and headcount growth (171 EMEA general and administrative employees as of September 30, 2011 versus 154 as of September 30, 2010) and (ii) \$1.7 million of higher professional fees related to various consulting projects to support our growth. During the nine months ended September 30, 2011, the U.S. dollar was generally weaker relative to the British pound, Euro and Swiss Franc than during the nine months ended September 30, 2010, resulting in approximately \$2.3 million of unfavorable foreign currency impact to our EMEA general and administrative expenses during the nine months ended September 30, 2011 on a constant currency basis. Over the course of the past year, we have been investing in our EMEA general and administrative functions as a result of our ongoing efforts to scale this region effectively for growth. Going forward, although we are carefully monitoring our spending given the current economic environment, we expect our EMEA general and administrative expenses to increase in future periods as we continue to scale our operations to support our growth; however, as a percentage of revenues, we generally expect them to decrease.

Asia-Pacific General and Administrative Expenses. The increase in our Asia-Pacific general and administrative expenses was primarily due to \$2.7 million of higher compensation costs, including general salaries, bonuses and headcount growth (153 Asia-Pacific general and administrative employees as of September 30, 2011 versus 120 as of September 30, 2010). During the nine months ended September 30, 2011, the U.S. dollar was generally weaker relative to the Australian dollar, Hong Kong dollar, Japanese yen and Singapore dollar than during the nine months ended September 30, 2010, resulting in approximately \$1.4 million of unfavorable foreign currency impact to our Asia-Pacific cost of revenues during the nine months ended September 30, 2011 on a constant currency basis. Going forward, although we are carefully monitoring our spending given the current economic environment, we expect Asia-Pacific general and administrative expenses to increase as we continue to scale our operations to support our growth; however, as a percentage of revenues, we generally expect them to decrease.

Restructuring Charges. During the nine months ended September 30, 2011, we recorded restructuring charges totaling \$2.2 million primarily related to revised sublease assumptions on our excess leased space in the New York metro area. Our excess space lease in the New York metro area remains abandoned and continues to carry a restructuring charge. During the nine months ended September 30, 2010, we recorded restructuring charges totaling \$6.2 million primarily related to one-time termination benefits attributed to certain Switch and Data employees.

Acquisition Costs. During the nine months ended September 30, 2011, we recorded acquisition costs totaling \$2.7 million primarily related to the ALOG acquisition. During the nine months ended September 30, 2010, we recorded acquisition costs totaling \$12.0 million primarily related to the Switch and Data acquisition. Our acquisition costs primarily relate to our Americas geographic region.

Interest Income. Interest income increased to \$1.5 million for the nine months ended September 30, 2011 from \$1.3 million for the nine months ended September 30, 2010. Interest income increased primarily due to higher yields. The average yield for the nine months ended September 30, 2011 was 0.35% versus 0.19% for the nine months ended September 30, 2010. We generally expect our interest income to remain at these low levels for the foreseeable future due to the impact of a lower interest rate environment, a portfolio more weighted towards short-term U.S. treasuries, and from the utilization of cash to finance our expansion activities.

Interest Expense. Interest expense increased to \$126.2 million for the nine months ended September 30, 2011 from \$101.7 million for the nine months ended September 30, 2010. This increase in interest expense was primarily due to the impact of our \$750.0 million 7.00% senior notes offering, additional financings such as capital lease and other financing obligations to support our expansion projects and additional advances from our new Asia-Pacific financing. During the nine months ended September 30, 2011 and 2010, we capitalized \$9.3 million and \$8.7 million, respectively, of interest expense to construction in progress. Going forward, we expect to incur significantly higher interest expense as we recognize the full impact of the 7.00% senior notes offering. Going forward, we expect to incur significantly higher interest expense as we recognize the full impact of the 7.00% senior notes offering, which is approximately \$53.9 million annually. We may incur additional indebtedness to support our growth, resulting in further interest expense.

Other-Than-Temporary Impairment Recovery On Investments. During the nine months ended September 30, 2011, no other-than-temporary impairment recovery on investments was recorded. During the nine months ended September 30, 2010, we recorded a \$3.6 million other-than-temporary impairment recovery on investments due to an additional distribution from one of our money market accounts we had previously written down during 2008 and 2009.

Loss on debt extinguishment and interest rate swaps, net. During the nine months ended September 30, 2011, no loss on debt extinguishment and interest rate swaps, net was recorded. During the nine months ended September 30, 2010, we recorded a \$4.8 million loss on debt extinguishment and interest rate swaps, net, which is comprised of (i) a net gain of \$2.7 million representing principal discount/premium and the write-off of related debt issuance costs and (ii) a loss of \$7.5 million primarily from the termination of an interest rate swap associated with the Chicago IBX financing as a result of repaying and terminating the Chicago IBX financing in March 2010 and the write-off of interest rate swaps associated with the European financing due to such interest rate swaps no longer being effective hedges as a result of repaying and terminating the European financing in April 2010.

Other Income (Expense). For the nine months ended September 30, 2011 and 2010, we recorded \$1.4 million and \$193,000, respectively, of other income, primarily due to foreign currency exchange gains during the period.

Income Taxes. For the nine months ended September 30, 2011 and 2010, we recorded \$24.6 million and \$15.8 million of income tax expenses, respectively. Our effective tax rates were 24.3% and 40.5% for the nine months ended September 30, 2011 and 2010, respectively. The lower effective tax rate for the nine months ended September 30, 2011 was primarily due to increased foreign losses benefited in 2011 and discrete tax benefits. We will continue to reassess our valuation allowance related to our foreign operations in the future, which may result in a further reduction of our valuation allowance. The cash taxes for 2011 and 2010 are primarily for state income taxes and foreign income taxes.

Non-GAAP Financial Measures

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

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

In addition, in presenting the non-GAAP financial measures, we exclude amortization expense related to certain intangible assets, as it represents a cost that may not recur and is not a good indicator of our current or future operating performance. We exclude accretion expense, both as it relates to asset retirement obligations as well as accrued restructuring charge liabilities, as these expenses represent costs which we believe are not meaningful in evaluating our current operations. We exclude stock-based compensation expense as it primarily represents expense attributed to equity awards that have no current or future cash obligations. As such, we, and many investors and analysts, exclude this stock-based compensation expense when assessing the cash generating performance of our operations. We also exclude restructuring charges from our non-GAAP financial measures. The restructuring charges relate to our decisions to exit leases for excess space adjacent to several of our IBX data centers, which we did not intend to build out or our decision to reverse such restructuring charges, or severance charges related to the Switch and Data acquisition. Finally, we also exclude acquisition costs from our non-GAAP financial measures. The acquisition costs relate to costs we incur in connection with business combinations. Management believes such items as restructuring charges and acquisition costs are non-core transactions; however, these types of costs will or may occur in future periods.

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

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

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2011	2010	2011	2010
Income from operations	\$ 78,116	\$ 52,026	\$ 224,287	\$ 140,235
Depreciation, amortization and accretion expense	92,019	74,485	257,970	187,433
Stock-based compensation expense	19,207	16,950	53,060	50,020
Restructuring charges	1,587	1,886	2,186	6,243
Acquisitions costs	699	1,114	2,729	11,957
Adjusted EBITDA	<u>\$ 191,628</u>	<u>\$ 146,461</u>	<u>\$ 540,232</u>	<u>\$ 395,888</u>

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2011	2010	2011	2010
<i>Americas:</i>				
Income from operations	\$ 51,659	\$ 31,921	\$ 148,050	\$ 84,051
Depreciation, amortization and accretion expense	58,414	51,108	169,142	122,363
Stock-based compensation expense	15,176	12,683	41,545	37,346
Restructuring charges	1,587	1,886	2,186	6,243
Acquisitions costs	677	349	2,599	11,192
Adjusted EBITDA	\$ 127,513	\$ 97,947	\$ 363,522	\$ 261,195
<i>EMEA:</i>				
Income from operations	\$ 16,305	\$ 10,258	\$ 41,954	\$ 26,251
Depreciation, amortization and accretion expense	19,354	15,531	54,710	43,752
Stock-based compensation expense	2,308	2,502	6,750	7,183
Acquisitions costs	—	765	14	765
Adjusted EBITDA	\$ 37,967	\$ 29,056	\$ 103,428	\$ 77,951
<i>Asia-Pacific:</i>				
Income from operations	\$ 10,152	\$ 9,847	\$ 34,283	\$ 29,933
Depreciation, amortization and accretion expense	14,251	7,846	34,118	21,318
Stock-based compensation expense	1,723	1,765	4,765	5,491
Acquisitions costs	22	—	116	—
Adjusted EBITDA	\$ 26,148	\$ 19,458	\$ 73,282	\$ 56,742

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

Liquidity and Capital Resources

As of September 30, 2011, our total indebtedness was comprised of (i) convertible debt principal totaling \$1.0 billion from our 2.50% convertible subordinated notes (gross of discount), our 3.00% convertible subordinated notes, and our 4.75% convertible subordinated notes (gross of discount) and (ii) non-convertible debt and financing obligations totaling \$2.1 billion consisting of (a) \$1.5 billion of principal from our 8.125% and 7.00% senior notes, (b) \$236.7 million of principal from our loans payable and (c) \$388.2 million from our capital lease and other financing obligations.

We believe we have sufficient cash, coupled with anticipated cash generated from operating activities, to meet our operating requirements, including repayment of the current portion of our debt due, and to complete our publicly-announced expansion projects. As of September 30, 2011, we had \$1.2 billion of cash, cash equivalents and short-term and long-term investments. Besides our investment portfolio and any further financing activities we may pursue, customer collections are our primary source of cash. While we believe we have a strong customer base and have continued to experience relatively strong collections, if the current market conditions were to deteriorate, some of our customers may have difficulty paying us and we may experience increased churn in our customer base, including reductions in their commitments to us, all of which could have a material adverse effect on our liquidity.

As of September 30, 2011, we had a total of approximately \$135.7 million of additional liquidity available to us, consisting of (i) approximately \$131.0 million under the \$150.0 million senior revolving credit facility and (ii) approximately \$4.7 million under the new Asia-Pacific financing. While we believe we have sufficient liquidity and capital resources to meet our current operating requirements and to complete our publicly-announced IBX expansion plans, we may pursue additional expansion opportunities, primarily the build-out of new IBX data centers, in certain of our existing markets which are at or near capacity within the next year, as well as potential acquisitions. While we will be able to fund these expansion plans with our existing resources, additional financing, either debt or equity, may be required to pursue certain new or unannounced additional expansion plans. However, if current market conditions were to deteriorate, we may be unable to secure additional financing or any such additional financing may only be available to us on unfavorable terms. An inability to pursue additional expansion opportunities will have a material adverse effect on our ability to maintain our desired level of revenue growth in future periods.

Sources and Uses of Cash

	Nine Months Ended September 30,	
	2011	2010
	(in thousands)	
Net cash provided by operating activities	\$ 399,988	\$ 269,981
Net cash used in investing activities	(1,304,809)	(618,507)
Net cash provided by financing activities	832,111	395,675

Operating Activities. The increase in net cash provided by operating activities was primarily due to improved operating results and improved collections of accounts receivable and growth in customer installations, which increases deferred installation revenue. Although customer collections improved in the nine months ended September 30, 2011 as compared to September 30, 2010, customer collections can vary widely from quarter to quarter. It is not uncommon for some large customer receivables that were anticipated to be collected in one quarter to slip to the next quarter. For example, some large customer receivables that were anticipated to be collected in September 2011 were instead collected in October 2011, which negatively impacted cash flows from operating activities for the nine months ended September 30, 2011. However, overall, customer collections remain relatively strong. We expect that we will continue to generate cash from our operating activities during the remainder of 2011 and beyond.

Investing Activities. The increase in net cash used in investing activities was primarily due to higher purchases of investments from the proceeds of our 7.00% senior notes offering and an increase in restricted cash. For the foreseeable future, we expect that our IBX expansion construction activity will increase somewhat compared to our current spending levels. However, if the opportunity to expand is greater than planned and we have sufficient funding to increase the expansion opportunities available to us.

Financing Activities. Lower net cash provided by financing activities for the nine months ended September 30, 2010 was primarily due to repayment of our debt facilities, including the Chicago IBX financing, the European financing, the Asia-Pacific financing, the Singapore financing and the Netherlands financing; however, the Asia-Pacific financing and the Singapore financing were replaced by the new Asia-Pacific financing. We expect that our financing activities will consist primarily of the repayment of our debt for the fourth quarter.

Debt Obligations

7.00% Senior Notes. In July 2011, we issued \$750.0 million aggregate principal amount of 7.00% senior notes due July 15, 2021, which are referred to as 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 unsecured and rank equal in right of payment to our existing or future senior debt and senior in right of payment to our existing and future subordinated debt. The 7.00% senior notes are effectively junior to any of our existing and future secured indebtedness and any indebtedness of our subsidiaries. The 7.00% senior notes are also structurally subordinated to all debt and other liabilities (including trade payables) of our subsidiaries and will continue to be subordinated to the extent that these subsidiaries do not guarantee the 7.00% senior notes in the future.

The 7.00% Senior Notes are governed by an indenture which contains covenants that limit the Company's ability and the ability of its subsidiaries to, among other things:

- incur additional debt;
- pay dividends or make other restricted payments;
- purchase, redeem or retire capital stock or subordinated debt;
- make asset sales;
- enter into transactions with affiliates;
- incur liens;
- enter into sale-leaseback transactions;
- provide subsidiary guarantees;
- make investments; and
- merge or consolidate with any other person.

At any time prior to July 15, 2014, we may on any one or more occasions redeem up to 35% of the aggregate principal amount of the 7.00% senior notes outstanding at a redemption price equal to 107.000% of the principal amount of the 7.00% senior notes to be redeemed, plus accrued and unpaid interest to, but not including, the redemption date, with the net cash proceeds of one or more equity offerings, provided that (i) at least 65% of the aggregate principal amount of the 7.00% senior notes issued remains outstanding immediately after the occurrence of such redemption and (ii) the redemption must occur within 90 days of the date of the closing of such equity offerings. On or after July 15, 2016, we may redeem all or a part of the 7.00% senior notes, on any one or more occasions, at the redemption prices set forth below plus accrued and unpaid interest thereon, if any, up to, but not including, the applicable redemption date, if redeemed during the twelve-month period beginning on July 15 of the years indicated below:

	<u>Redemption price of the</u>
2016	103.500%
2017	102.333%
2018	101.167%
2019 and thereafter	100.000%

In addition, at any time prior to July 15, 2016, we may also redeem all or a part of the 7.00% senior notes at a redemption price equal to 100% of the principal amount of the 7.00% senior notes redeemed plus applicable premium, which is referred to as the applicable premium, and accrued and unpaid interest, if any, to, but not including, the date of redemption, which is referred to as the redemption date. The applicable premium means the greater of:

- 1.0% of the principal amount of the 7.00% senior notes to be redeemed; and
- the excess of: (a) the present value at such redemption date of (i) the redemption price of the 7.00% senior notes to be redeemed at July 15, 2016 as shown in the above table, plus (ii) all required interest payments due on these 7.00% senior notes through July 15, 2016 (excluding accrued but unpaid interest, if any, to, but not including the redemption date), computed using a discount rate equal to the yield to maturity as of the redemption date of the United States Treasury securities with a constant maturity most nearly equal to the period from the redemption date to July 15, 2016, plus 0.50%; over (b) the principal amount of the 7.00% senior notes to be redeemed.

Upon a change in control, we will be required to make an offer to purchase each holder's 7.00% senior notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest to the date of purchase.

Debt issuance costs related to the 7.00% senior notes, net of amortization, were \$13.9 million as of September 30, 2011.

Senior Revolving Credit Line. In September 2011, we entered into a \$150.0 million senior unsecured revolving credit facility with a group of lenders, which is referred to as the lenders. This transaction is referred to as the senior revolving credit line. The senior revolving credit line replaced our \$25.0 million credit facility with Bank of America, which is referred to as the \$25.0 million Bank of America revolving credit line. As a result, the outstanding letters of credit issued under the \$25.0 million Bank of America revolving credit line were all transferred to the senior revolving credit line. We 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 our existing debt obligations. The senior revolving credit line has a five-year term and allows us 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 \$100.0 million and a sublimit for swing line borrowings of up to \$25.0 million. 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 our senior leverage ratio. We are also subject to a quarterly non-utilization fee ranging from 0.30% to 0.40% per annum, pricing of which will also vary as a function of our senior leverage ratio. Additionally, we may increase the size of the senior revolving credit line at our election by up to \$100.0 million, subject to approval by the lenders and based on current market conditions. The senior revolving credit line contains several financial covenants, which we must comply with quarterly, including a leverage ratio, fixed charge coverage ratio and a minimum net worth covenant. As of September 30, 2011, our cost of borrowing under the senior revolving credit line was 1.99% per annum. As of September 30, 2011, we had 14 irrevocable letters of credit totaling approximately \$19.0 million issued and outstanding under the senior revolving credit line. As a result, the amount available to borrow was \$131.0 million as of September 30, 2011.

Paris 4 IBX Financing. In March 2011, we entered into two agreements with two unrelated parties to purchase and develop a building that will ultimately become our fourth IBX data center in the Paris metro area. The first agreement allowed us the right to purchase the property for a total fee of approximately \$20.2 million, 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 us to take immediate title to the building and associated land and also requires the developer to construct the data center to our specifications and deliver the completed data center to us in July 2012 for a total fee of approximately \$101.7 million. Both agreements include extended payment terms. We made payments under both agreements totaling approximately \$35.7 million in March 2011 and the remaining payments due totaling approximately \$86.2 million are payable on various dates through March 2013, which is referred to as the Paris 4 IBX financing. Of the amounts paid or payable under the Paris 4 IBX financing, a total of \$15.0 million was allocated to land and building assets, \$3.4 million 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 \$103.5 million was or will be allocated to construction costs inclusive of interest charges. We have imputed an interest rate of 5.90% per annum on the Paris 4 IBX financing as of September 30, 2011, a total of \$40.1 million was outstanding under the Paris 4 IBX financing. We 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 us to post approximately \$89.7 million of cash into a restricted cash account to ensure liquidity for the developer during the construction period.

Contractual Obligations and Off-Balance-Sheet Arrangements

We lease a majority of our IBX centers and certain equipment under non-cancelable lease agreements expiring through 2035. The following represents our debt maturities, financings, leases and other contractual commitments as of September 30, 2011 (in thousands):

	2011						
	<u>(3 months)</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Thereafter</u>	<u>Total</u>
Convertible debt (1)	\$ —	\$ 250,000	\$ —	\$ 395,986	\$ —	\$ 373,750	\$ 1,019,736
Senior notes (1)	—	—	—	—	—	1,500,000	1,500,000
New Asia-Pacific financing (1)	—	34,922	55,567	61,120	33,235	—	184,844
Paris 4 IBX financing (2)	—	81,297	6,317	—	—	—	87,614
ALOG debt (1)	1,546	4,597	2,230	3,338	22	5	11,738
Interest (3)	17,731	156,643	149,885	144,024	131,505	476,390	1,076,178
Capital lease and other financing obligations (4)	9,442	39,367	40,047	41,558	42,904	331,958	505,276
Operating leases under accrued restructuring charges (5)	1,172	2,429	2,444	2,459	1,444	—	9,948
Operating leases (6)	31,790	110,949	112,444	107,947	92,165	534,799	990,094
Other contractual commitments (7)	231,595	78,413	9,400	1,205	—	—	320,613
Asset retirement obligations (8)	363	—	1,042	1,264	5,740	46,964	55,373
ALOG acquisition contingent consideration (9)	—	—	19,080	—	—	—	19,080
Redeemable non-controlling interests	—	—	—	66,372	—	—	66,372
	<u>\$ 293,639</u>	<u>\$ 758,617</u>	<u>\$ 398,466</u>	<u>\$ 825,273</u>	<u>\$ 307,015</u>	<u>\$ 3,263,866</u>	<u>\$ 5,846,866</u>

- (1) Represents principal only.
- (2) Represents total payments to be made to complete the construction of the Paris 4 IBX center.
- (3) Represents interest on convertible debt, senior notes and new Asia-Pacific financing based on their approximate interest rates as of September 30, 2011.
- (4) Represents principal and interest.
- (5) Excludes any subrental income.
- (6) Represents minimum operating lease payments, excluding potential lease renewals.
- (7) Represents off-balance-sheet arrangements. Other contractual commitments are described below.
- (8) Represents liability, net of future accretion expense.
- (9) Represents an off-balance sheet arrangement for the ALOG acquisition contingent consideration and includes the portion of the contingent consideration that will be funded by Riverwood.

In connection with certain of our leases, we entered into 14 irrevocable letters of credit totaling \$19.0 million under the senior revolving credit line. These letters of credit were provided in lieu of cash deposits under the senior revolving credit line. If the landlords for these IBX leases decide to draw down on these letters of credit triggered by an event of default under the lease, we will be required to fund these letters of credit either through cash collateral or borrowing under the senior revolving credit line. These contingent commitments are not reflected in the table above.

We had accrued liabilities related to uncertain tax positions totaling approximately \$16.4 million as of September 30, 2011. These liabilities, which are reflected on our balance sheet, are not reflected in the table above since it is unclear when these liabilities would be paid.

Primarily as a result of our various IBX expansion projects, as of September 30, 2011, we were contractually committed for \$221.3 million of unaccrued capital expenditures, primarily for IBX equipment not yet delivered and labor not yet provided in connection with the work necessary to complete construction and open these IBX data centers prior to making them available to customers for installation. This amount, which is expected to be paid during the remainder of 2011 and 2012, is reflected in the table above as "Paris 4 IBX financing" and "other contractual commitments."

In October 2011, we entered into a lease for land and a building which will become an IBX data center in the Seattle, Washington metro area. This transaction is referred to as the Seattle 3 lease. The Seattle 3 lease has a fixed term of 15 years, with options to renew, and a total cumulative rent obligation of approximately \$110.0 million, exclusive of renewal periods. Rental payments on the Seattle 3 lease will commence when several conditions primarily related to the completion of the construction on the building have been met by the landlord, which is estimated to be in 2013.

We had other non-capital purchase commitments in place as of September 30, 2011, such as commitments to purchase power in select locations and other open purchase orders, which contractually bind us for goods or services to be delivered or provided during the remainder of 2011 and beyond. Such other purchase commitments as of September 30, 2011, which total \$99.3 million, are also reflected in the table above as "other contractual commitments."

In addition, although we are not contractually obligated to do so, we expect to incur additional capital expenditures of approximately \$400.0 million to \$450.0 million, in addition to the \$221.3 million in contractual commitments discussed above as of September 30, 2011, in our various IBX expansion projects during the remainder of 2011 and thereafter in order to complete the work needed to open these IBX data centers. These non-contractual capital expenditures are not reflected in the table above. If we so choose, whether due to economic factors or other considerations, we could delay these non-contractual capital expenditure commitments to preserve liquidity.

Critical Accounting Policies and Estimates

Equinix's financial statements and accompanying notes are prepared in accordance with generally accepted accounting principles in the United States of America. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are affected by management's application of accounting policies. On an on-going basis, management evaluates its estimates and judgments. Critical accounting policies for Equinix that affect our more significant judgment and estimates used in the preparation of our condensed consolidated financial statements include accounting for income taxes, accounting for business combinations, accounting for impairment of goodwill and accounting for property, plant and equipment, which are discussed in more detail under the caption "Critical Accounting Policies and Estimates" in Management's Discussion and Analysis of Financial Condition and Results of Operations, set forth in Part II Item 7, of our Annual Report on Form 10-K for the year ended December 31, 2010.

Recent Accounting Pronouncements

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

While there have been no significant changes in our market risk, investment portfolio risk, interest rate risk, foreign currency risk and commodity price risk exposures and procedures during the three and nine months ended September 30, 2011 as compared to the respective risk exposures and procedures disclosed in Quantitative and Qualitative Disclosures About Market Risk, set forth in Part II Item 7A, of our Annual Report on Form 10-K for the year ended December 31, 2010, the U.S. dollar weakened relative to certain of the currencies of the foreign countries in which we operate during the nine months ended September 30, 2011. This has significantly impacted our consolidated financial position and results of operations during this period including the amount of revenue that we reported. Continued strengthening or weakening of the U.S. dollar will continue to have a significant impact to us in future periods.

Item 4. Controls and Procedures

(a) *Evaluation of Disclosure Controls and Procedures.* Our Chief Executive Officer and our Chief Financial Officer, after evaluating the effectiveness of our "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 (the "Exchange Act") Rules 13a-15(e) or 15d-15(e)) as of the end of the period covered by this quarterly report, have concluded that our disclosure controls and procedures are effective based on their evaluation of these controls and procedures required by paragraph (b) of Exchange Act Rules 13a-15 or 15d-15.

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

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

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

IPO Litigation

On July 30, 2001 and August 8, 2001, putative shareholder class action lawsuits were filed against us, certain of our officers and directors (the "Individual Defendants"), and several investment banks that were underwriters of our initial public offering (the "Underwriter Defendants"). The cases were filed in the United States District Court for the Southern District of New York. Similar lawsuits were filed against approximately 300 other issuers and related parties. These lawsuits have been coordinated before a single judge. The purported class action alleges violations of Sections 11 and 15 of the Securities Act of 1933 and Sections 10(b), Rule 10b-5 and 20(a) of the Securities Exchange Act of 1934 against us and the Individual Defendants. The plaintiffs have since dismissed the Individual Defendants without prejudice. The suits allege that the Underwriter Defendants agreed to allocate stock in our initial public offering to certain investors in exchange for excessive and undisclosed commissions and agreements by those investors to make additional purchases in the aftermarket at pre-determined prices. The plaintiffs allege that the prospectus for our initial public offering was false and misleading and in violation of the securities laws because it did not disclose these arrangements. The action seeks damages in an unspecified amount. On February 19, 2003, the court dismissed the Section 10(b) claim against us, but denied the motion to dismiss the Section 11 claim.

The parties in the approximately 300 coordinated cases, including the parties in the Equinix case, reached a settlement. It provides for releases of existing claims and claims that could have been asserted relating to the conduct alleged to be wrongful from the class of investors participating in the settlement. The insurers for the issuer defendants in the coordinated cases will make the settlement payment on behalf of the issuers, including Equinix. On October 6, 2009, the Court granted final approval to the settlement. The settlement approval was appealed to the United States Court of Appeals for the Second Circuit. One appeal was dismissed and the second appeal was remanded to the district court to determine if the appellant is a class member with standing to appeal. The District Court ruled that the appellant is not a class member with standing to appeal. The appellant has filed with the United States Court of Appeals for the Second Circuit a notice of appeal of the District Court opinion that he is not a class member.

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

Pihana Litigation

On August 22, 2008, a complaint was filed against Equinix, certain former officers and directors of Pihana Pacific, Inc. ("Pihana"), certain investors in Pihana, and others. The lawsuit was filed in the First Circuit Court of the State of Hawai'i, and arises out of December 2002 agreements pursuant to which Equinix merged Pihana and i-STT (a subsidiary of Singapore Technologies Telemedia Pte Ltd) into the Internet exchange services business of Equinix. Plaintiffs, who were allegedly holders of Pihana common stock, allege that their rights as shareholders were violated, and the transaction was effectuated improperly, by Pihana's majority shareholders, officers and directors, with the alleged assistance of Equinix and others. Among other things, plaintiffs contend that they effectively had a right to block the transaction, that this supposed right was disregarded, and that they improperly received no consideration when the deal was completed. The complaint seeks to recover unspecified punitive damages, equitable relief, fees and costs, and compensatory damages in an amount that plaintiffs allegedly "believe may be all or a substantial portion of the approximately \$725.0 million value of Equinix held by Defendants" (a group that includes more than 30 individuals and entities). An amended complaint, which added new plaintiffs (other alleged holders of Pihana common stock) but is otherwise substantially similar to the original pleading, was filed on September 29, 2008 (the "Amended Complaint"). On October 13, 2008, a complaint was filed in a separate action by another purported holder of Pihana common stock, naming the same defendants and asserting substantially similar allegations as the August 22, 2008 and September 29, 2008 pleadings. On December 12, 2008, the court entered a stipulated order, which consolidated the two actions under one case number and set January 22, 2009 as the last day for Defendants to move to dismiss or otherwise respond to the Amended Complaint, the operative complaint in this case. On January 22, 2009, motions to dismiss the Amended Complaint were filed by Equinix and other Defendants. On April 24, 2009, plaintiffs filed a Second Amended Complaint ("SAC") to correct the naming of certain parties. The SAC is otherwise substantively identical to the Amended Complaint, and all motions to dismiss the Amended Complaint have been treated as responsive to the SAC. On September 1, 2009, the Court heard Defendants' motions to dismiss the SAC and ruled at the hearing that all claims against all Defendants are time-barred. The Court also considered whether there were further independent grounds for dismissing the claims, and supplemental briefing was submitted with respect to claims against one defendant and plaintiffs' renewed request for further leave to amend. On March 23, 2010, the Court entered final Orders granting the motions to dismiss as to all Defendants and issued a minute Order denying plaintiffs' renewed request for further leave to amend. On May 21, 2010, plaintiffs filed a Notice of Appeal, and plaintiffs' appeal is currently pending before the Hawaii Supreme Court. In January 2011, one group of co-defendants (Morgan Stanley and certain persons and entities affiliated with it) entered into a separate settlement with plaintiffs. The trial court determined that the settlement was made in "good faith" in accordance with Hawaii statutory law, and certain non-settling defendants (including Equinix) filed an appeal from that order before the Intermediate Court of Appeals. That appeal has been stayed pending resolution of plaintiffs' appeal before the Hawaii Supreme Court. We believe that plaintiffs' claims and alleged damages are without merit and we intend to continue to defend the litigation vigorously.

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

Alleged Class Action and Shareholder Derivative Actions

On March 4, 2011, an alleged class action entitled *Cement Masons & Plasterers Joint Pension Trust v. Equinix, Inc., et al.*, No. CV-11-1016-SC, was filed in the United States District Court for the Northern District of California, against Equinix and two of our officers. The suit asserts purported claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 for allegedly misleading statements regarding our business and financial results. The suit is purportedly brought on behalf of purchasers of our common stock between July 29, 2010 and October 5, 2010, and seeks compensatory damages, fees and costs. Defendants have not yet responded to the claims in this action.

On March 8, 2011, an alleged shareholder derivative action entitled *Rikos v. Equinix, Inc., et al.*, No. CGC-11-508940, was filed in California Superior Court, County of San Francisco, against Equinix (as a nominal defendant), the members of our board of directors, and two of our officers. The suit is based on allegations similar to those in the federal securities class action and, allegedly on our behalf, asserts purported state law causes of action against the individual defendants for breach of fiduciary duty, abuse of control, gross mismanagement, waste of corporate assets and unjust enrichment. The suit seeks, among other things, compensatory and treble damages, restitution and other equitable relief, and fees and costs. Defendants have not yet responded to the claims in this action.

On May 20, 2011, an alleged shareholder derivative action entitled *Stopa v. Clontz, et al.*, No. CV-11-2467-SC was filed in the United States District Court for the Northern District of California, purportedly on behalf of Equinix, against the members of our board of directors. The suit is based on allegations similar to those in the federal securities class action and the state court derivative action, and asserts causes of action against the individual defendants for breach of fiduciary duty for allegedly disseminating false and misleading information, breach of fiduciary duty for allegedly failing to maintain internal controls, unjust enrichment, abuse of control, gross mismanagement and waste of corporate assets. On June 10, 2011, the court signed an order relating this case to the federal securities class action. Defendants have not yet responded to the claims in this action.

Due to the inherent uncertainties of litigation, we cannot accurately predict the ultimate outcome of these matters, and are unable at this time to determine whether the outcome of the litigation would have a material impact on our results of operations, financial condition or cash flows.

Item 1A. Risk Factors

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

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

Over the last several years, we have completed several acquisitions, including that of Switch and Data Facilities Company, Inc. in 2010. We also acquired, with RW Brasil Fundo de Investimento em Participações, approximately 90% of the outstanding capital stock of ALOG Data Centers do Brasil S.A. in 2011, which resulted in Equinix acquiring an indirect, controlling interest in ALOG of approximately 53%. We may make additional acquisitions in the future, which may include acquisitions of businesses, products, services or technologies that we believe to be complementary, acquisitions of new IBX data centers or real estate for development of new IBX data centers or through investments in local data center operators. We may pay for future acquisitions by using our existing cash resources (which may limit other potential uses of our cash), incurring additional debt (which may increase our interest expense, leverage and debt service requirements) and/or issuing shares (which may dilute our existing stockholders and have a negative effect on our earnings per share). Acquisitions expose us to potential risks, including:

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

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

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

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

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

We have a significant amount of debt and expect to incur additional debt to support our growth. As of September 30, 2011, our total indebtedness was approximately \$3.1 billion, our stockholders' equity was \$2.0 billion and our cash and investments totaled \$1.2 billion. In July 2011, we issued \$750.0 million aggregate principal amount of 7.00% senior notes due July 15, 2021. We intend to use the net proceeds from the 7.00% senior notes offering for general corporate purposes, including the funding of our expansion activities, and the repayment of our 2.50% convertible subordinated notes due April 15, 2012.

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

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

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

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

In addition to our substantial debt, we lease a majority of our IBX centers and certain equipment under non-cancelable lease agreements, the majority of which are accounted for as operating leases. As of September 30, 2011, our total minimum operating lease commitments under those lease agreements, excluding potential lease renewals, was approximately \$990.1 million, which represents off-balance sheet commitments.

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

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

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

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

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

Since January 1, 2010, the closing sale price of our common stock on the NASDAQ Global Select Market has ranged from \$70.34 to \$109.56 per share. The market price of the shares of our common stock has been and may continue to be highly volatile. General economic and market conditions, and market conditions for telecommunications stocks in general, may affect the market price of our common stock.

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

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

The stock market has from time to time experienced extreme price and volume fluctuations, which have particularly affected the market prices for emerging telecommunications companies, and which have often been unrelated to their operating performance. These broad market fluctuations may adversely affect the market price of our common stock. Furthermore, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and/or damages, and divert management's attention from other business concerns, which could seriously harm our business.

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

Our capital expenditures, together with ongoing operating expenses and obligations to service our debt, will be a substantial drain on our cash flow and may decrease our cash balances. Additional debt or equity financing may not be available when needed or, if available, may not be available on satisfactory terms. Our inability to obtain additional debt and/or equity financing or to generate sufficient cash from operations may require us to prioritize projects or curtail capital expenditures which could adversely affect our results of operations.

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

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

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

We are continuing to invest in our expansion efforts but may not have sufficient customer demand in the future to realize expected returns on these investments.

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

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

A customer's decision to license cabinet space in one of our IBX data centers and to purchase additional services typically involves a significant commitment of resources. In addition, some customers will be reluctant to commit to locating in our IBX data centers until they are confident that the IBX data center has adequate carrier connections. As a result, we have a long sales cycle. Furthermore, we may expend significant time and resources in pursuing a particular sale or customer that does not result in revenue. We are also in the process of significantly expanding our sales force. It will take time for these new hires to become fully productive.

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

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

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

Our business depends on providing customers with highly reliable service. We must protect our customers' IBX infrastructure and their equipment located in our IBX data centers. While we own certain of our IBX data centers, others are leased by us, and we rely on the landlord for basic maintenance of the property. If such landlord has not maintained a leased property sufficiently, we may be forced into an early exit from the center which could be disruptive to our business. Furthermore, we continue to acquire IBX data centers not built by us. If we discover that these IBX data centers and their infrastructure assets are not in the condition we expected when they were acquired, we may be required to incur substantial additional costs to repair or upgrade the centers.

The services we provide in each of our IBX data centers are subject to failure resulting from numerous factors, including:

- human error;
- equipment failure;
- physical, electronic and cybersecurity breaches;
- fire, earthquake, hurricane, flood, tornado and other natural disasters;
- extreme temperatures;
- water damage;
- fiber cuts;
- power loss;
- terrorist acts;
- sabotage and vandalism; and
- failure of business partners who provide our resale products.

Problems at one or more of our IBX data centers, whether or not within our control, could result in service interruptions or significant equipment damage. We have service level commitment obligations to certain of our customers, including our significant customers. As a result, service interruptions or significant equipment damage in our IBX data centers could result in difficulty maintaining service level commitments to these customers and potential claims related to such failures. Because our IBX data centers are critical to many of our customers' businesses, service interruptions or significant equipment damage in our IBX data centers could also result in lost profits or other indirect or consequential damages to our customers. We cannot guarantee that a court would enforce any contractual limitations on our liability in the event that one of our customers brings a lawsuit against us as a result of a problem at one of our IBX data centers. In addition, any loss of service, equipment damage or inability to meet our service level commitment obligations could reduce the confidence of our customers and could consequently impair our ability to obtain and retain customers, which would adversely affect both our ability to generate revenues and our operating results.

We may also incur significant liability in the event of an earthquake, particularly in one of the high hazard zones for earth movement which include, but are not limited to, California, Japan, the New Madrid Seismic Zone and the Pacific Northwest Seismic Zone, where insurance coverage for earthquakes can be extremely expensive. While we purchase minimal levels of earthquake coverage for certain of our IBX data centers in California, at other California IBX data centers and in other high hazard zones we have elected to self-insure. In the event of a large earthquake in any of these locations, we may find our insurance coverage to be inadequate to cover our damages, and our business, financial condition and results of operations could be materially and adversely impacted.

The shortage of electricity supply and other aftermath caused by the March 2011 Japanese earthquake and resulting tsunami may affect our business operations. We have two IBX centers close to Tokyo, Japan, one in Heiwajima and one in Shinagawa plus a third data center under construction in Tokyo. As of the date of this filing, all of our Japanese centers are operational. However, there can be no assurances that future operations and revenue may not be seriously affected by, among other things, the potential of the shortage of electricity power supply in Japan as well as the potential of a nuclear reactor disaster occurring at a power plant within one hundred and forty miles of our IBX centers. These events may seriously damage our ability to conduct business in Japan or, in the worst case, cause operations to completely cease with our Japanese revenue suffering a material downturn.

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

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

In order to sustain our growth in certain of our existing and new markets, we must either expand an existing data center, lease a new facility or acquire suitable land with or without structures to build new IBX data centers from the ground up. Expansions or new builds are currently underway, or being contemplated, in many of our markets. Any related construction requires us to carefully select and rely on the experience of one or more designers, general contractors, and associated subcontractors during the design and construction process. Should a designer, general contractor, or significant subcontractor experience financial or other problems during the design or construction process, we could experience significant delays, increased costs to complete the project and/or other negative impacts to our expected returns.

Site selection is also a critical factor in our expansion plans. There may not be suitable properties available in our markets with the necessary combination of high power capacity and fiber connectivity, or selection may be limited. Thus, while we may prefer to locate new IBX data centers adjacent to our existing locations it may not always be possible. In the event we decide to build new IBX data centers separate from our existing IBX data centers, we may provide services to interconnect these two centers. Should these services not provide the necessary reliability to sustain service, this could result in lower interconnection revenue and lower margins and could have a negative impact on customer retention over time.

Environmental regulations may impose upon us new or unexpected costs.

We are subject to various federal, state, local and international environmental and health and safety laws and regulations, including those relating to the generation, storage, handling and disposal of hazardous substances and wastes. Certain of these laws and regulations also impose joint and several liability, without regard to fault, for investigation and cleanup costs on current and former owners and operators of real property and persons who have disposed of or released hazardous substances into the environment. Our operations involve the use of hazardous substances and materials such as petroleum fuel for emergency generators, as well as batteries, cleaning solutions and other materials. In addition, we lease, own or operate real property at which hazardous substances and regulated materials have been used in the past. At some of our locations, hazardous substances or regulated materials are known to be present in soil or groundwater and there may be additional unknown hazardous substances or regulated materials present at sites we own, operate or lease. At some of our locations, there are land use restrictions in place relating to earlier environmental cleanups that do not materially limit our use of the sites. To the extent any hazardous substances or any other substance or material must be cleaned up or removed from our property, we may be responsible under applicable laws, regulations or leases for the removal or cleanup of such substances or materials, the cost of which could be substantial.

In addition, we are subject to environmental, health and safety laws regulating air emissions, storm water management and other issues arising in our business. While these obligations do not normally impose material costs upon our operations, unexpected events, equipment malfunctions and human error, among other factors, can lead to violations of environmental laws, regulations or permits. Furthermore, environmental laws and regulations change frequently and may require additional investment to maintain compliance. Noncompliance with existing, or adoption of more stringent, environmental or health and safety laws and regulations or the discovery of previously unknown contamination could require us to incur costs or become the basis of new or increased liabilities that could be material.

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

Several states within the United States have adopted laws intended to limit fossil fuel consumption and/or encourage renewable energy development for the same purpose. For example, California enacted AB-32, the Global Warming Solutions Act of 2006, prescribing a statewide cap on global warming pollution with a goal of reaching 1990 GHG emission levels by 2020 and 80% below 1990 levels by 2050 and establishing a mandatory emissions reporting program. On December 16, 2010, the California Air Resources Board adopted the initial elements of a cap-and-trade program to implement AB-32, which will establish an auction to allocate allowances for GHG emissions, and will establish a minimum price for such allowances. This cap-and-trade regulation is intended to take effect January 1, 2012, with official allowance trading starting in 2013. If the regulation takes effect as currently drafted, it will increase our electricity costs by an amount that cannot yet be determined, but could exceed 5% of our costs of electricity at our California locations.

Federal, regional, state and international regulatory programs to address climate change are still developing. In their final form, they may include a tax on carbon, a carbon "cap-and-trade" market, and/or other restrictions on carbon and GHG emissions. The area of GHG limitations and regulation is rapidly changing and will continue to change as additional legislation is considered and adopted, and regulations are finalized that implement existing law. For example, the United Kingdom is in the process of implementing the mandatory Carbon Reduction Commitment Energy Efficiency Scheme ("CRC"), which requires certain public and private sector organizations that are consumers of large amounts of electricity to register with the program, participate in energy-saving activities and reduce their GHG emissions. The CRC became effective April 1, 2010, and qualifying organizations were required to register by September 30, 2010, which we have done. The United Kingdom Government is in the process of reviewing the mechanics of the CRC, but the first relevant period for the operation of the CRC still began in April 2011 as originally scheduled. We are required to monitor power usage from April 2011 onwards. We are monitoring developments and continuing to evaluate the extent of our obligations and the implications for our business in the United Kingdom, and we are communicating with customers accordingly.

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

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

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

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

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

Because of their greater financial resources, some of our competitors have the ability to adopt aggressive pricing policies, especially if they are not highly leveraged. As a result, in the future, we may suffer from pricing pressure that would adversely affect our ability to generate revenues and adversely affect our operating results. In addition, these competitors could offer colocation on neutral terms, and may start doing so in the same metropolitan areas in which we have IBX data centers. Some of these competitors may also provide our target customers with additional benefits, including bundled communication services, and may do so in a manner that is more attractive to our potential customers than obtaining space in our IBX data centers. If these competitors were able to adopt aggressive pricing policies together with offering colocation space, our ability to generate revenues may be materially and adversely affected.

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

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

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

Power outages, such as those that occurred in California during 2001, the Northeast in 2003, from the tornados on the U.S. east coast in 2004, and relating to the earthquake and tsunami in Japan in 2011, could harm our customers and our business. We attempt to limit exposure to system downtime by using backup generators and power supplies; however, we may not be able to limit our exposure entirely even with these protections in place, as was the case with the power outages we experienced in our Chicago and Washington, D.C. metro area IBX data centers in 2005, London metro area IBX data centers in 2007 and Paris metro area IBX data centers in 2009.

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

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

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

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

Section 404 of the Sarbanes-Oxley Act of 2002 requires companies to evaluate their internal controls over financial reporting. Although we received an unqualified opinion regarding the effectiveness of our internal control over financial reporting as of December 31, 2010, in the course of our ongoing evaluation we have identified certain areas where we would like to improve and we are in the process of evaluating and designing enhanced processes and controls to address such areas, none of which we believe constitutes a material change. However, we cannot be certain that our efforts will be effective or sufficient for us, or our independent registered public accounting firm, to issue unqualified reports in the future, especially as our business continues to grow and evolve and as we acquire other businesses.

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

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

For the years ended December 31, 2010, 2009 and 2008, we recognized 38%, 39% and 37%, respectively, of our revenues outside the U.S. For the nine months ended September 30, 2011, we recognized 40% of our revenues outside the U.S. We currently operate outside of the Americas in the EMEA and Asia-Pacific regions. In April 2011, we expanded into South America through an investment in ALOG Data Centers do Brasil S.A.

To date, the network neutrality of our IBX data centers and the variety of networks available to our customers has often been a competitive advantage for us. In certain of our acquired IBX data centers in the Asia-Pacific region the limited number of carriers available reduces that advantage. As a result, we may need to adapt our key revenue-generating services and pricing to be competitive in those markets. In addition, we are currently undergoing expansions or evaluating expansion opportunities in the EMEA and Asia-Pacific regions. Undertaking and managing expansions in foreign jurisdictions may present unanticipated challenges to us.

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

- the costs of customizing IBX data centers for foreign countries;
- protectionist laws and business practices favoring local competition;
- greater difficulty or delay in accounts receivable collection;
- difficulties in staffing and managing foreign operations, including negotiating with foreign labor unions or workers' councils;
- difficulties in managing across cultures and in foreign languages;
- political and economic instability;
- fluctuations in currency exchange rates;
- difficulties in repatriating funds from certain countries;
- our ability to obtain, transfer, or maintain licenses required by governmental entities with respect to our business;
- unexpected changes in regulatory, tax and political environments;
- our ability to secure and maintain the necessary physical and telecommunications infrastructure;
- compliance with the Foreign Corrupt Practices Act; and
- compliance with evolving governmental regulation with which we have little experience.

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

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

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

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

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

We expect our operating results to fluctuate.

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

- fluctuations of foreign currencies in the markets in which we operate;
- the timing and magnitude of depreciation and interest expense or other expenses related to the acquisition, purchase or construction of additional IBX data centers or the upgrade of existing IBX data centers;
- demand for space, power and services at our IBX data centers;
- changes in general economic conditions, such as the current economic downturn, and specific market conditions in the telecommunications and Internet industries, both of which may have an impact on our customer base;
- charges to earnings resulting from past acquisitions due to, among other things, impairment of goodwill or intangible assets, reduction in the useful lives of intangible assets acquired, identification of additional assumed contingent liabilities or revised estimates to restructure an acquired company's operations;
- the duration of the sales cycle for our services and our ability to ramp our newly-hired sales persons to full productivity within the time period we have forecasted;
- restructuring charges or reversals of existing restructuring charges, which may be necessary due to revised sublease assumptions, changes in strategy or otherwise;
- acquisitions or dispositions we may make;
- the financial condition and credit risk of our customers;
- the provision of customer discounts and credits;
- the mix of current and proposed products and services and the gross margins associated with our products and services;
- the timing required for new and future centers to open or become fully utilized;
- competition in the markets in which we operate;
- conditions related to international operations;
- increasing repair and maintenance expenses in connection with aging IBX data centers;
- lack of available capacity in our existing IBX data centers to generate new revenue or delays in opening up new or acquired IBX data centers that delay our ability to generate new revenue in markets which have otherwise reached capacity;
- changes in rent expense as we amend our IBX data center leases in connection with extending their lease terms when their initial lease term expiration dates approach or changes in shared operating costs in connection with our leases, which are commonly referred to as common area maintenance expenses;
- the timing and magnitude of other operating expenses, including taxes, expenses related to the expansion of sales, marketing, operations and acquisitions, if any, of complementary businesses and assets;
- the cost and availability of adequate public utilities, including power;
- changes in employee stock-based compensation;
- overall inflation;
- increasing interest expense due to any increases in interest rates and/or potential additional debt financings;
- changes in income tax benefit or expense; and
- changes in or new generally accepted accounting principles (GAAP) in the U.S. as periodically released by the Financial Accounting Standards Board (FASB).

Any of the foregoing factors, or other factors discussed elsewhere in this report, could have a material adverse effect on our business, results of operations and financial condition. Although we have experienced growth in revenues in recent quarters, this growth rate is not necessarily indicative of future operating results. Prior to 2008, we had generated net losses every fiscal year since inception. It is possible that we may not be able to generate net income on a quarterly or annual basis in the future. In addition, a relatively large portion of our expenses are fixed in the short-term, particularly with respect to lease and personnel expenses, depreciation and amortization and interest expenses. Therefore, our results of operations are particularly sensitive to fluctuations in revenues. As such, comparisons to prior reporting periods should not be relied upon as indications of our future performance. In addition, our operating results in one or more future quarters may fail to meet the expectations of securities analysts or investors.

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

As of September 30, 2011, our accumulated deficit was \$272.9 million. Although we have generated net income for each fiscal year since 2008, which was our first full year of net income since our inception, we are also currently investing heavily in our future growth through the build-out of multiple additional IBX data centers and IBX data center expansions as well as acquisitions of complementary businesses. As a result, we will incur higher depreciation and other operating expenses, as well as acquisition costs and interest expense, that may negatively impact our ability to sustain profitability in future periods unless and until these new IBX data centers generate enough revenue to exceed their operating costs and cover our additional overhead needed to scale our business for this anticipated growth. The current global financial crisis may also impact our ability to sustain profitability if we cannot generate sufficient revenue to offset the increased costs of our recently-opened IBX data centers or IBX data centers currently under construction. In addition, costs associated with the acquisition and integration of any acquired companies, as well as the additional interest expense associated with debt financing we have undertaken to fund our growth initiatives, may also negatively impact our ability to sustain profitability. Finally, given the competitive and evolving nature of the industry in which we operate, we may not be able to sustain or increase profitability on a quarterly or annual basis.

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

While we own certain of our IBX data centers, others are leased under long-term arrangements with lease terms expiring at various dates ranging from 2011 to 2035. These leased centers have all been subject to significant development by us in order to convert them from, in most cases, vacant buildings or warehouses into IBX data centers. Most of our IBX data center leases have renewal options available to us. However, many of these renewal options provide for rent set at then-prevailing market rates. To the extent that then-prevailing market rates are higher than present rates, these higher costs may adversely impact our business and results of operations.

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

The presence of diverse telecommunications carriers' fiber networks in our IBX data centers is critical to our ability to retain and attract new customers. We are not a telecommunications carrier, and as such we rely on third parties to provide our customers with carrier services. We believe that the availability of carrier capacity will directly affect our ability to achieve our projected results. We rely primarily on revenue opportunities from the telecommunications carriers' customers to encourage them to invest the capital and operating resources required to connect from their centers to our IBX data centers. Carriers will likely evaluate the revenue opportunity of an IBX data center based on the assumption that the environment will be highly competitive. We cannot provide assurance that each and every carrier will elect to offer its services within our IBX data centers or that once a carrier has decided to provide Internet connectivity to our IBX data centers that it will continue to do so for any period of time.

Our new IBX data centers require construction and operation of a sophisticated redundant fiber network. The construction required to connect multiple carrier facilities to our IBX data centers is complex and involves factors outside of our control, including regulatory processes and the availability of construction resources. Any hardware or fiber failures on this network may result in significant loss of connectivity to our new IBX data center expansions. This could affect our ability to attract new customers to these IBX data centers or retain existing customers.

If the establishment of highly diverse Internet connectivity to our IBX data centers does not occur, is materially delayed or is discontinued, or is subject to failure, our operating results and cash flow will be adversely affected.

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

A party who is able to compromise the security measures on our networks or the security of our infrastructure could misappropriate either our proprietary information or the personal information of our customers, or cause interruptions or malfunctions in our operations. We may be required to expend significant capital and resources to protect against such threats or to alleviate problems caused by breaches in security. As techniques used to breach security change frequently, and are generally not recognized until launched against a target, we may not be able to implement security measures in a timely manner or, if and when implemented, we may not be able to determine the extent to which these measures could be circumvented. Any breaches that may occur could expose us to increased risk of lawsuits, regulatory penalties, loss of existing or potential customers, harm to our reputation and increases in our security costs, which could have a material adverse effect on our financial performance and operating results.

Global economic debt issues and uncertainty could adversely affect our revenues and earnings.

The varying pace of global economic recovery continues to create uncertainty and unpredictability and add risk to our future outlook. Sovereign debt issues and economic uncertainty in Greece, Portugal, Spain, Ireland and other countries in Europe and around the world raise concerns in markets important to our business. A global economic downturn could result in reductions in sales of our products, longer sales cycles, slower adoption of new technologies and increased price competition.

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

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

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

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

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

Our ability to maximize revenues depends on our ability to develop and grow a balanced customer base, consisting of a variety of companies, including enterprises, cloud, digital content and financial companies, and network service providers. We consider certain of these customers to be key magnets in that they draw in other customers. The more balanced the customer base within each IBX data center, the better we will be able to generate significant interconnection revenues, which in turn increases our overall revenues. Our ability to attract customers to our IBX data centers will depend on a variety of factors, including the presence of multiple carriers, the mix of products and services offered by us, the overall mix of customers, the presence of key customers attracting business through vertical market ecosystems, the IBX data center's operating reliability and security and our ability to effectively market our services. However, some of our customers may face competitive pressures and may ultimately not be successful or may be consolidated through merger or acquisition. If these customers do not continue to use our IBX data centers it may be disruptive to our business. Finally, the uncertain economic climate may harm our ability to attract and retain customers if customers slow spending, or delay decision-making, on our products and services, or if customers begin to have difficulty paying us and we experience increased churn in our customer base. Any of these factors may hinder the development, growth and retention of a balanced customer base and adversely affect our business, financial condition and results of operations.

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

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

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

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

Government regulation may adversely affect our business.

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

It also may take years to determine whether and how existing laws, such as those governing intellectual property, privacy, libel, telecommunications services and taxation, apply to the Internet and to related services such as ours and substantial resources may be required to comply with regulations or bring any non-compliant business practices into compliance with such regulations. In addition, the development of the market for online commerce and the displacement of traditional telephony service by the Internet and related communications services may prompt an increased call for more stringent consumer protection laws or other regulation both in the U.S. and abroad that may impose additional burdens on companies conducting business online and their service providers.

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

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

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

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

The continued threat of terrorist activity and other acts of war or hostility contribute to a climate of political and economic uncertainty. Due to existing or developing circumstances, we may need to incur additional costs in the future to provide enhanced security, including cybersecurity, which would have a material adverse effect on our business and results of operations. These circumstances may also adversely affect our ability to attract and retain customers, our ability to raise capital and the operation and maintenance of our IBX data centers. We may not have adequate property and liability insurance to cover catastrophic events or attacks.

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

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

- authorization for the issuance of "blank check" preferred stock;
- the prohibition of cumulative voting in the election of directors;
- limits on the persons who may call special meetings of stockholders;
- the prohibition of stockholder action by written consent; and
- advance notice requirements for nominations to the Board or for proposing matters that can be acted on by stockholders at stockholder meetings.

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

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. [Removed and Reserved]

Item 5. Other Information

At our 2011 annual meeting of stockholders held on June 9, 2011, our stockholders voted on approval by a non-binding advisory vote of the frequency of stockholder non-binding advisory votes on the compensation of our named executive officers. The Board of Directors recommended "1 year" and, as reported in our Current Report on Form 8-K dated June 9, 2011, the "1 year" choice received a majority of the votes cast by our stockholders. Therefore, we have determined that an advisory vote on executive compensation will be conducted every year, until the next required stockholder vote to recommend the frequency of such votes.

Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Filing Date/Period End Date	Exhibit	
2.1	Combination Agreement, dated as of October 2, 2002, by and among Equinix, Inc., Eagle Panther Acquisition Corp., Eagle Jaguar Acquisition Corp., i-STT Pte Ltd, STT Communications Ltd., Pihana Pacific, Inc. and Jane Dietze, as representative of the stockholders of Pihana Pacific, Inc.	Def. Proxy 14A	12/12/02		
2.2	Agreement and Plan of Merger dated October 21, 2009, by and among Equinix, Inc., Switch & Data Facilities Company, Inc. and Sundance Acquisition Corporation.	8-K	10/22/09	2.1	
2.3	First Amendment to the Agreement and Plan of Merger dated March 20, 2010, by and among Equinix, Inc., Switch & Data Facilities Company, Inc. and Sundance Acquisition Corporation.	8-K	3/22/10	2.1	
3.1	Amended and Restated Certificate of Incorporation of the Registrant, as amended to date.	10-K/A	12/31/02	3.1	
3.2	Certificate of Amendment of the Restated Certificate of Incorporation	8-K	6/14/11	3.1	
3.2	Certificate of Designation of Series A and Series A-1 Convertible Preferred Stock.	10-K/A	12/31/02	3.3	
3.3	Amended and Restated Bylaws of the Registrant.	8-K	6/14/11	3.2	
4.1	Reference is made to Exhibits 3.1, 3.2 and 3.3.				
4.2	Indenture dated March 30, 2007 by and between Equinix, Inc. and U.S. Bank National Association, as trustee.	8-K	3/30/07	4.4	
4.3	Form of 2.50% Convertible Subordinated Note Due 2012 (see Exhibit 4.2).				
4.4	Indenture dated September 26, 2007 by and between Equinix, Inc. and U.S. Bank National Association, as trustee.	8-K	9/26/07	4.4	
4.5	Form of 3.00% Convertible Subordinated Note Due 2014 (see Exhibit 4.4).				

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Filing Date/ Period End Date	Exhibit	
4.6	Indenture dated June 12, 2009 by and between Equinix, Inc. and U.S. Bank National Association, as trustee.	8-K	6/12/09	4.1	
4.7	Form of 4.75% Convertible Subordinated Note Due 2016 (see Exhibit 4.6).				
4.8	Indenture dated March 3, 2010 by and between Equinix, Inc. and U.S. Bank National Association, as trustee.	10-Q	3/31/10	4.8	
4.9	Form of 8.125% Senior Note Due 2018 (see Exhibit 4.8).				
4.10	Indenture dated July 13, 2011 by and between Equinix, Inc. and U.S. Bank National Association as trustee	8-K	7/13/11	4.1	
4.11	Form of 7.00% Senior Note due 2021 (see Exhibit 4.10)	8-K	7/13/11	4.2	
10.1	Form of Indemnification Agreement between the Registrant and each of its officers and directors.	S-4 (File No. 333-93749)	12/29/99	10.5	
10.2	2000 Equity Incentive Plan, as amended.	10-K	12/31/07	10.3	
10.3	2000 Director Option Plan, as amended.	10-K	12/31/07	10.4	
10.4	2001 Supplemental Stock Plan, as amended.	10-K	12/31/07	10.5	
10.5	Equinix, Inc. 2004 Employee Stock Purchase Plan, as amended.	S-8 (File No. 333-165033)	2/23/10	99.3	
10.6	Form of Restricted Stock Agreements for Stephen M. Smith under the Equinix, Inc. 2000 Equity Incentive Plan.	10-Q	3/31/07	10.45	
10.7	Letter Agreement, dated April 22, 2008, by and between Eric Schwartz and Equinix Operating Co., Inc.	10-Q	6/30/08	10.34	
10.8	Severance Agreement by and between Stephen Smith and Equinix, Inc. dated December 18, 2008.	10-K	12/31/08	10.31	
10.9	Severance Agreement by and between Peter Van Camp and Equinix, Inc. dated December 10, 2008.	10-K	12/31/08	10.32	

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Incorporated by Reference</u>			<u>Filed Herewith</u>
		<u>Form</u>	<u>Filing Date/ Period End Date</u>	<u>Exhibit</u>	
10.10	Severance Agreement by and between Keith Taylor and Equinix, Inc. dated December 19, 2008.	10-K	12/31/08	10.33	
10.11	Severance Agreement by and between Peter Ferris and Equinix, Inc. dated December 17, 2008.	10-K	12/31/08	10.34	
10.12	Change in Control Severance Agreement by and between Eric Schwartz and Equinix, Inc. dated December 19, 2008.	10-K	12/31/08	10.35	
10.13	Change in Control Severance Agreement by and between Jarrett Appleby and Equinix, Inc. dated December 11, 2008.	10-K	12/31/08	10.36	
10.14	Offer Letter from Equinix, Inc. to Jarrett Appleby dated November 6, 2008.	10-K	12/31/08	10.37	
10.15	Restricted Stock Unit Agreement for Jarrett Appleby under the Equinix, Inc. 2000 Equity Incentive Plan.	10-K	12/31/08	10.38	
10.16	Confirmation for Base Capped Call Transaction dated as of June 9, 2009 between Equinix, Inc. and Deutsche Bank AG, London Branch.	8-K	6/12/09	10.1	
10.17	Confirmation for Additional Capped Call Transaction dated as of June 9, 2009 between Equinix, Inc. and Deutsche Bank AG, London Branch.	8-K	6/12/09	10.2	
10.18	Master Terms and Conditions for Capped Call Transactions dated as of June 9, 2009 between Equinix, Inc. and Deutsche Bank AG, London Branch.	8-K	6/12/09	10.3	
10.19	Confirmation for Base Capped Call Transaction dated as of June 9, 2009 between Equinix, Inc. and JPMorgan Chase Bank, National Association, London Branch.	8-K	6/12/09	10.4	
10.20	Confirmation for Additional Capped Call Transaction dated as of June 9, 2009 between Equinix, Inc. and JPMorgan Chase Bank, National Association, London Branch.	8-K	6/12/09	10.5	
10.21	Master Terms and Conditions for Capped Call Transactions dated as of June 9, 2009 between Equinix, Inc. and JPMorgan Chase Bank, National Association, London Branch.	8-K	6/12/09	10.6	

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Incorporated by Reference</u>			<u>Filed Herewith</u>
		<u>Form</u>	<u>Filing Date/ Period End Date</u>	<u>Exhibit</u>	
10.22	Confirmation for Base Capped Call Transaction dated as of June 9, 2009 between Equinix, Inc. and Goldman, Sachs & Co.	8-K	6/12/09	10.7	
10.23	Confirmation for Additional Capped Call Transaction dated as of June 9, 2009 between Equinix, Inc. and Goldman, Sachs & Co.	8-K	6/12/09	10.8	
10.24	Master Terms and Conditions for Capped Call Transactions dated as of June 9, 2009 between Equinix, Inc. and Goldman, Sachs & Co.	8-K	6/12/09	10.9	
10.25	Addendum to international assignment letter agreement by and between Eric Schwartz and Equinix Operating Co., Inc., dated February 17, 2010.	10-Q	3/31/10	10.42	
10.26	Switch & Data 2007 Stock Incentive Plan.	S-1/A (File No. 333-137607) filed by Switch & Data Facilities Company, Inc.	2/5/07	10.9	
10.27	Amendment and Restatement of Facility Agreement, by and among Equinix Australia Pty Ltd., Equinix Hong Kong Limited, Equinix Singapore Pte. Ltd., Equinix Pacific Pte. Ltd and Equinix Japan K.K., as borrowers, the Joint Mandated Lead Arrangers, the Joint Mandated Bookrunners, the Lead Arrangers and the Closing Date Lenders, as defined therein, and The Royal Bank of Scotland N.V., as Facility Agent, dated May 10, 2010.	10-Q	6/30/10	10.39	
10.28	Offer Letter from Equinix, Inc. to Charles Meyers dated September 28, 2010.	10-Q	9/30/10	10.40	
10.29	Restricted Stock Unit Agreement for Charles Meyers under the Equinix, Inc. 2000 Equity Incentive Plan.	10-Q	9/30/10	10.41	
10.30	Change in Control Severance Agreement by and between Charles Meyers and Equinix, Inc. dated September 30, 2010.	10-Q	9/30/10	10.42	

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Incorporated by Reference</u>			<u>Filed Herewith</u>
		<u>Form</u>	<u>Filing Date/ Period End Date</u>	<u>Exhibit</u>	
10.31	Form of amendment to existing severance agreement between the Registrant and each of Messrs. Appleby, Ferris, Meyers, Smith, Taylor and Van Camp.	10-K	12/31/10	10.33	
10.32	Letter amendment, dated December 14, 2010, to Change in Control Severance Agreement, dated December 18, 2008, and letter agreement relating to expatriate benefits, dated April 22, 2008, as amended, by and between the Registrant and Eric Schwartz.	10-K	12/31/10	10.34	
10.33	Equinix, Inc. 2011 Incentive Plan	10-Q	3/31/11	10.33	
10.34	Form of Restricted Stock Unit Agreement for CEO and CFO.	10-Q	3/31/11	10.34	
10.35	Form of Restricted Stock Unit Agreement for all other Section 16 officers.	10-Q	3/31/11	10.35	
10.36*	English Translation of Shareholders Agreement, dated as of April 25, 2011, among Equinix South America Holdings, LLC, RW Brasil Fundo de Investimento em Participações and Zion RJ Participações S.A., and, for the limited purposes set forth therein, Sidney Victor da Costa Breyer, Antonio Eduardo Zago de Carvalho, Equinix, Inc., Riverwood Capital L.P., Riverwood Capital Partners L.P. and Riverwood Capital Partners (Parallel—A) L.P.	10-Q	6/30/11	10.36	
10.37	Lease Agreement between 2020 Fifth Avenue LLC and Switch & Data WA One LLC, dated October 13, 2011.				X
18.1	Preferable Accounting Principles Letter from Pricewaterhouse Coopers LLP, Independent Registered Public Accounting Firm, dated July 26, 2010.	10-Q	6/30/10	18.1	
21.1	Subsidiaries of Equinix, Inc.				X
31.1	Chief Executive Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.2	Chief Financial Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Incorporated by Reference</u>			
		<u>Filing Date/ Period End</u>			<u>Filed</u>
		<u>Form</u>	<u>Date</u>	<u>Exhibit</u>	<u>Herewith</u>
32.1	Chief Executive Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.2	Chief Financial Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
101	Interactive Data Files Pursuant to Rule 405 of Regulation S-T: (i) Condensed Consolidated Balance Sheets as of September 30, 2011 and December 31, 2010, (ii) Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2011 and 2010, (iii) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2011 and 2010 and (iv) Notes to Condensed Consolidated Financial Statements, tagged as blocks of text.				X

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

EQUINIX, INC.
SIGNATURES

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

Date: October 28, 2011

EQUINIX, INC.

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

INDEX TO EXHIBITS

<u>Exhibit Number</u>	<u>Description of Document</u>
10.37	Lease Agreement between 2020 Fifth Avenue LLC and Switch & Data WA One LLC, dated October 13, 2011.
21.1	Subsidiaries of Equinix.
31.1	Chief Executive Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Chief Financial Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Chief Executive Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Chief Financial Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Interactive Data Files Pursuant to Rule 405 of Regulation S-T: (i) Condensed Consolidated Balance Sheets as of September 30, 2011 and December 31, 2010, (ii) Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2011 and 2010, (iii) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2011 and 2010 and (iv) Notes to Condensed Consolidated Financial Statements, tagged as blocks of text.

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

2020 FIFTH AVENUE

LEASE AGREEMENT

Between

2020 FIFTH AVENUE LLC
as Landlord

and

SWITCH & DATA WA ONE LLC
as Tenant

Dated

October 13, 2011

TABLE OF CONTENTS

1.	LEASE OF TENANT SPACE	14
2.	TERM	14
3.	BASE RENT AND OTHER CHARGES; SECURITY DEPOSIT	15
4.	TAXES – EQUIPMENT; TAXES - OTHER	18
5.	PERMITTED USE; COMPLIANCE WITH RULES AND LAWS; HAZARDOUS MATERIALS	19
6.	UTILITIES - ALLOCATION AND CONNECTIVITY; PAYMENTS AND INTERRUPTIONS	20
7.	MAINTENANCE; ALTERATIONS; REMOVAL OF TENANT'S PERSONAL PROPERTY	22
8.	CASUALTY EVENTS; TAKINGS	26
9.	INSURANCE	28
10.	TRANSFERS	28
11.	ESTOPPEL CERTIFICATES	31
12.	SUBORDINATION AND ATTORNMENT; HOLDER RIGHTS	31
13.	SURRENDER OF TENANT SPACE; HOLDING OVER	32
14.	WAIVERS; INDEMNIFICATION; CONSEQUENTIAL DAMAGES; LIENS	33
15.	TENANT DEFAULT	35
16.	LANDLORD'S LIABILITY	37
17.	TENANT'S SECURITY	38
18.	MISCELLANEOUS	38

EXHIBITS:

EXHIBIT A – LEGAL DESCRIPTION

EXHIBIT B – SITE PLAN

EXHIBIT C – FLOOR PLANS

EXHIBIT D – PEDESTRIAN ACCESS AND CONDUITS TO WESTIN BUILDING

EXHIBIT E – AGREEMENT FOR PROJECT WORK

Exhibit E-1	SCHEDULE OF CRITICAL DATES
Exhibit E-2	BASIS OF DESIGN
Exhibit E-3	SCHEDULE OF ITEMS AND COSTS ALLOCATED TO TENANT
Exhibit E-4	SCHEDULE OF PLANS AND SPECIFICATIONS
Exhibit E-5	ALLOCATION OF COST SAVINGS
Exhibit E-6	DELAY AND RESOLUTIONS
Exhibit E-7	DESCRIPTION OF TENANT'S OWN WORK
Exhibit E-8	MAJOR EQUIPMENT
Exhibit E-9	CONTRACTOR RATES
Exhibit E-10	MEP SUBCONTRACTOR RATES
Exhibit E-11	TENANT APPROVED SUPPLIERS
Exhibit E-12	FCPA CERTIFICATION FORM
Exhibit E-13	COMMISSIONING CRITERIA

EXHIBIT F – RULES AND REGULATIONS

ATTACHMENT F-1 to EXHIBIT F: DRAWING OF TRUCK LOADING AREA

EXHIBIT G – TENANT'S INSURANCE REQUIREMENTS

EXHIBIT H – COMMENCEMENT DATE NOTICE

ATTACHMENT H-1 TO EXHIBIT H: FORM OF COMMISSIONING COMPLETE LETTER

EXHIBIT I - FORM OF LEASE GUARANTY

TABLE OF CONTENTS

2020 FIFTH AVENUE LEASE AGREEMENT

This Lease Agreement (this "**Lease**") is entered into as of the Effective Date (as set forth in Item 4 of the Basic Lease Information, below), by and between Landlord (as set forth in Item 1 of the Basic Lease Information, below) and Tenant (as set forth in Item 2 of the Basic Lease Information, below):

RECITALS

A. Landlord is the owner of the Land (as set forth in Item 14 of the Basic Lease Information, below). The Land is to be improved by Landlord (under and pursuant to the terms hereof) with, among other things, the Building (as set forth in Item 15 of the Basic Lease Information, below).

B. Tenant desires to lease the Property from Landlord, and Landlord desires to lease the Property to Tenant during the Term (as set forth in Item 5 of the Basic Lease Information, below).

C. Unless otherwise specifically indicated to the contrary, all initially capitalized terms contained in this Lease shall have the meanings set forth in the "Definitions" section of this Lease.

NOW, THEREFORE, in consideration of the covenants and agreements hereinafter set forth, Landlord and Tenant agree as follows:

BASIC LEASE INFORMATION

1. Landlord: 2020 Fifth Avenue LLC, a Delaware limited liability company ("**Landlord**").
Landlord represents that it has been validly formed or incorporated under the laws of the State of Delaware.
2. Tenant: Switch & Data WA One LLC, a Delaware limited liability company ("**Tenant**").
Tenant represents that it has been validly formed or incorporated under the laws of the State of Delaware.
3. Tenant Addresses:
Tenant Address for Notices:
Switch & Data WA One LLC
c/o Equinix, Inc.
Attn: Real Estate
20110 Ashbrook Place, Suite 160
Ashburn, VA 20147
Facsimile No: 703.840.3111
Email: gtodd@equinix.com

With a copy to:
Switch & Data WA One LLC
Equinix, Inc.
Attn: General Counsel (Real Estate)
One Lagoon Drive, 4th Floor
Redwood City, CA 94065
Facsimile No: 650.598.6913
Email: shettema@equinix.com

Tenant Address for Invoice of Rent:
Switch & Data WA One LLC
c/o Equinix, Inc.
Attn: Accounts Payable
One Lagoon Drive, 4th Floor
Redwood City, CA 94065
Facsimile No: 650.598.6913

4. Effective Date/
Commencement Date:

- (a) Effective Date:
- (b) Commencement Date:

October 13, 2011 (being the latest date of the parties' execution dates, as set forth on the signature page of this Lease).

Subject to the terms of Section 2.2.2 of the Standard Lease Provisions, the "**Commencement Date**" shall be the date on which all of the following four (4) events have occurred:

(i) The Project Work, set forth (and defined) in **Exhibit E** attached hereto, has been Substantially Completed (as defined in **Exhibit E**);

(ii) The Commissioning Agent (in conjunction with the applicable contractor(s) who installed the relevant equipment) has performed the Commissioning (defined below) of the Data Center Suites' infrastructure, which condition shall be deemed to have been satisfied upon Landlord's receipt of the Commissioning Complete Letter;

(iii) The Westin Suite 350 has been delivered to Tenant in the condition required by the Westin Suite 350 Lease and Tenant has had sixty (60) days from the date of such delivery to construct its initial leasehold improvements; and

(iv) Landlord has delivered the Tenant Space to Tenant; (Items (i), (ii) and (iii) being, collectively, the "**Commencement Date Conditions**").

Upon completion of the Commencement Date Conditions, Landlord shall deliver a notice to Tenant, substantially in the form attached hereto as **Exhibit H** (the "**Commencement Date Notice**"), memorializing Landlord's delivery of the Tenant Space to Tenant and confirming the actual Commencement Date, and, if applicable, confirm the Deemed Commencement Date.

5. Term:

Approximately one hundred eighty (180) full calendar months (commencing on the Commencement Date and expiring on the last day of the one hundred eightieth (180th) full calendar month thereafter).

For the avoidance of doubt, Landlord and Tenant acknowledge and agree that, if the Commencement Date occurs on a date that is other than the first (1st) day of a calendar month, the Term of this Lease shall be deemed to have been extended by the remaining calendar days in the month in which the Commencement Date occurs, such that the Term of the Lease shall be equal to the number of months described above, plus the number of days (including the Commencement Date) contained in the Partial Month in which the Commencement Date occurs.

For example:

- a. In the event that the Commencement Date occurs on October 1, 2012, then the one hundred eighty (180) full calendar month Term of this Lease would commence on October 1, 2012, and expire on September 30, 2027.
- b. In the event that the Commencement Date occurs on October 17, 2012, then the one hundred eighty (180) full calendar month Term of this Lease would commence on October 17, 2012, and expire on October 31, 2027. In this example, the period occurring from October 17, 2012 through October 31, 2012 is referred to herein as the "**Partial Month**." The Base Rent payable by Tenant hereunder during such Partial Month shall be payable on a pro-rated basis, in accordance with Section 3.1 of the Standard Lease Provisions, at a rate equal to the rate of Base Rent that would otherwise be due and payable by Tenant hereunder with regard to the first (1st) month of the Term of this Lease (pro-rated on a per diem basis). However, in this example, the first (1st) month of the one hundred eighty (180) full calendar month Term would, for the purposes of calculating the expiration of the Term of the Lease, be deemed to be the month of November 2012.

6. Extension Options/ Extension Term:

Three (3) Extension Options (defined in Section 2.3.1 of the Standard Lease Provisions, below), each to extend the Term for an Extension Term (defined in Section 2.3.1 of the Standard Lease Provisions, below) of sixty (60) months pursuant to Section 2.3 below.

7. Tenant Space:

The floor plans attached hereto as **Exhibit C** depict the borders of the Tenant Space. The "**Tenant Space**" shall mean and consist generally of four (4) levels of data center space identified as Levels 5, 6, 7 and 8 on **Exhibit C** (the "**Data Center Space**") (which Data Center Space is intended to contain approximately 51,000 square feet in the aggregate) and certain related areas (each being identified on **Exhibit C** as "**Ancillary Space**") for Tenant's supporting equipment and fixtures on other levels of the Building, including the basement identified as Level 0 on **Exhibit C**, part of the street-level floor identified as Level 1 on **Exhibit C**, and all of the area (collectively, the "**Roof**") above the Data Center Space identified as the upper and lower roof on **Exhibit C**.

Tenant will have the right to use in common with Landlord the Shared Space, including the corridors and stairwells shown as Shared Space on **Exhibit C**. The floor plans attached hereto as **Exhibit C** depict the borders of the corridors and stairwells which are Shared Space that Tenant will use in common with Landlord, and the Landlord Space which is not part of the Shared Space or Tenant Space.

For the avoidance of doubt, the Tenant Space does not include any of the parking areas of the Building (as depicted on **Exhibit C** attached hereto and identified as part of Level 1 and all of Level 2 and Level 3/4, the "**2020 Parking Garage**"), nor does this Lease grant Tenant the right to use any of the parking areas in the 2020 Parking Garage. Nor does this Lease grant Tenant the right to use the portion of the Building basement depicted on **Exhibit C** as Landlord's electrical room or the portion of Level 1 of the Building shown on **Exhibit C** as Landlord Space for Landlord's future mechanical vault #3, ATS room, mechanical room and MSB room (collectively, "**Landlord Facilities Areas**").

For purposes of this Lease, except as the context may otherwise require, the term "Suite 500" shall refer to the full floor of Data Center Space identified as Level 5 on Exhibit C; "Suite 600" shall refer to the full floor of Data Center Space identified as Level 6 on Exhibit C; "Suite 700" shall refer to the full floor of Data Center Space identified as Level 7 on Exhibit C; and "Suite 800" shall refer to the full floor of Data Center Space identified as Level 8 on Exhibit C. The four levels of Data Center Space are each also referred to herein as a "Data Center Suite" and in plural are referred to as "Data Center Suites".

Exhibit D depicts certain non-exclusive access rights for pedestrian use of the Building-to-Building Skybridge, which access rights are appurtenant to the Tenant Space pursuant to this Lease. Exhibit D also depicts the conceptual locations of the Building-to-Building Conduits, certain portions of which (defined in Section 6.3 hereof as the "Building-to-Building Conduits - 2020 Portion") are appurtenant to the Tenant Space pursuant to this Lease.

8. Base Initial Term:
Rent:

Lease Year	Monthly Base Rent	Annual Base Rent
1*	\$ 260,000.00**	\$ 3,120,000.00**
2	\$ 400,725.00**	\$ 4,808,700.00**
3	\$ 548,993.00	\$ 6,587,916.00
4	\$ 564,091.00	\$ 6,769,092.00
5	\$ 579,603.00	\$ 6,955,236.00
6	\$ 595,542.00	\$ 7,146,504.00
7	\$ 611,920.00	\$ 7,343,040.00
8	\$ 628,747.00	\$ 7,544,964.00
9	\$ 646,038.00	\$ 7,752,456.00
10	\$ 663,804.00	\$ 7,965,648.00
11	\$ 682,059.00	\$ 8,184,708.00
12	\$ 700,815.00	\$ 8,409,780.00
13	\$ 720,088.00	\$ 8,641,056.00
14	\$ 739,890.00	\$ 8,878,680.00
15	\$ 760,237.00	\$ 9,122,844.00

1st Extension Term (Lease Years 16-20):

Lease Year	Monthly Base Rent	Annual Base Rent
16	\$ 821,056.00	\$ 9,852,672.00
17	\$ 845,687.00	\$ 10,148,244.00
18	\$ 871,058.00	\$ 10,452,696.00
19	\$ 897,190.00	\$ 10,766,280.00
20	\$ 924,105.00	\$ 11,089,260.00

2nd Extension Term (Lease Years 21-25):

Lease Year	Monthly Base Rent	Annual Base Rent
21	\$ 998,034.00	\$ 11,976,408.00
22	\$ 1,027,975.00	\$ 12,335,700.00
23	\$ 1,058,814.00	\$ 12,705,768.00
24	\$ 1,090,578.00	\$ 13,086,936.00
25	\$ 1,123,296.00	\$ 13,479,552.00

3rd Extension Term (Lease Years 26-30):

Lease Year		Monthly Base Rent		Annual Base Rent
26	\$	1,213,159.00	\$	14,557,908.00
27	\$	1,249,554.00	\$	14,994,648.00
28	\$	1,287,041.00	\$	15,444,492.00
29	\$	1,325,652.00	\$	15,907,824.00
30	\$	1,365,421.00	\$	16,385,052.00

For purposes of this Lease, "**Lease Year**" refers to the period of time between the Commencement Date and the end of the twelfth (12th) full calendar month following the Commencement Date, and each successive period of twelve (12) calendar months during the initial Term or any Extension Term.

* Landlord and Tenant acknowledge their mutual intent that the Monthly Base Rent shall be **\$0.00**, hereunder, during the first (1st) two (2) months of the Term of this Lease. As such, but in order to be consistent with the "Partial Month" description contained in Item 5, above, Landlord and Tenant agree that (i) if the Commencement Date occurs on the first (1st) day of a calendar month, then the Base Rent applicable to the entirety of **month 1 and month 2** of the Term of this Lease will be **\$0.00**, and the initial "non-\$0.00" level of Base Rent (i.e., **\$260,000.00/month**) will (subject to the terms of this Item 8) apply to **months 3-12** of the Term of this Lease (in such event, the 1st day of the 3rd full calendar month of the Term would be the "**Base Rent Commencement Date**"); however (ii) if the Commencement Date occurs on a day other than the first (1st) day of a calendar month, then the monthly Base Rent shall be "\$0.00" only with regard to the **first (1st) sixty (60) calendar days** of the Term of this Lease. In such event, the initial "non-\$0.00" level of Base Rent (i.e., **\$260,000.00/month**) would (subject to the terms of this Item 8) apply to the remainder of the second (2nd) full calendar month of the Term (on a per diem basis more particularly described in Section 3.1) and to the entirety of the third through twelfth full calendar months of the Term (in such event, the 61st calendar day of the Term would be the "**Base Rent Commencement Date**").

** With respect to first two (2) Lease Years, the Monthly Base Rent will be divided equally among the four (4) Data Center Suites. The above schedule of Base Rent reflects the fact that, from the Commencement Date through the end of the first Lease Year, Tenant's Monthly Base Rent shall be \$130,000 per Data Center Suite. During the second Lease Year, Tenant's Monthly Base Rent shall be \$133,575 per Data Center Suite.

The above schedule of Base Rent reflects the fact that, from the Commencement Date through the end of the first Lease Year, Tenant shall be required to pay Monthly Base Rent only for two (2) of the Data Center Suites; provided, however, if Tenant takes Occupancy of more than two (2) of the Data Center Suites during such period, Tenant shall also pay Monthly Base Rent on each such additional Data Center Suite (at the Year 1 monthly rate of \$130,000 per Data Center Suite) from and after the date on which Tenant takes Occupancy of such additional Data Center Suite(s).

The above schedule of Base Rent reflects the fact that, during the second Lease Year, Tenant shall be required to pay Monthly Base Rent only for three (3) of the Data Center Suites; provided, however, if Tenant takes (or has taken) Occupancy of all four (4) Data Center Suites during (or before) such period, Tenant shall also pay Monthly Base Rent on all (4) of such Data Center Suites (at the Year 2 monthly rate of \$133,575 per Data Center Suite) from and after the date on which Tenant takes (or has taken) Occupancy of all (4) of such Data Center Suites.

The above schedule of Base Rent reflects the fact that, from and after the first day of the third Lease Year, and for the remainder of Term and any Extension Term, the full Monthly Base Rent shall apply to all four Data Center Suites, irrespective of whether Tenant is in Occupancy of any particular Data Center Suite.

"**Occupancy**" of a particular Data Center Suite is defined as the first date that a Customer places equipment within that Data Center Suite (also referred to as "**Landing of the First Customer**"). Notwithstanding the foregoing, all of the Data Center Suites will be delivered to Tenant on the Commencement Date, and Tenant may make preliminary preparations to any particularly Data Center Suite (such as installing empty cages, cabinets or racks) in advance of the Landing of the First Customer in such Data Center Suite.

9. Lease Guaranty: The payment and performance of Tenant's obligations under this Lease, including without limitation the payment and performance of Base Rent and Additional Rent during the Term and any Extension Terms, and the payment and performance of Tenant's obligations to Landlord and Contractor under **Exhibit E** hereto, shall at all times, commencing on the Effective Date and continuing throughout the Term and any Extension Terms, be unconditionally guaranteed by Equinix Operating Co., Inc., a Delaware corporation ("**Guarantor**") under a Guaranty Agreement of even date herewith (the "**Lease Guaranty**") in the form set forth as **Exhibit I** attached.

10. Landlord's Address for Notices:
2020 Fifth Avenue LLC
c/o Clise Agency, Inc.
1700 Seventh, Suite 1800
Seattle, Washington 98101
Attention: Kyle Peters
Facsimile No. (206) 443-1683
E-mail: kpeters@westinbuilding.com

With copies to:
Digital Realty Trust, L.P.
1100 Space Park Drive
Santa Clara, California 95054
Attn: Asset Management
Facsimile No. (408) 387-8558
Email: rberk@digitalrealtytrust.com
And:

Graham & Dunn PC
Pier 70 ~ 2801 Alaskan Way, Suite 300
Seattle, Washington 98121
Attention: Douglas J. Smart
Facsimile No. (206) 340-9599
Email: dsmart@grahamdunn.com
And:

Stutzman, Bromberg, Esserman & Plifka, A Professional Corporation
2323 Bryan Street, Suite 2200
Dallas, TX 75201
Attention: Noah K. Hansford
Facsimile No. (214) 969-4999
E-mail: hansford@sbep-law.com

-
11. Landlord's 2020 Fifth Avenue LLC
Address for c/o Clise Agency, Inc.
Payment of 1700 Seventh Avenue, Suite 1800
Rent: Seattle, Washington 98101
12. Brokers: None.
13. Land: The Land located at 2020 Fifth Avenue, Seattle, Washington, and legally described on **Exhibit A**.
14. Building: All improvements on the Land (i.e., those portions of the 2020 Parking Garage-Existing that are retained) and all Project Work to be constructed substantially in accordance with **Exhibit E**, attached hereto, in the location indicated on the site plan attached as **Exhibit B**, and as generally shown on **Exhibit C** and on **Exhibit E-4**.

This Lease shall consist of the foregoing Basic Lease Information, the defined terms below, the Standard Lease Provisions, below, and **Exhibits A** through **I**, inclusive, all of which are incorporated herein by this reference as of the Effective Date. In the event of any conflict between the provisions of the Basic Lease Information and the provisions of the Standard Lease Provisions, the Basic Lease Information shall control.

[no further text on this page]

DEFINED TERMS

"**2020 Parking Garage**" means the parking garage located at and a part of the Building, which is planned to contain approximately seventy-three (73) parking spaces, as more particularly described in the Plans and Specifications.

"**ACM**" has the meaning assigned to such term in Section 5.3.3(c).

"**Additional Insureds**" has the meaning assigned to such term in Section 9.1.2.

"**Additional Rent**" has the meaning assigned to such term in Section 3.3.

"**Alterations**" has the meaning assigned to such term in Section 7.3.

"**Applicable Laws**" has the meaning assigned to such term in Section 5.3.2.

"**Base Rent**" has the meaning assigned to such term in Section 3.1, and is more particularly described in Item 8 of the Basic Lease Information.

"**Building**" has the meaning assigned to such term in Item 14 of the Basic Lease Information.

"**Building Award**" has the meaning assigned to such term in Section 8.2.5.

"**Building Property Insurance**" means and refers to the insurance to be carried by Landlord pursuant to the terms of Section 9.2.

"**Building Systems**" has the meaning assigned to such term in Section 5.3.2.

"**Building-to-Building Conduits**" has the meaning assigned to such term in Section 6.3.1.

"**Building-to-Building Conduits - 2020 Portion**" has the meaning assigned to such term in Section 6.3

"**Building-to-Building Conduits - Westin Portion**" has the meaning assigned to such term in Section 6.3.1.

"**Building-to-Building Skybridge**" means the new skybridge that will be constructed by Landlord in the location indicated on **Exhibit D**, and that following its completion, will connect the Building to the 2033 Sixth Avenue Building and the Westin Building.

"**Casualty-Complete Termination**" has the meaning assigned to such term in Section 8.1.1.2.

"**Casualty Event**" has the meaning assigned to such term in Section 8.1.1.

"**Casualty Restoration Standard – Landlord**" means and refers to the repair and reconstruction of the damaged portion(s) of Landlord's Repair Obligations to substantially the same condition in which they existed immediately prior to a particular Casualty Event.

"**Casualty Restoration Standard – Tenant**" means and refers to the repair and reconstruction of the damaged portion(s) of Tenant's Repair Obligations to substantially the same condition in which they existed immediately prior to a particular Casualty Event.

"**Casualty Repair Notice (Landlord)**" shall mean and refer to written notice by Landlord to Tenant notifying Tenant of the Repair Period-Estimated (Landlord).

"**Claims**" has the meaning assigned to such term in Section 14.2.1.

"**Commencement Date**" has the meaning assigned to such term in Item 4(b) of the Basic Lease Information.

"**Commencement Date Conditions**" has the meaning assigned to such term in Item 4(b) of the Basic Lease Information.

"**Commencement Date Notice**" has the meaning assigned to such term in Item 4(b) of the Basic Lease Information.

"**Commissioning**" shall mean and refer to the act of causing the commissioning of the Data Center Suites' infrastructure pursuant to the Commissioning Criteria, so that such infrastructure has passed Level 5 of such Commissioning Criteria.

"**Commissioning Agent**" shall mean and refer to the third party engineering firm that performs the Commissioning. The Commissioning Agent will be engaged by Tenant at Tenant's sole expense.

"**Commissioning Complete Letter**" shall mean and refer to a letter from the Commissioning Agent, evidencing successful commissioning of the Data Center Suites' infrastructure, substantially in the form attached hereto as **Attachment "1"** to **Exhibit H**.

"**Commissioning Criteria**" shall mean and refer to the commissioning criteria set forth on **Exhibit E-13**.

"**Customer**" has the meaning assigned to such term in Section 10.4.

"**Data Center Space**" has the meaning assigned to such term in Item 7 of the Basic Lease Information.

"**Deemed Commencement Date**" shall mean and refer to the date derived by subtracting from the date of actual completion of the Commencement Date Conditions the number of days of delay in such completion caused by Tenant Delays (as defined in Exhibit E-6) (i.e., if completion of the Commencement Date Conditions does not actually occur until *February 6, 2013*, but there were five (5) days of delay related to Tenant Delay, the Deemed Commencement Date would be *February 1, 2013*).

"**Default Rate**" has the meaning assigned to such term in Section 3.4.

"**Denny Parking Garage**" has the meaning assigned to such term in Section 3.2.2.1.

"**Digital**" means and refers to Digital Realty Trust, L.P., a Maryland limited partnership.

"**Extension Option**" has the meaning assigned to such term in Section 2.3.1.

"**Extension Term(s)**" has the meaning assigned to such term in Section 2.3.1.

"**Environmental Laws**" has the meaning assigned to such term in Section 5.3.3(c).

"**Event of Default**" has the meaning assigned to such term in Section 15.1.

"**Force Majeure**" has the meaning assigned to such term in Section 18.14.

"**Guarantor**" means Equinix Operating Co., Inc., a Delaware corporation.

"**Handle**," "**Handled**," or "**Handling**" has the meaning assigned to such term in Section 5.3.3(c).

"**Hazardous Materials**" has the meaning assigned to such term in Section 5.3.3(c).

"**Holder**" has the meaning assigned to such term in Section 12.1.

"**Institutional Owner Practices**" has the meaning assigned to such term in Section 7.3.

"**Landlord**" means 2020 Fifth Avenue LLC, a Delaware limited liability company.

"**Landlord Facility Areas**" has the meaning assigned to such term in Item 7 of the Basic Lease Information.

"**Landlord Parties**" or "**Landlord Group**" means and refers to Landlord, its constituent partners or members, their respective affiliates, and their respective directors, officers, shareholders, members, employees, beneficiaries and trustees.

"**Landlord's Actual Knowledge**", or similar phrase, shall mean and refer to the actual current knowledge, as of the Effective Date, of **Kyle Peters**, Vice President of Clise Agency, Inc. (the foregoing individual being an employee of Clise Agency, Inc., who would have direct and specific knowledge regarding the Land, but who shall not have the duty of additional investigation in connection with this Lease).

"**Landlord's Extraordinary Repair Obligations**" has the meaning assigned to such term in Section 7.5.

"**Landlord's Lease Undertakings**" has the meaning assigned to such term in Section 16.2.

"**Landlord's Liability Cap**" has the meaning assigned to such term in Section 16.2.

"**Landlord's Repair Obligations**" has the meaning assigned to such term in Section 7.1.

"**Landlord Space**" means the 2020 Parking Garage (except any Shared Space) on Levels 1, 2 or 3/4 of the Building and the Landlord Facilities Areas.

"**Late Charge Delinquency**" has the meaning assigned to such term in Section 3.4.

"**Late Charge**" has the meaning assigned to such term in Section 3.4.

"**Lease**" has the meaning assigned to such term in the introductory paragraph hereof.

"**Lease Documents**" has the meaning assigned to such term in Section 16.2

"**Lease Guaranty**" has the meaning assigned to such term in Item 9 of the Basic Lease Information.

"**Noticed Holder**" has the meaning assigned to such term in Section 12.2.

"**Occupancy**" has the meaning assigned to such term in Item 8 of the Basic Lease Information.

"**Option Exercise Notice**" has the meaning assigned to such term in Section 2.3.2.

"**Option Rent**" has the meaning assigned to such term in Section 2.3.1.

"**Partial Month**" has the meaning assigned to such term in Item 5 of the Basic Lease Information.

"**Partial Taking**" has the meaning assigned to such term in Section 8.2.3.

"**Per Space Taxes – Real Property**" has the meaning assigned to such term in Section 3.2.2.1.

"**PCBs**" has the meaning assigned to such term in Section 5.3.3(c).

"**Permitted Agreement**" has the meaning assigned to such term in Section 10.4.

"**Permitted Assignee**" has the meaning assigned to such term in Section 10.1.1.

"**Permitted Sublease**" has the meaning assigned to such term in Section 10.5.

"**Permitted Transfer**" has the meaning assigned to such term in Section 10.1.1.

"**Permitted Use**" has the meaning assigned to such term in Section 5.1.

"**Project**" has the meaning assigned to such term in **Exhibit E** attached hereto.

"**Project Work**" means and refers to the work to be performed under and pursuant to the terms **Exhibit E** attached hereto.

"**Project Landlord's Work**" means and refers to all of the Project Work other than the Project Tenant's Work, including, without limitation, the shell and core components of the Project Work, the structural components of the Building, the improvements to be made for the 2020 Parking Garage, the Building-to-Building Skybridge and the elevator, in each case as more particularly described in **Exhibit E**.

"Project Tenant's Work" means and refers to the portion of the Project Work which will be designed, constructed and paid for and owned by Tenant pursuant to the terms **Exhibit E** attached hereto, and generally consists of the mechanical and electrical work and other tenant improvements (including HVAC) providing specialized infrastructure for Tenant's Data Center Space.

"Property" means and refers to the Land and the Building.

"QA/QC Contractor" shall mean and refer to the third party consulting firm that performs Tenant's "quality assurance/quality control" inspections of the Data Center Suites' infrastructure equipment during the various levels of Commissioning. The QA/QC Contractor shall be engaged by Tenant at its sole cost and expense. The QA/QC Contractor shall, as set forth on **Exhibit E-13** (Commissioning Criteria), have the authority to approve or reject any individual component or installation of Major Equipment or system that does not conform to the Project Work final plans and specifications, as modified by Modifications. However, any such rejection must, subject to the terms of Exhibit E-13 (Commissioning Criteria), occur at (a) the time of the delivery (if the objection is related to non-conformance with specifications), or (b) at the time of installation (if the objection is related to the non-conformance with design). Additionally, if the QA/QC Contractor rejects any individual component or system of Major Equipment in accordance with the preceding sentence, the QA/QC Contractor shall, as part of the written objection notice, provide a clear and concise written explanation of the reasons for rejection, including specific reference to the applicable drawing, specification or code that is the basis for the rejection. The QA/QC Contractor will re-inspect the rejected equipment or system, within twenty-four (24) hours after QA/QC Contractor's receipt of notification by the Contractor (as defined in Exhibit E). And, in any event, the QA/QC Contractor shall perform its inspections and re-inspections in accordance with the Project Schedule so as to not delay the Project Work. Any such delay caused by the QA/QC Contractor will be considered a Tenant Delay.

"Releasees" has the meaning assigned to such term in Section 14.1.

"Rent" has the meaning assigned to such term in Section 3.3.

"Base Rent Commencement Date" has the meaning assigned to such term in Item 8 of the Basic Lease Information.

"Repair Period-Actual (Landlord)" shall mean and refer to the period of time that it actually takes to effect the Casualty Restoration Standard-Landlord.

"Repair Period-Estimated (Landlord)" shall mean and refer to the period of time, which Landlord estimates will be required to effect the Casualty Restoration Standard-Landlord.

"Restricted Common Area" means any Shared Space, such as a riser, stairway, corridor or elevator lobby, which is located in the basement, or located on Levels 5, 6, 7 or 8, or located in or on the upper and lower levels of the Roof, as such levels of the Building are depicted on **Exhibit C**. The Restricted Common Areas are within Tenant's security perimeter and subject to its control during the Term or any Extension Term, except that Landlord shall have a right of access thereto pursuant to Section 18.16.

"Roof" means the roof of the Building, as more particularly described in Item 7 of the Basic Lease Information.

"Security Documents" has the meaning assigned to such term in Section 12.1.

"Shared Space" is all space in the Building except the Tenant Space and the Landlord Space, and includes without limitation the elevator and the corridors, elevator vestibules and stairwells identified on **Exhibit C** as Shared Space (but not any elevator lobby within the Tenant Space). The Shared Space on Level 3/4 of the Building shall provide reasonable access between the Tenant Space and the Building-to-Building Skybridge.

"SNDA" has the meaning assigned to such term in Section 12.1.

"Substantial Completion" or **"Substantially Completed"** has the meaning assigned to such term in **Exhibit E**.

"**Successor Party**" has the meaning assigned to such term in Section 10.1.1.

"**Tangible Net Worth**" has the meaning assigned to such term in Section 10.1.1.

"**Taxes – Equipment**" means any form of tax, assessment, general assessment, special assessment, lien, levy, bond obligation, license fee, license tax, excise or other charge or surcharge of Governmental Agencies on equipment, fixtures or other personal property.

"**Taxes – Other**" has the meaning assigned to such term in Section 4.2.

"**Taxes – Real Property**" (individually, a "**Tax – Real Property**") shall mean and refer to all taxes, assessments and governmental charges (foreseen or unforeseen, general or special, ordinary or extraordinary), whether federal, state, county or municipal, and whether levied by taxing districts or authorities presently taxing the Property, or by others subsequently created or otherwise, and any other taxes, surcharges or assessments attributable to the Property or its operation, including but not limited to ad valorem real property taxes, and all taxes of whatsoever nature that are imposed in substitution for or in lieu of any of the taxes, assessments or other charges herein defined; provided, however, Taxes – Real Property shall not include Taxes – Other, Taxes – Equipment, death taxes, excess profits taxes, franchise taxes and state and federal income taxes; except to the extent imposed in substitution for or in lieu of any of the Taxes – Real Property herein defined.

"**Tenant**" means Switch & Data WA One LLC, a Delaware limited liability company.

"**Tenant Affiliate**" has the meaning assigned to such term in Section 10.1.1.

"**Tenant Parties**" or "**Tenant Group**" means and refers to Tenant, its constituent partners or members, their respective affiliates, and each of their respective directors, officers, shareholders, members, employees, beneficiaries and trustees.

"**Tenant Space**" has the meaning assigned to such term in Item 7 of the Basic Lease Information.

"**Tenant's Personal Property**" shall mean, collectively, all cable, wiring, connecting lines, and other installations, tenant fixtures, equipment or property (including, without limitation, generators, cooling equipment, cabinets, racks and cable trays) installed or placed by, for, through, under or on behalf of Tenant or any Tenant Party anywhere in the Building and/or the Tenant Space (other than equipment or property owned, leased or licensed by any of the Landlord Parties), including without limitation the Project Tenant's Work which will be designed, constructed and paid for and owned by Tenant pursuant to the terms **Exhibit E** attached hereto. Additionally, for the purposes of clarity, the parties acknowledge that Tenant's Personal Property includes all equipment or property (other than equipment or property owned, leased or licensed by any of the Landlord Parties) installed and/or placed anywhere in the Building and/or the Tenant Space by any party specifically and solely in order to provide any service to Tenant or any Tenant Party (e.g., data storage/archiving and data recovery type equipment that is utilized by or for Tenant or any Tenant Party in the Tenant Space, but which is actually owned by a third party, other than Landlord or any other member of the Landlord Parties).

"**Tenant's Personal Property Financing**" has the meaning assigned to such term in Section 10.1.2.

"**Tenant's Repair Obligations**" has the meaning assigned to such term in Section 7.2.

"**Term**" has the meaning assigned to such term in Item 5 of the Basic Lease Information.

"**Total Taking**" has the meaning assigned to such term in Section 8.2.1.

"**Transfer**" has the meaning assigned to such term in Section 10.1.

"**Transfer Notice**" has the meaning assigned to such term in Section 10.2.

"**Transferee**" has the meaning assigned to such term in Section 10.1.

"**2033 Sixth Avenue Building**" means the building located at 2033 Sixth Avenue in Seattle, Washington.

"**Westin Building**" means the building located at 2001 Sixth Avenue in Seattle, Washington.

"**Westin Building Garage**" has the meaning assigned to such term in Section 1.26 of **Exhibit E** hereof.

"**Westin Building Landlord**" has the meaning assigned to such term in Section 6.3.

"**Westin Suite 350**" has the meaning assigned to such term in Section 6.3.

"**Westin Suite 350 Lease**" has the meaning assigned to such term in Section 6.3.4.

"**Westin Suite 500**" has the meaning assigned to such term in Section 6.3.

"**Westin Suite 1100**" has the meaning assigned to such term in Section 6.3.

"**Westin Suites 500-1100-1300 Lease**" has the meaning assigned to such term in Section 6.3.1.

[no further text on this page]

STANDARD LEASE PROVISIONS

1. LEASE OF TENANT SPACE.

1.1 **Tenant Space.** In consideration of the covenants and agreements to be performed by Tenant, and upon and subject to the terms and conditions of this Lease, Landlord hereby leases the Tenant Space to Tenant for the Term of this Lease.

1.2 **Condition of Tenant Space.** Tenant has inspected the Land and, subject to Landlord's completion of the Commencement Date Conditions, Tenant shall, upon delivery of the Tenant Space by Landlord, pursuant to Section 2.2, below, be deemed to have accepted the Tenant Space in its then-current condition on an "AS-IS, WHERE IS" basis, except as otherwise expressly set forth in this Lease (including, without limitation, in **Exhibit E**). Landlord shall have no obligation to construct or install any improvements in (or on), or to make any other alterations or modifications to, the Tenant Space, except as otherwise expressly set forth in this Lease. Tenant acknowledges and agrees that, except as specifically set forth in this Lease, no representation or warranty (express or implied) has been made by Landlord as to the condition of the Land, or the suitability or fitness of the planned Tenant Improvements for the conduct of the Permitted Use, Tenant's business or for any other purpose.

1.3 **No Rights to Relocate.** Landlord shall have no right to relocate the Tenant Space.

1.4 **Quiet Enjoyment; Access.** Subject to all of the terms and conditions of this Lease, (a) Tenant shall quietly have, hold and enjoy the Tenant Space in conformity with the Permitted Use without hindrance from Landlord or any person or entity claiming by, through or under Landlord, and (b) Tenant shall have access to the Tenant Space twenty-four (24) hours per day, seven (7) days per week.

1.5 **Appurtenant Rights.** Without limiting the provisions of Section 1.4 above, (a) Tenant shall have the right to use in common with Landlord the Shared Space, including the elevator and the corridors, elevator lobby and stairwells shown as Shared Space on **Exhibit C**, provided that Tenant shall have the exclusive right to control access to the elevator, subject to the exceptions for handicapped persons, maintenance and utility/governmental personnel as provided in the Rules and Regulations attached hereto as **Exhibit F**; (b) Tenant shall also have the exclusive rights under this Lease to use the Building-to-Building Conduits-2020 Portion (more particularly described in Section 6.3 hereof); and (c) Tenant shall have non-exclusive rights of pedestrian use of the Building-to-Building Skybridge. On or before the Effective Date, Landlord shall enter into and record (in the recorder's office of the county in which the Premises is located) all of the easement agreements (in the form reasonably acceptable to Tenant) with the landlords of the Westin Building, the Westin Building Garage and the Westin 2033 Sixth Avenue Building, and within approximately ninety (90) days of the Effective Date the City of Seattle shall have issued the related permit(s), which such easements and permit(s) will give Landlord the right to construct and to access and use (and will give Tenant the right to access and use) the Building-to-Building Skybridge and the Building-to-Building Conduits.

2. TERM.

2.1 **Term.** The term of this Lease, and Tenant's obligation to pay Rent under this Lease (as more particularly set forth in Section 3 below and the Base Rent section (Item 8) of the Basic Lease Information), shall commence as provided in such sections and shall continue in effect for the Term of the Lease, as the same may be extended, or earlier terminated, in accordance with the express terms of this Lease.

2.2 **Delivery of Tenant Space.** Landlord shall tender possession of the Tenant Space with all the work to be performed by Landlord pursuant to **Exhibit E** to this Lease Substantially Completed. Landlord shall use commercially reasonable efforts to cause the Commencement Date Conditions to have been completed prior to the Target Substantial Completion Date (as defined in **Exhibit E**), and Tenant shall have the remedies set forth in **Exhibit E-6** with respect to delays in such completion. Tenant and Landlord shall, at the other party's request, execute and deliver a notice and agreement in the form of **Exhibit E-7** attached hereto, setting forth the actual Commencement Date, actual expiration date, the actual dates on which Tenant takes Occupancy of the 3rd and 4th Data Center Suites, and revised rent schedules, as necessary. Should Tenant or Landlord fail to do so within thirty (30) days after request, the information set forth in such notice and agreement shall be conclusively presumed to be agreed and correct.

2.2.1 **Deemed Commencement Date.** Tenant agrees that, if the date of Landlord's completion of the Commencement Date Conditions is, in effect, pushed back due to delays caused by Tenant Delay, the Commencement Date shall, upon delivery of the Commencement Date Notice, be deemed (for the purpose of determining the first day of the Term and the first day of Rent accrual hereunder) to have been moved up to the Deemed Commencement Date. The foregoing notwithstanding, Landlord and Tenant agree that Landlord's post-Commencement Date obligations hereunder shall, in the event of a Deemed Commencement Date, be deemed to have commenced as of the actual date that the Commencement Date Notice is delivered to Tenant.

2.3 Extension Options.

2.3.1 Subject to and in accordance with the terms and conditions of this Section 2.3, Tenant shall have the number of options (each, an "Extension Option") specified in Item 6 of the Basic Lease Information to extend the Term of this Lease with respect to the entire Tenant Space, each for an additional term of sixty (60) full calendar months (collectively the "Extension Terms", each an "Extension Term"), upon the same terms, conditions and provisions applicable to the then current Term of this Lease (except as provided otherwise herein). The monthly Base Rent payable with respect to the Tenant Space for each year of the Extension Term (the "Option Rent") shall be increased hereunder as of (a) the first (1st) day of each such Extension Term (and for the first year thereof) to be equal to one hundred eight percent (108%) of the Base Rent payable for the immediately preceding month of the Term of the Lease, as extended, and (b) the first (1st) day of each succeeding year during each Extension Term to be equal to one hundred three percent (103%) of the Base Rent payable for the immediately preceding month of such Extension Term. Accordingly, the Base Rent payable in the first, second and third Extension Terms will be in the amounts scheduled in the Base Rent section (Item 8) of the Basic Lease Information under the headings "**1st Extension Term (Lease Years 16-20)**", "**2nd Extension Term (Lease Years 21-25)**" and "**3rd Extension Term (Lease Years 26-30)**" respectively.

2.3.2 Subject to Section 2.3.3 below, Tenant may exercise each Extension Option only by delivering to Landlord a written notice (an "Option Exercise Notice") at least twelve (12) calendar months prior to the then applicable expiration date of the Term, specifying that Tenant is irrevocably exercising its Extension Option so as to extend the Term of this Lease by an Extension Term on the terms set forth in this Section 2.3. In the event that Tenant shall duly exercise an Extension Option, the Term shall be extended to include the applicable Extension Term (and all references to the Term in this Lease shall be deemed to refer to the Term specified in Item 5 of the Basic Lease Information, plus all duly exercised Extension Terms). In the event that Tenant shall fail to deliver an Option Exercise Notice within the applicable time period specified herein for the delivery thereof, time being of the essence, at the election of Landlord, Tenant shall be deemed to have forever waived and relinquished such Extension Option, and any other options or rights to renew or extend the Term effective after the then applicable expiration date of the Term shall terminate and shall be of no further force or effect.

2.3.3 Tenant shall have the right to exercise any Extension Option only with respect to the entire Tenant Space. If Tenant duly exercises an Extension Option, Landlord and Tenant shall execute an amendment reflecting such exercise. Notwithstanding anything to the contrary herein, any attempted exercise by Tenant of an Extension Option shall, at the election of Landlord, be invalid, ineffective, and of no force or effect if, on the date on which Tenant delivers an Option Exercise Notice or on the date on which the Extension Term is scheduled to commence there shall be an uncured Event of Default by Tenant under this Lease.

3. BASE RENT AND OTHER CHARGES.

3.1 **Base Rent.** Commencing on the Base Rent Commencement Date, Tenant shall pay to Landlord base rent (the "Base Rent") for the Tenant Space in accordance with Item 8 of the Basic Lease Information and the Commencement Date Notice. All such Base Rent shall be paid to Landlord in monthly installments in advance on the first day of each and every month throughout the Term of this Lease; provided, however, that if the Base Rent Commencement Date does not commence on the first day of a calendar month, the Base Rent for the first Partial Month shall (i) be calculated on a per diem basis determined by dividing the Base Rent that would otherwise be applicable to the third (3rd) full calendar month of the Term by the total number of calendar days in such Partial Month and multiplying such amount by the number of days remaining in such calendar month from and after (and including) the Base Rent Commencement Date. Tenant shall not pay any installment of Rent (defined in Section 3.3 below) more than one (1) month in advance.

3.2 Additional Rent. Commencing on the Commencement Date, Tenant shall pay to Landlord, as Additional Rent, monthly, in advance on the first day of each month during the Term, an amount equal to one-twelfth (1/12th) of the following amounts as estimated by Landlord: (a) Tenant's Share of Building Property Insurance; (b) Tenant's Share of Taxes – Real Property; (c) Tenant's Share of Skybridge Fee; and (d) Tenant's Share of CAM. Landlord may change its estimate from time to time by written notice to Tenant. Landlord shall reasonably estimate the costs for Building Property Insurance, Taxes – Real Property, Skybridge Fee and CAM for each calendar year during the Term based on the most reliable information available to Landlord. For each calendar year, Landlord shall furnish to Tenant as soon as is reasonably practicable, a written statement showing in reasonable detail the estimated Tenant's Share of Building Property Insurance, Tenant's Share of Taxes – Real Property, Tenant's Share of Skybridge Fee and Tenant's Share of CAM for such calendar year. Such Additional Rent is exclusive of any Taxes – Other, and should such Taxes – Other apply during the Term, such Additional Rent shall be increased by the amount of such Taxes - Other. Within one hundred twenty (120) days after the end of each calendar year during the Term, Landlord shall furnish to Tenant a statement with respect to the actual amounts incurred for Building Property Insurance, Taxes – Real Property, Skybridge Fee and CAM for the preceding calendar year, showing Tenant's share thereof. If Tenant's share of such actual costs for that calendar year exceeds the monthly estimated payments made by Tenant, then Tenant shall pay Landlord the deficiency within thirty (30) days after receipt of the statement. If Tenant's payments made during that calendar year exceed Tenant's share of such actual costs, then, at Landlord's option, either Landlord shall pay Tenant the excess at the time Landlord furnishes the statement to Tenant, or shall credit the excess against the next monthly installment(s) of Base Rent and Additional Rent; provided, however, that at the end of the Term Landlord shall pay Tenant the excess at the time Landlord furnishes the statement to Tenant. Tenant's share of the items specified in Sections 3.2.1 through 3.2.4 below shall be prorated on the basis of a 365-day year to account for any fractional portion of a year included in the Term at its commencement and expiration.

3.2.1 Insurance. Tenant will reimburse Landlord for "**Tenant's Share of Building Property Insurance**", which means ninety percent (90%) of the cost to Landlord of the Building Property Insurance required of Landlord under Section 9.2; in addition, during Project construction, Tenant will reimburse Landlord for builder's risk property insurance in accordance with **Exhibits E and E-3** hereof. Tenant will pay directly one hundred percent (100%) of the property, liability and other insurance required of Tenant under Section 9.1.

3.2.2 Taxes – Real Property. Tenant will reimburse Landlord for "**Tenant's Share of the Taxes – Real Property**" which means an amount equal to one hundred percent (100%) of the Taxes – Real Property for the Property, minus the Taxes – Real Property allocable to the 2020 Parking Garage, which shall be determined in accordance with Section 3.2.2.1 below:

3.2.2.1 Basis for Allocation. On the Effective Date, an affiliate of Landlord owns the parking structure located at 2200 Sixth Avenue in Seattle (the "**Denny Parking Garage**"); and as of the Effective Date, the Denny Parking Garage contains 276 parking spaces. For each calendar year during the Term (for so long as the Denny Parking Garage is owned by an affiliate of Landlord), the Taxes – Real Property assessed against the Denny Parking Garage shall be divided by 276 (the result of which is referred to herein as the "**Per Space Taxes – Real Property**"). The Per Space Taxes – Real Property will then be multiplied by the number of parking spaces from time to time located in the 2020 Parking Garage (which, as of the date of this Lease, is estimated to be 73) to determine the total amount of Taxes – Real Property allocable to the 2020 Parking Garage. If, during the Term, the Denny Parking Garage is redeveloped or used for a purpose other than solely as a parking garage or becomes owned by an entity that is not an affiliate of Landlord, then Landlord shall reasonably choose a different parking structure that is comparable to the Denny Parking Garage (i.e. a reasonably comparable stand-alone parking structure located within ten (10) blocks of the 2020 Parking Garage) to determine the Per Space Taxes – Real Property rate applicable to the parking spaces located in the 2020 Parking Garage.

3.2.3 **Skybridge Fee.** Tenant will reimburse for "**Tenant's Share of Skybridge Fee**" which means an amount equal to fifty percent (50%) of the fee assessed annually to Landlord by the City of Seattle Department of Transportation (or its successor with respect to the assessment and collection of such fees) in connection with Landlord's permit for the Building-to-Building Skybridge (the "**Skybridge Fee**").

3.2.4 **Tenant's Share - CAM.** Tenant will reimburse Landlord for "**Tenant's Share of CAM**" which means ninety percent (90%) of CAM annually incurred by Landlord in respect to performing Landlord's Repair Obligations. "**CAM**" shall mean and be limited to the actual out-of-pocket costs incurred by Landlord in performing Landlord's Repair Obligations, plus a management fee not to exceed three percent (3%) of the foregoing amounts. Notwithstanding anything to the contrary contained in this Lease, CAM chargeable to Tenant shall not include the following: (1) any costs associated with the 2020 Parking Garage; (2) any costs of capital improvements, except that to the extent any such capital improvements are required by law or for the purpose of reducing CAM, then Landlord may amortize such capital improvement over its useful life and include such amortized amount in CAM (not to exceed the actual savings in CAM in the case of a capital improvement made for the purpose of reducing CAM); (3) any cost of providing any service direct to and paid directly by any other tenant of the Project (excluding such tenant's share of CAM); (4) any cost of items for which Landlord is reimbursed by insurance proceeds, condemnation awards, a tenant of the Project or otherwise (excluding any payment by a tenant of that tenant's share of CAM); (5) any real estate brokerage commission or other costs (including, without limitation, the cost of tenant improvements) incurred in procuring tenants, or any fee in lieu of commission; (6) payments of principal or interest on mortgages or ground lease payments (if any); (7) costs incurred by Landlord, including, without limitation, attorneys' fees, accountants' fees and other expenses, due to the violation by Landlord or any tenant of the terms and conditions of any lease of space in the Project, or any law, code, regulation, ordinance or the like, disputes of tenants or other occupants of the Project or associated with the enforcement of the terms of any leases with other tenants or the defense of Landlord's title to or interest in the Project or any part thereof; (8) Landlord's general corporate overhead and general and administrative expenses; (9) any compensation paid to clerks, attendants or other persons in commercial concessions operated by Landlord (including, without limitation, with respect to the 2020 Parking Garage); (10) any costs relating to construction defects, latent or otherwise in the Project Tenant's Work that are part of Landlord's Extraordinary Repair Obligations under Section 7.5 below for which Landlord receives specific notice from Tenant in the first (1st) thirty-six (36) months of the Term; (11) any costs of performing/constructing/installing the Project Work; (12) repairs, alterations, additions, improvements, or replacements needed to rectify or correct any bona fide defects in the original design, materials, or workmanship of any portions of the Project Landlord's Work that are part of Landlord's Repair Obligations (as opposed to normal wear and tear) for which Landlord receives specific notice from Tenant in the first (1st) thirty-six (36) months of the Term; (13) damage and repairs necessitated by the negligence or willful misconduct of any of the Landlord Parties; (14) costs incurred due to a violation by Landlord or any other tenant of the Project of the terms and conditions of a lease; (15) any cost of insurance except the insurance costs expressly recoverable by Landlord under Section 3.2.1 above; (16) any costs incurred to remove, remedy, contain or treat any Hazardous Materials in existence in or upon the Project prior to the Commencement Date (other than those that are placed by any of the Tenant Parties in or upon the Project), or which are placed by any of the Landlord Parties in or upon the Project; and (17) overhead and profit paid to Landlord, to Landlord's subsidiaries or affiliates or to Clise Agency, Inc., for services in or to the Building to the extent that they exceed the charges for comparable services rendered by an unaffiliated third party of comparable skill, competence, stature and reputation.

3.3 **Payments Generally.** Base Rent, all forms of Additional Rent (defined in this Section 3.3, below) payable hereunder by Tenant and all other amounts, fees, payments or charges payable hereunder by Tenant shall (i) each constitute rent payable hereunder (and shall sometimes collectively be referred to herein as "**Rent**"), (ii) be payable to Landlord when due without any prior notice or demand therefor in lawful money of the United States without any abatement, offset or deduction whatsoever (except as specifically provided otherwise herein), and (iii) be payable to Landlord at the address of Landlord specified in Item 12 of the Basic Lease Information (or to such other person or to such other place as Landlord may from time to time designate in writing to Tenant). No receipt of money by Landlord from Tenant after the termination of this Lease, the service of any notice, the commencement of any suit, or a final judgment for possession shall reinstate, continue or extend the Term of this Lease or affect any such notice, demand, suit or judgment. No partial payment by Tenant shall be deemed to be other than on account of the full amount otherwise due, nor shall any endorsement or statement on any check or any letter accompanying any check or payment be deemed an accord and satisfaction, and Landlord shall be entitled to accept such payment without compromise or prejudice to any of the rights of Landlord hereunder or under any Applicable Laws (defined in Section 5.3.2, below). In the event that the Commencement Date or the expiration of the Term (or the date of any earlier termination of this Lease) falls on a date other than the first or last day of a calendar month, respectively, the Rent payable for such partial calendar month shall be prorated based on a per diem basis. For purposes of this Lease, all amounts (other than Base Rent) payable by Tenant to Landlord pursuant to this Lease, whether or not denominated as such, shall constitute "**Additional Rent**."

3.4 **Late Payments.** Tenant hereby acknowledges and agrees that the late payment by Tenant to Landlord of Base Rent or Additional Rent (or any other sums due hereunder) will cause Landlord to incur administrative costs not contemplated under this Lease and other damages, the exact amount of which would be extremely difficult or impractical to fix. Landlord and Tenant agree that if Landlord does not receive any such payment on or before the date that is five (5) days after the date on which such payment is due (a "**Late Charge Delinquency**"), Tenant shall pay to Landlord, as Additional Rent, (i) a late charge ("**Late Charge**") equal to five percent (5%) of the amount overdue to cover such additional administrative costs and damages, and (ii) interest on all such delinquent amounts at an interest rate (the "**Default Rate**") equal to the lesser of (a) one and one-half percent (1¹/₂ %) per month or (b) the maximum lawful rate from the date of the Late Charge Delinquency until the date the same are paid. In no event, however, shall the charges permitted under this Article 3 or elsewhere in this Lease, to the extent the same are considered to be interest under Applicable Law, exceed the maximum lawful rate of interest. Landlord's acceptance of any Late Charge or interest pursuant to this Section 3.4 shall not be deemed to constitute a waiver of Tenant's default with respect to the overdue amount, nor prevent Landlord from exercising any of the other rights and remedies available to Landlord hereunder or under any Applicable Laws. Notwithstanding anything herein to the contrary, Landlord agrees to waive the default interest and late charges for one (1) late payment hereunder during any consecutive twelve (12) calendar month period during the Term, provided such late payment is paid in full within five (5) business days after written notice to Tenant of such failure.

4. **TAXES – EQUIPMENT; TAXES – OTHER.**

4.1 **Taxes – Equipment.** Tenant shall pay prior to delinquency all governmental fees, taxes, tariffs and other charges levied directly or indirectly against any personal property, fixtures, machinery, equipment, apparatus, systems, connections, interconnections and appurtenances located in, or used by Tenant in or in connection with, the Tenant Space ("**Taxes – Equipment**"; individually, a "**Tax – Equipment**"). Tenant shall use its good faith efforts to cause such trade fixtures, furnishings, equipment and all other personal property of Tenant to be assessed and billed separately from the Property.

4.2 **Taxes – Other.** Tenant shall pay to Landlord, as Additional Rent and within thirty (30) days of Landlord's demand therefor, and in such manner and at such times as Landlord shall direct from time to time by written notice to Tenant, all excise, sales, privilege or other tax, assessment or other charge or surcharge (other than income taxes) imposed, assessed or levied by any governmental or quasi-governmental authority or agency upon Landlord on account of (i) the Rent (and other amounts) payable by Tenant hereunder (or any other benefit received by Landlord hereunder), including, without limitation, any gross receipts tax, business and occupation tax, license fee or excise tax levied by any governmental authority, (ii) this Lease, Landlord's business as a lessor hereunder, and/or the possession, leasing, operation, management, maintenance, alteration, repair, use or occupancy of any portion of the Tenant Space (including, without limitation, any applicable possessory interest taxes), (iii) this transaction or any document to which Tenant is a party creating or transferring an interest or an estate in the Tenant Space, or (iv) otherwise in respect of or as a result of the agreement or relationship of Landlord and Tenant hereunder (collectively, the "**Taxes – Other**"; individually a "**Tax – Other**"); provided, however, that, if there is any tax, assessment or charge, which would otherwise be included within the foregoing definition of Taxes – Other that is, wholly or in part, imposed as a substitute tax, assessment or charge for Taxes – Real Property, such Tax – Other will be considered a Tax – Real Property to the extent that such tax, assessment or charge is imposed as a substitute for any Tax – Real Property.

4.2.1 Landlord hereby represents and warrants to Tenant, to the best of Landlord's Actual Knowledge, that there are no Taxes – Other assessed against Landlord as of the Effective Date other than NONE.

5. **PERMITTED USE; COMPLIANCE WITH RULES AND LAWS; HAZARDOUS MATERIALS.**

5.1 **Permitted Use.** Tenant shall use the Tenant Space only in accordance with Applicable Laws for the installation, placement, operation and maintenance of computer, switch and/or communications equipment and connections, and in any case for all purposes necessary or appropriate for datacenter, colocation facility and/or telecommunications center purposes (including without limitation office uses, whether or not such office uses are associated with Tenant's datacenter, colocation and/or telecommunications uses, and other reasonably associated uses, including storage) (collectively, the "**Permitted Use**"). Any other use of the Tenant Space is subject to Landlord's prior written consent, such consent not to be unreasonably withheld, conditioned or delayed.

5.2 **Further Assurances.** Landlord agrees to reasonably cooperate with Tenant with regard to Tenant's need for easements and/or other entitlements regarding the Tenant Space (whether as to construction, alteration and/or operation), including entering into reasonable easement and/or entitlement documentation for such purposes. Landlord and Tenant agree that Landlord shall not charge Tenant any additional Base Rent or other charges related to such documents, except that Landlord shall be entitled to be reimbursed by Tenant for its legal fees in accordance with (and subject to) the terms of Section 18.3, below, and Landlord shall be entitled to be reimbursed (within thirty (30) days after Tenant's receipt of an invoice from Landlord for same) for any other actual third party out of pocket costs necessarily incurred by Landlord (e.g., fees charged by the applicable governmental entity or utility company) in effectuating such documents.

5.3 **Compliance with Rules and Laws; Hazardous Materials.**

5.3.1 **Compliance with Rules and Regulations.** Tenant and its employees and authorized representatives shall comply with the Rules and Regulations set forth on **Exhibit F** attached hereto. Landlord shall have the right to amend the Rules and Regulations from time to time, but only so long as such changes do not materially adversely affect Tenant's use of the Tenant Space. In the event of a conflict between this Lease and the Rules and Regulations, as amended, this Lease shall control.

5.3.2 **Compliance with Laws.** Landlord and Tenant acknowledge and agree that it is the responsibility of Landlord to deliver the Tenant Space to Tenant on the Commencement Date with the Project Work in a Substantially Completed condition that complies with currently Applicable Laws (as defined below). To the extent that it is discovered, after the occurrence of the Commencement Date, that any portion of the Tenant Space did not (on the Commencement Date) comply with Applicable Laws, it shall be Landlord's obligation, at Landlord's sole cost and expense, to cause such non-compliance to be remedied. The foregoing notwithstanding, Landlord and Tenant acknowledge and agree that the terms of **Exhibit E** shall govern and control in the event of any conflict between the preceding two sentences and the requirements of **Exhibit E**. Except as set forth in the first (1st) three (3) sentences of this Section 5.3.2, following Landlord's delivery to Tenant and Tenant's acceptance of the Tenant Space, Tenant, at its sole cost and expense, shall timely take all action required to cause the Tenant Space, all Alterations and Tenant's (and all other Tenant Parties') use of the Tenant Space to comply at all times during the Term of this Lease in all respects with all laws, ordinances, building codes, rules, regulations (including the Americans with Disabilities Act), orders and directives of any governmental authority having jurisdiction (including without limitation any post-Commencement Date final certificate of occupancy), and all covenants, conditions and restrictions affecting the Property now or in the future applicable to the Tenant Space and with all rules, orders, regulations and requirements of any applicable fire rating bureau or other organization performing a similar function (collectively, "**Applicable Laws**"). Additionally, Tenant shall not use the Tenant Space, or permit the Tenant Space to be used, in any manner, or do or suffer any act in or about the Tenant Space which: (i) violates or conflicts with any Applicable Law; (ii) causes or is reasonably likely to cause damage to the Property, the Tenant's Personal Property, the Tenant Space or the Building and/or Property systems and equipment, including, without limitation, all fire/life safety, electrical, HVAC, plumbing or sprinkler, mechanical, and telecommunications systems and equipment (collectively, the "**Building Systems**"); (iii) will invalidate or otherwise violates a requirement or condition of any fire, extended coverage or any other insurance policy covering the Property, the Tenant's Personal Property, the Tenant Space or the Building Systems, or will increase the cost of any of the same (unless Tenant shall agree in writing to pay any such increase to Landlord immediately upon demand as Additional Rent); (iv) amounts to (or results in) the commission of waste in the Tenant Space, the Building or the Property; (v) is other than the Permitted Use; or (vi) causes or is reasonably likely to cause damage to the Westin Building or the 2033 Sixth Avenue Building. Tenant shall be responsible for any losses, costs or damages in the event that unauthorized parties gain access to the Tenant Space or the Building through access cards, keys or other access devices provided to such unauthorized parties by Tenant. Tenant shall promptly upon demand reimburse Landlord as Additional Rent for any additional premium charged for any insurance policy by reason of Tenant's failure to comply with the provisions of this Section 5.3.2.

5.3.2.1 Landlord hereby represents and warrants that, to the best of Landlord's Actual Knowledge, as of the Effective Date, the Property is not in violation of any Applicable Law.

5.3.3 Hazardous Materials.

(a) No Hazardous Materials (defined below) shall be Handled (defined below) upon, about, in, at, above or beneath the Tenant Space or any portion of the Building or the Property by or on behalf of Tenant, its Transferees (defined in Section 10.1, below) or partners, or their respective contractors, clients, officers, directors, partners, employees, servants, representatives, licensees, agents, or invitees (collectively, the "**Tenant Parties**"). Additionally, Tenant shall not use the Tenant Space, or permit the Tenant Space to be used, in any manner which may directly or indirectly lead to any non-compliance with any Environmental Law. Notwithstanding the foregoing, normal quantities of those Hazardous Materials customarily used in the conduct of the Permitted Use may be used at the Tenant Space without Landlord's prior written consent, but only in compliance with all applicable Environmental Laws (defined below). Notwithstanding the foregoing, Tenant shall not have any liability (and shall not be required to remediate any condition) relating to Hazardous Materials which existed in, upon or under the Tenant Space as of the Commencement Date, except for any of same that were placed (and/or resulted from conditions caused) by Tenant or any other Tenant Party.

(b) No Hazardous Materials (defined below) shall be Handled upon, about, in, at, above or beneath the Tenant Space or any portion of the Building or the Property by or on behalf of Landlord or Landlord's partners, or their respective contractors, clients, officers, directors, partners, employees, servants, representatives, licensees, agents, or invitees (collectively, the "**Landlord Parties**"). Additionally, Landlord shall not use the Building, or permit the Building or portions thereof to be used, in any manner which may directly or indirectly lead to any non-compliance with any Environmental Law.

(c) Notwithstanding the foregoing, normal quantities of those Hazardous Materials customarily used in the operation of the Building and/or otherwise by occupants and/or owners of the Building, and/or that would otherwise be consistent with Institutional Owner Practices (defined below in Section 7.3,) may be used at the Building, but only in compliance with all applicable Environmental Laws. "**Environmental Laws**" shall mean and include all now and hereafter existing Applicable Laws regulating, relating to, or imposing liability or standards of conduct concerning public health and safety or the environment. "**Hazardous Materials**" shall mean and include: (1) any material or substance: (i) which is defined or becomes defined as a "hazardous substance," "hazardous waste," "infectious waste," "chemical mixture or substance," or "air pollutant" under Environmental Laws; (ii) containing petroleum, crude oil or any fraction thereof; (iii) containing polychlorinated biphenyls ("**PCBs**"); (iv) asbestos, asbestos-containing materials or presumed asbestos-containing materials (collectively, "**ACM**"); (v) which is radioactive; (vi) which is infectious; or (2) any other material or substance displaying toxic, reactive, ignitable, explosive or corrosive characteristics, and are defined, or become defined by any Environmental Law. "**Handle**," "**Handled**," or "**Handling**" shall mean any installation, handling, generation, storage, treatment, use, disposal, discharge, release, manufacture, refinement, presence, migration, emission, abatement, removal, transportation, or any other activity of any type in connection with or involving Hazardous Materials.

6. UTILITIES - ALLOCATION AND CONNECTIVITY; PAYMENTS AND INTERRUPTIONS.

6.1 **Utilities.** Utilities shall be provided to the Building as set forth in the Project Work described in **Exhibit E**.

6.2 **Allocation of Electrical Service to Tenant.** Two (2) basement vaults from Seattle City Light will supply electricity to the Building. Nine (9) megawatts of electricity shall be allocated to Tenant in connection with its use and operation of the Tenant Space; provided, however, that Tenant's actual electricity consumption for the Tenant Space shall not, at any time, exceed four and one-half megawatts (4.5MW) from either vault (as to each such vault, **4.5 MW** is the "**Electricity Consumption Threshold**"). In the event that Tenant's electricity consumption from either vault at any time exceeds the applicable Electricity Consumption Threshold, Tenant agrees to take immediate action to cause power consumption from such vault to be at or below the relevant Electricity Consumption Threshold. For the avoidance of doubt, Landlord and Tenant acknowledge that all electricity, above the respective Electricity Consumption Thresholds, that is available from such vaults may be used by Landlord for the 2020 Parking Garage and/or for any other purpose.

6.3 Connectivity to Westin Building. Tenant currently leases from an affiliate of Landlord, 2001 Sixth LLC, a Delaware limited liability company (the "**Westin Building Landlord**") certain premises on four different floors of the Westin Building, including certain premises on the fifth floor ("**Westin Suite 500**"), eleventh floor ("**Westin Suite 1100**"), twelfth floor and thirteenth floor of the Westin Building. Concurrently with the execution of this Lease, Tenant will be leasing, from the Westin Building Landlord, certain premises on the third floor of the Westin Building commonly known as Suite 350 ("**Westin Suite 350**"). The parties acknowledge that as part of the Project Landlord's Work, the Contractor will install the Building-to-Building Skybridge, which will connect Level 3/4 of the Building and Level 3 of the Westin Building Garage to the 2033 Sixth Avenue Building and also to Westin Suite 350. As part of the Project Tenant's Work, the Contractor will also install up to six (6) 4-inch conduits, which connect Tenant's Suite 500 in the Building, by two (2) diverse routes with up to three (3) conduits per route (as generally depicted in **Exhibit D**), to Westin Suite 500 and Westin Suite 1100 (the "**Building-to-Building Conduits**"). Subject to the terms and conditions of the Westin Suite 350 Lease (defined below), the Westin Suites 500-1100-1300 Lease (defined below) and this Lease, as more particularly described in Sections 6.3.1 through 6.3.5 below, Tenant shall have the right to use (on an exclusive basis) the Building-to-Building Conduits without any charge or any other cost. Tenant may, at its sole cost and expense (which cost and expense shall include, but not be limited to, any and all permit and other fees payable to the City of Seattle, and all costs of installation and maintenance following such installation) install any cabling and wiring to be located in such Building-to-Building Conduits.

6.3.1 Tenant acknowledges and agrees that the portion of the Building-to-Building Conduits that Tenant has the right to use under the terms of this Lease is limited to those portions of the Building-to-Building Conduits that will be situated within the boundaries of the Land and a portion of one route that will cross the Alley via the roof of the Building-to-Building Skybridge ("**Building-to-Building Conduits - 2020 Portion**") up to but not including the point where the Building-to-Building Conduits will penetrate the boundaries of the land upon which the Westin Building and Westin Building Garage respectively sit. Tenant's right use the Building-to-Building Conduits - 2020 Portion shall continue until the expiration or earlier termination of this Lease. Tenant's right to use the remaining portions of the Building-to-Building Conduits ("**Building-to-Building Conduits - Westin Portion**") is governed by an amendment to Tenant's lease with the Westin Building Landlord for its premises on the fifth, eleventh and thirteenth floors of the Westin Building (the "**Westin Suites 500-1100-1300 Lease**").

6.3.2 Tenant acknowledges that under the terms and conditions of the Westin Suites 500-1100-1300 Lease, as amended, Tenant's right to use the Building-to-Building Conduits - Westin Portion shall expire upon the earlier to occur of the expiration or earlier termination of either (1) this Lease or (2) the Westin Suites 500-1100-1300 Lease.

6.3.3 The terms of Section 6.3.2 above notwithstanding, in the event that the Westin Suites 500-1100-1300 Lease is assigned by Tenant to another party, Tenant's right to use the Building-to-Building Conduits - Westin Portion under the Westin Suites 500-1100-1300 Lease shall expire upon the effective date of such assignment, unless such assignee agrees in writing (at the same time as the effective date of the assignment) that Tenant can continue to use the Building-to-Building Conduits-Westin Portion for the remaining term of the Westin Suites 500-1100-1300 Lease, in which case Tenant's right to use the Building-to-Building Conduits-Westin Portion shall continue for the remaining term of the Westin Suites 500-1100-1300 Lease, subject to the terms of this Section 6.3.

6.3.4 Notwithstanding anything to the contrary in Section 6.3.2 or 6.3.3, upon the termination of Tenant's right to use the Building-to-Building Conduits - Westin Portion after either (i) termination of the Westin Suites 500-1100-1300 Lease or (ii) assignment of the Westin Suites 500-1100-1300 Lease if the assignee does not agree in writing that Tenant can continue to use the Building-to-Building Conduits-Westin Portion for the remaining term of the Westin Suites 500-1100-1300 Lease, then and in either such event, the terms and conditions of Tenant's lease with the Westin Building Landlord for Westin Suite 350 (the "**Westin Suite 350 Lease**") will govern any future right of Tenant to connect cable or wire from the Building-to-Building Conduits - 2020 Portion into anywhere in the Westin Building or Westin Building Garage, including without limitation any "meet-me-room(s)" of the Westin Building, or to connect cable or wire from anywhere in the Westin Building, including without limitation any "meet-me-room(s)" of the Westin Building, into the Building-to-Building Conduits - 2020 Portion.

6.3.5 The Basis of Design (**Exhibit E-2** hereof) assumes, for design purposes only, twelve (12) Building-to-Building Conduits in two diverse routes of six (6) conduits in each route. However, Landlord and Tenant acknowledge and agree that this Lease and the Westin Suites 500-1100-1300 Lease provide Tenant with rights to a maximum of six (6) 4-inch conduits in two diverse routes of up to three (3) conduits in each route. Landlord and Tenant further acknowledge and agree that the Building-to-Building Conduits are an Allowance item in **Exhibit E-3** hereof and that Tenant's present planning, as generally depicted in **Exhibit D** hereof, is that the Contractor, as part of the Project Tenant's Work, will initially install only four (4) 4-inch conduits (two (2) conduits in each of the two (2) diverse routes). In the event only four (4) 4-inch conduits (two (2) conduits in each of the two (2) diverse routes) are installed as part of the Project Tenant's Work, Tenant will have the future right, subject to the terms and conditions of this Lease and the Westin Suites 500-1100-1300 Lease, to install, at Tenant's own expense, up to two (2) additional 4-inch conduits (up to one (1) additional conduit in each of the two (2) diverse routes generally depicted in **Exhibit D**).

6.4 **Installation of Fiber Optic Cable.** Following the delivery of the Tenant Space by Landlord to Tenant, Tenant shall have the right to install, at its sole cost and expense (which cost and expense shall include, but not be limited to, all permit and other fees payable to the City of Seattle, and all costs of installation and maintenance following such installation) but without additional Base Rent applicable thereto, fiber optic cable from the street to the Tenant Space. Such installation shall be subject to Landlord's prior approval with respect to routes, construction engineering and the method of procedure for any building penetrations to be made in connection with such installation, which approval by Landlord shall not be unreasonably withheld, conditioned or delayed.

6.5 **Tenant's Payment Obligations.** Commencing on the Commencement Date, Tenant shall timely pay for all utilities (including, but not limited to, electricity, water and sewage service) provided to and/or used in (or for) the Tenant Space. With respect to electrical power, Landlord shall pay Seattle City Light directly for all costs of Building electricity; and, on a monthly basis, will bill Tenant for the proportionate amount of such costs that are applicable to the Tenant Space, based on the sub-metered amounts supplied to the Tenant Space (without mark-up by Landlord) and charged or otherwise assessed by Seattle City Light, including, but not limited to, usage charges, commitment charges, capacity charges and taxes. Tenant shall pay to Landlord the amounts billed within thirty (30) days from the date of each invoice therefor. Tenant shall also be responsible for providing all financial security, of whatever nature (e.g., letter of credit or other security deposit) and whether based on use, non-use or committed capacity, required by any utility providers for the electrical power or other utility services provided to or reserved for the Tenant Space. Tenant agrees to provide Landlord with evidence of utility payments and of the payment of such financial security required in connection therewith, within thirty (30) days of delivery of a written request therefor from Landlord.

6.6 **Landlord's Payment Obligations.** Landlord shall timely pay for all electricity charges applicable to the use and operation of the 2020 Parking Garage.

6.7 **Interruption of Utilities.** Landlord shall not be liable for damages, nor shall the Rent herein reserved be abated, for any interruption or failure of utility services to be provided to the Tenant Space, including without limitation electricity, nor shall the interruption or failure of utility services to be provided to the Tenant Space be construed as an eviction of Tenant or relieve Tenant from the duty of observing and performing any of the provisions of this Lease to be performed by Tenant hereunder.

7. MAINTENANCE; ALTERATIONS; REMOVAL OF TENANT'S PERSONAL PROPERTY.

7.1 **Landlord's Maintenance.** Landlord shall have no obligation to repair, maintain and/or replace the Tenant Space or any equipment therein or thereon, except as otherwise expressly provided in this Lease. Landlord shall, at its sole cost and expense, maintain (in a manner consistent with the Basis of Design (**Exhibit E-2**) and Plans (**Exhibit E-4**), as modified by Modifications, if any) the foundation of the Building, its exterior façade (with the exception of the repair and maintenance of any mechanical louvers installed on the exterior of any portion of the Tenant Space, which are hereby agreed by the parties to be the responsibility of Tenant to maintain, repair and replace), the structural portion of the Roof (i.e. not the Roof membrane), the Building-to-Building Skybridge, the Shared Spaces that are not Restricted Common Areas, and all portions of (and any equipment associated with) the 2020 Parking Garage. The areas of the Property for which Landlord is assigned the obligation to repair and maintain, pursuant to this Section 7.1, are referred to herein as "**Landlord's Repair Obligations.**" Tenant's allocable share of CAM relating to such Landlord expenses shall be paid as provided in Section 3.2.4 hereof.

7.2 Tenant's Maintenance. During the Term of this Lease, Tenant shall, at Tenant's sole cost and expense, repair, maintain and make any necessary replacements (for which the decision of whether any component should be repaired or replaced shall, except in connection with Landlord's self-help right, described below in this Section 7.2, be made by Tenant in Tenant's sole and absolute discretion) with respect to the Tenant Space (which includes, for such purposes, the membrane of the Roof), the Building's elevator, and all Building Systems (other than any Building Systems that exclusively serve the 2020 Parking Garage), and the Restricted Common Areas, in good order and in a clean and safe condition (and in at least as good order and clean condition as when Tenant took possession), ordinary wear and tear, and damage due to Casualty and Taking (other than damages for which restoration would be required to be consistent with the Casualty Restoration Standard – Tenant under Article 8 hereof) excepted. The areas of the Property for which Tenant is assigned the obligation to repair and maintain, pursuant to this Section 7.2, are referred to herein as "**Tenant's Repair Obligations.**" If Tenant fails to perform its covenants of maintenance and repair hereunder, and if such failure shall continue after written notice to Tenant and thirty (30) days for Tenant to cure such failure (or such additional time as may be reasonably required for Tenant to effectuate such cure), then Landlord may, but shall not be obligated to, perform all necessary or appropriate maintenance and repair, and any third-party out-of-pocket amounts reasonably expended by Landlord in connection therewith, plus an administrative charge of five percent (5%) of such amounts, shall be reimbursed by Tenant to Landlord as Additional Rent within thirty (30) days after Landlord's demand therefor.

7.3 Alterations. Notwithstanding any provision in this Lease to the contrary, Tenant shall not make or cause to be made any alterations, additions, improvements or replacements to the Tenant Space or any other portion of the Building or Property (collectively, "**Alterations**") without the prior written consent and approval of Landlord, which consent and approval may not be unreasonably withheld, conditioned or delayed; provided, however, that Landlord's consent shall not be required for any usual and customary installations, repairs, maintenance, and removals of equipment and telecommunication cables within the Tenant Space if and to the extent that such installations, repairs, maintenance, and removals (i) are usual and customary within the industry, and (ii) will not materially adversely affect the Building's structure or the Building Systems, or (iii) that will not have the result of changing the use of the Tenant Space from that of a functioning data center. For example, Landlord's consent would not be required for the configuration and placement of overhead ladder racks that are usual and customary in datacenters even if attached to the ceiling. For purposes hereof, "**Institutional Owner Practices**" shall mean practices that are consistent with the practices of the majority of the institutional owners of institutional grade, first-class datacenter or telecommunications projects in the United States of America. Landlord and Tenant acknowledge and agree that Tenant may elect, in Tenant's sole and absolute discretion, to either (a) leave all Alterations as part of the Tenant Space upon the expiration or earlier termination of this Lease in good and operable condition, ordinary wear and tear, and damage due to Casualty and Taking (other than damages for which restoration would be required to be consistent with the Casualty Restoration Standard – Tenant under Article 8 hereof), excepted, or (b) remove (and/or restore, as applicable) any Alteration at any time prior to the expiration or earlier termination of this Lease, provided that such Alteration is completely removed and the portion of the Building from which the Alteration is removed is fully restored back to substantially the same condition it was prior to the installation of same, ordinary wear and tear, and damage due to Casualty and Taking (other than damages for which restoration would be required to be consistent with the Casualty Restoration Standard – Tenant under Article 8 hereof), excepted. Additionally, Landlord and Tenant agree that Landlord shall provide its consent (or objections) with regard to Tenant's requests for Alterations consent within ten (10) business days after Landlord's receipt of such request. In the event that Landlord has failed to provide its consent (or objections) within the prescribed ten (10) business day period, Landlord will be deemed to have consented with regard to such request for Alterations consent; provided that (i) such request for Alterations consent contains the phrase "DATED MATERIAL ENCLOSED. RESPONSE IS REQUIRED WITHIN TEN BUSINESS DAYS AFTER LANDLORD'S RECEIPT HEREOF", in all capital letters (no smaller than sixteen (16) point font) in a conspicuous location inside the package in which such request for Alterations consent is provided to Landlord; (ii) such request for Alterations consent contains three (3) full sets of drawings (two full size hard copies, and one full set of drawings on CD); and (iii) in the event that Landlord has not responded within the applicable notice period, Tenant agrees to provide Landlord one (1) additional written notice and one (1) additional business day in which to respond, prior to such deemed approval taking effect. The foregoing notwithstanding, if the Alterations consent request is received by Landlord after month 12 of the Term, and if Landlord engages a third party engineer to review Tenant's request for Alterations consent (and Landlord shall notify Tenant within five (5) business days of receiving Tenant's request for Alterations whether such outside engineering review will be commissioned), Landlord shall provide its consent (or objections) with regard to Tenant's requests for Alterations consent within fifteen (15) business days after Landlord's receipt of such request. In any instance where Tenant desires to conduct Alterations prior to the Commencement Date (and Landlord allows Tenant to do so), Tenant's contractors, laborers, materialmen and others furnishing labor or materials for Tenant's job must work in harmony and not interfere with any labor utilized by Landlord, Landlord's contractors or mechanics; and if at any time such entry by one (1) or more persons furnishing labor or materials for Tenant's work shall cause disharmony or interference for any reason whatsoever without regard to fault, the consent granted by Landlord to Tenant and/or the express or implied permission for such persons to enter the Tenant Space may be withdrawn at any time upon written notice to Tenant. Additionally, all such contractors, laborers, materialmen and others must obtain (and provide Landlord evidence of) such insurance as Landlord may reasonably require, prior to any such entry. Tenant shall have the right to select the contractor for the performance of any approved Alterations, subject to Landlord's approval, which approval shall not be unreasonably withheld, conditioned or delayed. Landlord's approval of the contractors (including subcontractors) for any Alterations shall also be contingent upon Landlord receiving proof that (a) all contractors (including subcontractors) have Workers' Compensation Insurance as required by Washington law and carry adequate liability insurance on substantially the same terms as required of Tenant under Sections 9.1 below. With respect to any Alterations that are requested by Tenant and for which approval is required, and provided, by Landlord, Tenant shall provide "as-built" plans to Landlord within thirty (30) days following the completion thereof.

7.4 Removal of Tenant's Personal Property. Each of Tenant and Landlord agrees that (a) Tenant may elect, in Tenant's sole and absolute discretion, to either leave any of Tenant's Personal Property – Permitted Removal (defined in Section 7.4.1, below) as part of the Tenant Space upon the expiration or earlier termination of this Lease, or remove (and restore any damage caused by such removal) any of Tenant's Personal Property – Permitted Removal at any time prior to the expiration or earlier termination of this Lease, and (b) Tenant shall be required to remove all of Tenant's Personal Property – Required Removal (defined in Section 8.4.1, below) from the Tenant Space prior to the expiration or earlier termination of this Lease, and restore any damage caused by such removal, at any time prior to the expiration or earlier termination of this Lease. For the avoidance of doubt, Tenant acknowledges and agrees that, as it relates to any item of Tenant's Personal Property that is removed, the entire item must be removed and the Property must be properly and completely restored (e.g., if Tenant chooses to remove a generator that is part of Tenant's Personal Property – Permitted Removal, (a) the generator and the connecting lines must be properly de-commissioned and completely removed in their respective and total entirety by a licensed electrician, and (b) the fuel tank(s) must be completely removed (and the Land remediated, as necessary) by a technician/contractor who is properly licensed to conduct such removal and remediation in accordance with all applicable Environmental Laws). For the further avoidance of doubt, Landlord and Tenant acknowledge and agree that an item of Tenant's Personal Property having the status of "Tenant's Personal Property – Permitted Removal" or that of "Tenant's Personal Property – Required Removal" shall not be deemed, in and of itself, to modify Tenant's obligations under this Lease, as it relates to such items of Tenant's Personal Property (i.e., if one of Tenant's fuel tanks develops a leak, Tenant retains the obligation, under Section 5.3.3(a) and Section 7.2, to cause the fuel tank to be repaired and the Land to be remediated, notwithstanding such item's status as an item of "Tenant's Personal Property – Permitted Removal" and/or Tenant's decision not to remove the same at the expiration of the Term of this Lease).

7.4.1 Defined Terms (Tenant's Personal Property).

7.4.1.1. For the purposes hereof, the term "**Tenant's Personal Property-Required Removal**" shall mean and refer to the following items of Tenant's Personal Property: all cable, wiring, connecting lines, cabinets, racks and cable trays.

7.4.1.2 For the purposes hereof, the term "**Tenant's Personal Property-Permitted Removal**" shall mean and refer to all items of Tenant's Personal Property that are not Tenant's Personal Property – Required Removal, including: generators, HVAC equipment, UPSs and PDUs.

7.4.2 Standards and Timing of Removal. As it relates to all items of Tenant's Personal Property that are removed (whether such removal is required or chosen, pursuant to this Section 7.4), Tenant shall, at Tenant's sole cost and expense, promptly cause such removal to occur, and shall cause those portions of the Building and/or the Tenant Space that are damaged by such removal (or by the initial installation) of such Tenant's Personal Property to be restored to substantially the same condition that existed immediately prior to the installation or placement of such items, ordinary wear and tear, and damage due to Casualty and Taking (other than damages for which restoration would be required to be consistent with the Casualty Restoration Standard – Tenant under Article 8 hereof), excepted. In that regard, if Tenant fails to promptly and completely: (a) remove any items of Tenant's Personal Property – Required Removal (e.g., upon the expiration of the Removal Period (as defined in Section 13.2, below), cable, wiring and/or connecting lines remain in the Tenant Space), and/or (b) remove any items of Tenant's Personal Property – Permitted Removal that Tenant undertakes to remove in part (e.g., upon the expiration of the Removal Period, Tenant has removed a generator, but has not removed (and remediated, as necessary) the corresponding fuel tank(s)), and if such failure shall continue after written notice to Tenant and thirty (30) days for Tenant to cure such failure (or, provided Tenant has commenced such removal within such thirty (30) day period, such additional time as may be reasonably required for Tenant to effectuate such cure), Landlord shall, in each such case, have the right to remove such items of Tenant's Personal Property and to restore those portions of the Building, the Property and/or the Tenant Space damaged by such removal (or the initial installation or operation thereof) to substantially the same condition that existed immediately prior to the installation or placement of such item(s) of Tenant's Personal Property, in which case Tenant agrees to reimburse Landlord within thirty (30) days of Landlord's demand therefor, for all of Landlord's costs of removal and restoration plus an administrative fee equal to five percent (5%) of such cost.

7.4.3 Ordinary Course. Subject to the terms of Sections 7.4, 7.4.1 and 7.4.2, Tenant may, from time to time during the Term, remove Tenant's Personal Property from the Tenant Space in the ordinary course of business.

7.5 Repair of Design or Construction Defects. In the event that, within the first thirty-six (36) months of the Term, Tenant reasonably determines and provides written notice to Landlord that there are defects in the construction or design of the Project Tenant's Work which result in the failure of any component of the Project Tenant's Work to perform substantially in accordance with performance levels specified in the Basis of Design (**Exhibit E-2**) and Plans (**Exhibit E-4**), the Landlord shall be obligated to, or shall cause the Contractor or Design Consultants to, repair, redesign, reconstruct and/or replace such components so that such defect is corrected ("**Landlord's Extraordinary Repair Obligations**"). This excludes, however, (a) defects caused by abuse, neglect, negligence or willful misconduct by Tenant or Tenant's Separate Contractors, (b) defects caused by Modifications not executed by Landlord or Contractor, (c) defects caused by improper or insufficient maintenance, improper operation, or normal wear and tear under normal usage, or (d) labor or Material costs for repairing or replacing defective equipment (for example, a defectively manufactured pump or generator, as distinguished from defectively installed equipment), except to the extent such costs are covered under an unexpired manufacturer's warranty.

7.5.1 In the event Tenant provides notice of design or construction defects to Landlord in accordance with this Section 7.5, Landlord shall have a period of thirty (30) days thereafter within which to investigate the claimed design or construction defects, and to meet and confer with Tenant, the Contractor and/or the Design Consultants for the Project Tenant's Work. In such meet and confer period, Tenant shall provide Landlord, the Contractor and/or such Design Consultants with reasonable access to all records of Tenant substantiating the claimed design or construction defects.

7.5.2 At or before the end of such thirty (30) day meet and confer period, Landlord shall commence or cause the Contractor and/or Design Consultants to commence and diligently pursue the repairs, redesigns, reconstruction and/or replacements reasonably required to correct, on a commercially reasonable schedule, any design or construction defects within Landlord's Extraordinary Repair Obligations. Provided such efforts are so commenced by Landlord, the Contractor and/or the Design Consultants and are diligently pursued and completed on a commercially reasonable schedule, then except in the case of an emergency that prevents Tenant from accessing the Tenant Space or that may result in injury to persons or actual damage to property, Tenant shall have no rights of Tenant Self-Help in respect to any design or construction defects which Landlord is obligated to correct under this Section 7.5.

7.5.3 In the event Tenant exercises its rights under this Section 7.5 to require Landlord to correct any design or construction defects in the Project Tenant's Work, Tenant shall reasonably cooperate with Landlord's diligent efforts to correct such defects, including, without limitation, cooperating with any efforts of Landlord to enforce any warranties or indemnities of the Design Consultants and/or the Contractor, its subcontractors, suppliers and/or manufacturers of any components of the Project Tenant's Work, whether such warranties or indemnities are held by Landlord or have been given directly to Tenant by such Contractors, subcontractors, suppliers or manufacturers or assigned to Tenant pursuant to **Exhibit E** hereto.

8. CASUALTY EVENTS; TAKINGS.

8.1 Casualty Events.

8.1.1 **Damage; Standards for Repair.** If at any time during the Term of this Lease, any portion of the Property shall be damaged or destroyed by fire or other casualty (a "**Casualty Event**"), then (a) Landlord shall, subject to the terms of this Article 8, be obligated to promptly, diligently, using good faith, repair and reconstruct those portions of the Property that fall within Landlord's Repair Obligations to substantially the same condition in which they existed immediately prior to the occurrence of the Casualty (such repair and reconstruction standard is referred to herein as the "**Casualty Restoration Standard-Landlord**"), and (b) Tenant shall, subject to part (a) above, be obligated (following Landlord's completion of the Casualty Restoration Standard-Landlord) to repair and reconstruct those portions of the Property that fall within Tenant's Repair Obligations to substantially the same condition in which they existed immediately prior to such Casualty (such repair and reconstruction standard is referred to herein as the "**Casualty Restoration Standard-Tenant**"). The foregoing notwithstanding, while Tenant shall be obligated to complete the Casualty Restoration Standard-Tenant, it shall be Tenant's option, in Tenant's sole and absolute discretion, as to whether Tenant desires to repair, replace, rebuild or otherwise restore any of Tenant's Own Work or any of Tenant's Personal Property and/or Tenant's post-Commencement Date Alterations.

8.1.1.1 **Tenant's Termination Right.** If (a) a Casualty Event causes damage to the Tenant Space, or (b) a Casualty Event causes damage to the Building such that Tenant is prevented from accessing the Tenant Space, then, in each event, Tenant shall have the right to terminate this Lease by, and effective upon, written notice to Landlord if the Repair Period-Estimated (Landlord) exceeds ninety (90) days (in which case Tenant must provide written notice to Landlord of such termination within twenty (20) days after Tenant's receipt of the Casualty Repair Notice (Landlord)). If (a) the Repair Period – Estimated (Landlord) was ninety (90) days or less, but the Repair Period-Actual (Landlord) exceeds ninety (90) days, or (b) the Repair Period-Estimated (Landlord) was more than ninety (90) days and Tenant did not exercise its termination right, but the Repair Period-Actual (Landlord) exceeds the Repair Period-Estimated (Landlord), then, in each event, Tenant shall, until such time as the Casualty Restoration Standard-Landlord has been completed (except for minor punch list items which do not materially interfere with Tenant's use of the Tenant Space), have the right to terminate this Lease by giving Landlord at least ten (10) business days written notice, in which event, such termination shall be effective on the date set forth in such notice unless Landlord has and continues to diligently pursue completion and actually completes the Casualty Restoration Standard-Landlord (except for minor punch list items which do not materially interfere with Tenant's use of the Tenant Space) prior to the end of such 10-business day period.

8.1.1.2 **Landlord's Termination Right.** If (a) the Casualty Repair Notice (Landlord) indicates a Repair Period – Estimated (Landlord) that exceeds one hundred and eighty (180) days, and (b) the Casualty Event occurs at a time when there are 12 months or less remaining in the Term, then Landlord may, by thirty (30) days written notice to Tenant, terminate this Lease. Additionally, destruction of the entirety (or substantially all) of the Building shall automatically terminate this Lease (a "**Casualty-Complete Termination**") (in which case Landlord must provide written notice of such Casualty-Complete Termination within ninety (90) days after the date of the Casualty Event). The foregoing notwithstanding, Tenant shall have the right to negate such a Casualty-Complete Termination by virtue of (a) providing written notice to Landlord, within thirty (30) days after Tenant's receipt of the Casualty-Complete Termination notice, stating Tenant's desire for Landlord to complete the Casualty Restoration Standard – Landlord, rather than allow the Lease to terminate; and (b) including in such notice a waiver by Tenant of the rights to terminate this Lease under Section 8.1.1.1, above. In such case, Tenant agrees that the net period of Base Rent abatement related to such Casualty Event shall not exceed an aggregate of five hundred forty (540) calendar days. In order to achieve such net period of Base Rent abatement, Landlord and Tenant agree that any period of time, in excess of five hundred forty (540) calendar days, during which the Base Rent is abated in connection with such Casualty Event shall, by virtue of written notice from Landlord to Tenant upon Landlord's completion of the Casualty Restoration Standard-Landlord, be deemed to have been added to the end of the Term of this Lease (e.g., in the event that Base Rent is abated for a total of seven hundred (700) calendar days in connection with Landlord's completion of the Casualty Restoration Standard – Landlord, the Term shall (upon the completion of the Casualty Restoration Standard – Landlord) be deemed to have been extended by one hundred sixty (160) additional days).

8.1.1.3 **Base Rent Abatement – Casualty Events.** In the event that this Lease is terminated pursuant to Sections 8.1.1.1 or 8.1.1.2, above, Landlord shall refund to Tenant any prepaid Base Rent, less any sum then owing to Landlord by Tenant. If, however, this Lease is not terminated pursuant to any of said Sections, Base Rent shall be abated proportionately during the Repair Period-Actual (Landlord) to the extent that the Tenant Space (i) is unfit for use by Tenant in the ordinary conduct of Tenant's business, and (ii) actually is not used by Tenant. Notwithstanding anything in this Section 8.1 to the contrary, there shall be no abatement of rent by reason of any portion of the Tenant Space being unusable for a period equal to one day or less.

8.1.2 **Insurance Deductibles.** For the avoidance of doubt, Landlord shall be responsible for the payment of any deductible applicable to the property insurance required of Landlord under Section 9.2, and Tenant will be responsible for the payment of any deductible applicable to the property insurance required of Tenant under Section 9.1.

8.2 Takings.

8.2.1 **Total Taking.** If the entire Building shall be condemned by a governmental authority under its power of eminent domain (a "**Total Taking**"), this Lease shall terminate as of the date of the vesting of title in the condemning authority.

8.2.2 **Partial Taking.** If only a part of the Building shall be the subject of a Taking, this Lease shall continue in full force and effect, subject to the terms of Sections 8.2.3 through 8.2.7 below.

8.2.3 **Tenant's Termination Right – Partial Taking.** If only a portion of the Property is taken under the power of eminent domain or condemned by any competent authority for any public or quasi public use or purpose, or sold to prevent the exercise thereof (a "**Partial Taking**") and if the Partial Taking represents the taking of any portion of the Building or the Property that is vital to the conduct of the Permitted Use, including, without limitation, if, by reason of such Taking, Tenant no longer has reasonable means of access to the Building or no longer has a reasonable location to place its generators, then Tenant may terminate this Lease by notice to Landlord given within sixty (60) days following the date upon which Tenant received notice of such Taking. If Tenant so notifies Landlord, this Lease shall terminate upon the date set forth in the notice, which date shall not be more than thirty (30) days following the giving of such notice. If Tenant does not terminate this Lease in accordance with this Section 8.2.3 (time being of the essence), Landlord and Tenant shall be obligated to restore the Project Work to a condition (accounting for the condemned/taken portion of same) consistent with their respective Casualty Restoration Standards set forth in Section 8.1.1 above.

8.2.4 **Base Rent Abatement – Taking.** If any part of the Tenant Space is taken by condemnation and this Lease remains in full force and effect, on the date of taking the Monthly Base Rent shall be equitably reduced, based in part upon the ratio that the total number of square feet in the Tenant Space taken bears to the total number of square feet in the Tenant Space immediately before the date of taking.

8.2.5 **Taking Award Rights.** With respect to the award from the condemning authority related to a Taking of all or any portion of the Property, any award for a Taking of all or any portion of the Land shall be allocated entirely to Landlord, and any award for a Taking of all or any portion of the Building ("**Building Award**") shall be allocated between Landlord and Tenant on the following basis: Tenant shall be entitled to the portion of the Building Award based upon the then-actual value in their then-present condition of the improvements made to the Building at Tenant's expense (including, without limitation, the Project Tenant Work, Tenant's Own Work, and all Alterations made by Tenant), the then-actual value in their then-present condition of the Tenant's Personal Property, and the costs of Tenant's loss of business relating to such Taking, if and to the extent that such amounts for Tenant's loss of business are included in the Taking, are includable in the Building Award under then-applicable Washington law and are specifically accounted for in the Building Award; and Landlord shall be entitled to the balance of the Building Award. The foregoing notwithstanding, in the event that this Lease is terminated in connection with any Taking, Landlord expressly permits Tenant to make a separate claim against the condemning authority, in any appropriate proceeding, for condemned/taken items of Tenant's Personal Property, the value of Tenant's unamortized, but taken, leasehold improvements or other improvements to the Tenant Space made by Tenant or at Tenant's expense and for Tenant's moving expenses and loss of business related to such Taking, but only if such claim and/or recovery does not reduce the condemnation/taking award otherwise payable to Landlord in connection with such Taking. If any such award that is made, or compensation that is paid, to either party specifically includes an award or amount for the other, the party first receiving the same shall promptly make an accounting of same to the other.

8.2.6 **Tenant's Remedy.** In the event of a Casualty or Taking, Tenant shall not be entitled to any compensation or damages for loss of, or interference with, Tenant's (a) business, or (b) use or access of all or any part of the Tenant Space, in either case, resulting from any such damage, repair, reconstruction or restoration, except as expressly stated herein.

8.2.7 **Waiver.** Landlord and Tenant agree that the provisions of this Article 8 and the remaining provisions of this Lease shall exclusively govern the rights and obligations of the parties with respect to any and all damage to, or destruction of, all or any portion of the Tenant Space, the Building or the Property, and/or any Taking thereof, and Landlord and Tenant hereby waive and release each and all of their respective common law and statutory rights inconsistent herewith, whether now or hereinafter in effect.

9. **INSURANCE.**

9.1 **Tenant's Insurance.** Tenant shall, at Tenant's sole cost and expense, procure and maintain throughout the Term of this Lease, a policies or policies of insurance in accordance with the terms and requirements set forth on **Exhibit G** attached hereto.

9.2 **Landlord's Insurance.** Landlord shall procure and keep in effect from the date of this Lease and at all times until the end of the Term, All Risk or Special Peril Form coverage insuring Landlord and the Building (Landlord's Repair Obligations only) for the full replacement value thereof, without deduction for depreciation and with such deductibles as Landlord determines from time to time in accordance with sound and reasonable risk management principles.

9.3 **Waiver of Subrogation.** Landlord and Tenant each release the other (and their respective agents, employees and representatives) from responsibility for, and waive their entire claim of recovery against the other (and their respective agents, employees and representatives) for (i) any loss or damage to the real or personal property of either located anywhere in Building, arising out of or incident to the occurrence of any of the perils which may be covered by an All Risk or Special Peril Form insurance policy, with extended coverage endorsement in common use in the Seattle locality, or (ii) loss resulting from business interruption at the Tenant Space or loss of rental income from the Building, arising out of or incident to the occurrence of any of the perils which may be covered by a business interruption insurance policy and by the loss of rental income insurance policy in common use in the Seattle locality. Tenant and Landlord shall cause their respective insurance carriers to consent to such release and waiver and to waive all rights of subrogation against the other. The foregoing waivers shall be in addition to, and not a limitation of, any other waivers or releases contained in this Lease.

10. **TRANSFERS.**

10.1 **Restrictions on Transfers; Landlord's Consent.** Except for Permitted Transfers (defined in Section 10.1.1), Permitted Agreements (defined in Section 10.4) and Permitted Subleases (defined in Section 10.5), Tenant shall not sublease all or any part of the Tenant Space, nor assign this Lease, nor enter into any other agreement (a) permitting a third party (other than Tenant's employees and occasional guests) to occupy or use any portion of the Tenant Space, or (b) otherwise assigning, transferring, licensing, mortgaging, pledging, hypothecating, encumbering or permitting a lien to attach to its leasehold interest under this Lease (any such assignment, sublease, license or the like may sometimes be referred to herein as a "**Transfer**" and any person or entity to whom a Transfer is made or sought to be made is referred to herein as a "**Transferee**"), without Landlord's express prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed. The term "Transfer" shall also include any sublease or sub-license of whatever tier. Except for Permitted Transfers and Permitted Agreements, no Transfer (whether voluntary, involuntary or by operation of law) shall be valid or effective without Landlord's prior written consent and, at Landlord's election, any Transfer or attempted Transfer shall constitute an Event of Default of this Lease.

10.1.1 **Permitted Transfer.** Notwithstanding anything to the contrary in this Lease, Tenant shall have the right, with no consent of Landlord being required or necessary (such event, a "**Permitted Transfer**") (however, Landlord shall be given written notice within thirty (30) days of such Permitted Transfer), to sublease all or a portion of the Tenant Space or to assign this Lease by operation of law or otherwise to any of the following entities (each a "**Permitted Assignee**"): (i) an affiliate, subsidiary, or parent of Tenant, or a corporation, partnership or other legal entity wholly owned by Tenant (collectively, a "**Tenant Affiliate**"); provided, however, that the Tangible Net Worth (defined below) of such Tenant Affiliate is not less than the Tangible Net Worth of Tenant as of the Effective Date, or (ii) a successor to Tenant by acquisition or merger, or by a consolidation or reorganization pursuant to which Tenant ceases to exist as a legal entity (each such party a "**Successor Party**") and the Tangible Net Worth of the surviving or created entity is not less than the Tangible Net Worth of Tenant as of the Effective Date. As used herein, (A) "parent" shall mean a company which owns a majority of Tenant's voting equity; (B) "subsidiary" shall mean an entity wholly owned by Tenant or a controlling interest in whose voting equity is owned by Tenant; and (C) "affiliate" shall mean an entity controlled by, controlling or under common control with Tenant. The term "**Tangible Net Worth**" as used herein shall mean the excess of total assets over total liabilities (in each case, determined in accordance with GAAP). Excluded from the determination of total assets are all assets which would be classified as intangible assets under GAAP, including, without limitation, goodwill, licenses, patents, trademarks, trade names, copyrights, and franchises.

10.1.2 **Certain Permitted Financing.** Notwithstanding anything to the contrary in this Lease, the mortgaging, pledging, hypothecating, encumbering or permitting a lien to attach to any of Tenant's Personal Property (in each case, a "**Tenant's Personal Property Financing**") is not a Transfer, and Tenant shall have the right, with no consent of Landlord being required or necessary, to mortgage, pledge, hypothecate, encumber or permit a lien to attach to any of Tenant's Personal Property (other than to its leasehold interest under this Lease), including, without limitation, for equipment financing; provided, however, that Landlord shall not be obligated to permit the secured party in any Tenant's Personal Property Financing to access the Building for the purposes of removing any of Tenant's Personal Property unless and until such secured party has entered into a reasonably acceptable access agreement with Landlord and Tenant. Such access agreement shall expressly prohibit any auction in the Building of Tenant's personal property.

10.2 **Notice to Landlord.** If Tenant desires to make any Transfer (other than a Permitted Transfer, for which Tenant must notify Landlord within twenty (20) days after the occurrence of same, or a Permitted Agreement, for which no notice is necessary other than that which is expressly described in Section 10.4, below, but in each instance for which all materials described in this Section 10.2 must still be provided contemporaneously with such notice), then at least twenty (20) business days (but no more than one hundred eighty (180) days) prior to the proposed effective date of the proposed Transfer, Tenant shall submit to Landlord a written request (a "**Transfer Notice**") for Landlord's consent, which notice shall include: (i) a statement containing: (a) the name and address of the proposed Transferee; (b) current, certified financial statements of the proposed Transferee, and any other information and materials (including, without limitation, credit reports, business plans, operating history, bank and character references) reasonably required by Landlord to assist Landlord in reviewing the financial responsibility, character, and reputation of the proposed Transferee; (c) all of the principal terms of the proposed Transfer; and (d) such other information and materials as Landlord may reasonably request (and if Landlord requests such additional information or materials, the Transfer Notice shall not be deemed to have been received until Landlord receives such additional information or materials) and (ii) four (4) originals of the proposed assignment or other Transfer on a form approved by Landlord and such other Transfer documentation that is executed by Tenant and the proposed Transferee. If Tenant modifies any of the terms and conditions relevant to a proposed Transfer specified in the Transfer Notice, Tenant shall re-submit such Transfer Notice to Landlord for its consent pursuant to all of the terms and conditions of this Article 10.

10.3 No Release; Subsequent Transfers. No Transfer (whether or not a Permitted Transfer) will release Equinix Operating Co., Inc., and/or any successor of Equinix Operating Co., Inc., from the Tenant's obligations under this Lease or alter the primary liability of Equinix Operating Co., Inc., and/or any successor of Equinix Operating Co., Inc., to pay the Rent and to perform all other obligations to be performed by Tenant hereunder. In no event shall the acceptance of any payment by Landlord from any other person be deemed to be a waiver by Landlord of any provision hereof. Consent by Landlord to one Transfer will not be deemed consent to any subsequent Transfer. In the event of breach by any Transferee of Tenant or any successor of Tenant in the performance of any of the terms hereof, Landlord may proceed directly against Equinix Operating Co., Inc., and/or any successor of Equinix Operating Co., Inc., without the necessity of exhausting remedies against such Transferee or successor. The voluntary or other surrender of this Lease by Tenant or a mutual termination thereof shall not work as a merger and shall, at the option of Landlord, either (i) terminate all and any existing agreements effecting a Transfer, or (ii) operate as an assignment to Landlord of Tenant's interest under any or all such agreements.

10.4 Colocation. Additionally, Tenant shall have the right, with no consent of Landlord being required or necessary, to enter into subleases, licenses or similar agreements (collectively a "**Permitted Agreement**") with a customer (i.e., a person or entity that has entered into an agreement with Tenant, or an affiliate of Tenant, for the provision of telecommunication, colocation or any similar or successor services from the Building ("**Customers**"), consistent with the custom and practice of the telecommunications industry, to "co-locate" such Customers' telecommunications equipment within the Building or to otherwise occupy a portion of the Building and to allow such Customers to avail themselves of the services provided by Tenant from the Building consistent with the Permitted Use. Any such Permitted Agreement shall be subject and subordinate in all respects to all of the terms of this Lease but shall not require any prior consent or notice to the Landlord; provided, however, that: (a) no Permitted Agreement shall in any way discharge or diminish any of the obligations of Tenant to Landlord under this Lease and Tenant shall remain directly and primarily liable under this Lease; (b) each Permitted Agreement shall be subject to and subordinate to this Lease and to the rights of Landlord hereunder; (c) each Permitted Agreement shall prohibit the Customer from engaging in any activities on the Tenant Space that are not consistent with the Permitted Use; (d) each Permitted Agreement shall have a term which expires on or prior to the expiration date of the term of this Lease (or the expiration of any extension option if Tenant has irrevocably exercised such extension option) and (e) the Customer's agreement with respect to the use of a portion of the Building may not violate the terms of this Lease or any Applicable Laws. The Customer shall comply with all Applicable Laws. The Permitted Agreements and the Customers' rights thereunder shall be subject and subordinate at all times to the Lease and all of its provisions, covenants and conditions.

10.5 Permitted Subleases. Additionally, Tenant shall have the right, with no consent of Landlord being required or necessary, to enter into subleases or similar agreements (collectively a "**Permitted Sublease**") with a sublessee to provide to customers of such sublessee telecommunication, colocation or any similar or successor services from the Building, consistent with the custom and practice of the telecommunications industry and consistent with the Permitted Use. Any such Permitted Sublease shall not require any prior consent or notice to the Landlord; provided, however, that: (a) no Permitted Sublease shall in any way discharge or diminish any of the obligations of Tenant to Landlord under this Lease and Tenant shall remain directly and primarily liable under this Lease; (b) each Permitted Sublease shall be subject to and subordinate to this Lease and to the rights of Landlord hereunder; (c) each Permitted Sublease shall prohibit the sublessee from engaging in any activities on the Tenant Space that are not consistent with the Permitted Use; (d) each Permitted Sublease shall have a term which expires on or prior to the expiration date of the term of this Lease (or the expiration of any extension option if Tenant has irrevocably exercised such extension option); (e) each Permitted Sublease may not violate the terms of this Lease or any Applicable Laws; and (f) each Permitted Sublease shall be substantially on a form from time to time reasonably approved by Landlord. In the event that any customer of Tenant desires to become a sublessee under a Permitted Sublease, and desires that Landlord agree to execute a commercially reasonable recognition and non-disturbance agreement with such sublessee, then, in such event, such sublessee, the form of sublease, and the form of recognition and non-disturbance agreement shall all be subject to Landlord's consent and approval, not to be unreasonably withheld, conditioned or delayed; by way of illustration and not limitation, Landlord may condition its consent and approval upon: (x) Landlord being granted the right to relocate such sublessee to another reasonable location within the Data Center Suites at the sublessee's or Tenant's sole cost and expense, and (y) Landlord not being deemed (by virtue of such agreement) to have agreed to take on any of Tenant's obligations and/or duties, *vis a vis* the sublessee under such Permitted Sublease. In the event that Landlord does, in fact, consent to and approve such items, Landlord agrees that it will counter-execute and deliver the agreed upon form of recognition and non-disturbance agreement once the document, having been duly executed by Tenant and the proposed sublessee, is received by Landlord.

10.5.1 In connection with the foregoing request for approval of the recognition and non-disturbance agreement, Landlord and Tenant agree that Landlord shall provide its consent (or objections) with regard to Tenant's (or the proposed sublessee's) requests for modifications to the form of such agreement within ten (10) business days after Landlord's receipt of such request (in which case the submission and review process shall start again). In the event that Landlord has failed to provide its consent (or objections) within the prescribed ten (10) business day period, Landlord will be deemed to have consented with regard to the inclusion of such modifications in the recognition and non-disturbance agreement; provided that (i) the e-mailed request for such modifications contains the phrase "RESPONSE IS REQUIRED WITHIN TEN BUSINESS DAYS AFTER LANDLORD'S RECEIPT HEREOF", in all capital letters (no smaller than sixteen (16) point font) in a conspicuous location in the text of the relevant e-mail message to Landlord; and (ii) in the event that Landlord has not responded within the applicable notice period, Tenant agrees to provide Landlord one (1) additional e-mailed notice and one (1) additional business day in which to respond, prior to such deemed approval taking effect. The foregoing notwithstanding, the above-described time periods and deemed approval conditions shall not apply in the event that (a) there is any Holder at the time of the relevant request, and (b) Holder consent and/or approval is required with regard to such request for approval of the recognition and non-disturbance agreement; in which case, Landlord will promptly seek any required approvals from the relevant Holder(s) and will diligently continue to use commercially reasonable efforts to pursue the same

11. ESTOPPEL CERTIFICATES.

11.1 **Estoppel Certificate by Tenant.** At any time and from time to time, within ten (10) days after written request by Landlord, Tenant shall execute, acknowledge and deliver to Landlord a statement in writing certifying all matters reasonably requested by Landlord or any current or prospective purchaser, or the Holder of any Security Document. Tenant acknowledges and agrees that it understands that any statement delivered (or to be delivered) pursuant to this Article 11 may be relied upon by any prospective purchaser of the Building or the Property or by any prospective mortgagee or other like encumbrancer thereof or any assignee of any such encumbrance upon the Building or the Property.

11.2 **Estoppel Certificate by Landlord.** At any time and from time to time, within ten (10) days after written request by Tenant, Landlord shall execute, acknowledge and deliver to Tenant a statement in writing certifying all matters reasonably requested by Tenant or any current or prospective transferee, or purchaser of Tenant or any current or prospective lender to Tenant or transferee, including without limitation the nature of known defaults by Tenant under the Lease, if any. Landlord acknowledges and agrees that it understands that any statement delivered (or to be delivered) pursuant to this Article 11 may be relied upon by any current or prospective transferee, or purchaser of Tenant, or any current or prospective lender to Tenant or transferee.

12. SUBORDINATION AND ATTORNMENT; HOLDER RIGHTS.

12.1 **Subordination and Attornment.** Without the necessity of any additional document being executed by Tenant for the purpose of effecting a subordination, and at the election of Landlord or any mortgagee or beneficiary with a mortgage or deed of trust encumbering the Property or any portion thereof, or any lessor of a ground or underlying lease with respect to the Property or any portion thereof (any such mortgagee, beneficiary or lessor, a "**Holder**"), this Lease will be subject and subordinate at all times to: (i) all ground leases or underlying leases which may now exist or hereafter be executed affecting the Property; (ii) the lien of any mortgage, deed or deed of trust which may now exist or hereafter be executed affecting the Property or any portion thereof; (iii) all past and future advances made under any such mortgages, deeds or deeds of trust; and (iv) all renewals, modifications, replacements and extensions of any such ground leases, master leases, mortgages, deed and deeds of trust (collectively, "**Security Documents**") which may now exist or hereafter be executed which constitute a lien upon or affect the Property or any portion thereof, or Landlord's interest and estate in any of said items, subject to the terms of Section 12.3, below; provided, however, as a condition to Tenant's agreement hereunder to subordinate Tenant's interest in this Lease to any future Security Document not effective as of the Effective Date of this Agreement, Landlord shall obtain from the applicable Lender a subordination, non-disturbance and attornment agreement in recordable form that is reasonably acceptable to Tenant (any such agreement, an "**SNDA**"). Notwithstanding the foregoing, Landlord reserves the right to subordinate any such Security Documents to this Lease. In the event of any termination or transfer of Landlord's estate or interest in the Property, the Building or the Tenant Space by reason of any termination or foreclosure of any such Security Documents (and notwithstanding any subordination of such Security Document to this Lease that may or may not have occurred), at the election of Landlord's successor in interest, Tenant agrees to attorn to and become the tenant of such successor, in which event Tenant's right to possession of the Property will not be disturbed as long as Tenant is not in default under this Lease. Tenant hereby waives any right under any Applicable Law or otherwise to terminate or otherwise adversely affect this Lease and the obligations of Tenant hereunder in the event of any termination or transfer of Landlord's estate or interest in the Property, the Building or the Tenant Space by reason of any termination or foreclosure of any such Security Documents.

12.1.1 Landlord hereby represents and warrants that as of the Effective Date, the Property is not encumbered by a mortgage, deed of trust or other Security Document.

12.2 **Mortgagee and Ground Lessor Protection.** Tenant agrees to give each Holder, by registered or certified mail, or by overnight courier, a copy of any notice of default served upon the Landlord by Tenant, provided that prior to such notice Tenant has been notified in writing of the address of such Holder (hereafter, a "**Noticed Holder**"). Tenant further agrees that prior to Tenant pursuing any remedy for such default provided hereunder, at law or in equity, any Noticed Holder shall have the same time periods (i.e., within Landlord's time periods) set forth in this Lease, or as otherwise set forth in the SNDA, for which to cure or correct such default.

12.3 **SNDA.** At any time that the Building is made subject to any Security Document(s) (including, without limitation, prior to the date hereof), Landlord shall use commercially reasonable good faith efforts to cause the Holder (or prospective Holder) to deliver to Tenant an SNDA, providing in part that so long as Tenant is not in default under this Lease after the expiration of any applicable notice and cure periods, Tenant may remain in possession of the Tenant Space under the terms of this Lease, even if the mortgagee or its successor should acquire Landlord's title to the Building. The foregoing obligation shall apply if the Building is currently subject to any Security Document(s), and Landlord shall use commercially reasonable efforts to cause the Holder (or prospective Holder) to deliver to Tenant an SNDA prior to the Commencement Date. Notwithstanding anything herein to the contrary, the subordination of this Lease to any Security Document hereafter placed upon the Building and Tenant's agreement to attorn to the Holder as provided in this Section 12 shall be conditioned upon the Holder entering into an SNDA. Tenant covenants and agrees to execute and deliver, within ten (10) days of receipt thereof, an SNDA.

13. SURRENDER OF TENANT SPACE; HOLDING OVER.

13.1 **Tenant's Method of Surrender.** Upon the expiration of the Term of this Lease, or upon any earlier termination of this Lease or the termination of Tenant's right to possess the Tenant Space, Tenant shall, subject to the provisions of this Article 13 and Section 7.4, quit and surrender possession of the Tenant Space to Landlord in good working order and clean condition, reasonable ordinary wear and tear, and damage due to Casualty and Taking excepted.

13.2 **Tenant's Personal Property.** Upon the expiration or earlier termination of this Lease, whether by lapse of time or otherwise, Tenant shall promptly and peacefully surrender possession of the Tenant Space to Landlord. In connection therewith, Tenant shall, at its sole cost and expense, on or before the date of expiration or earlier termination of this Lease, have removed all of the Tenant's Personal Property which Tenant is required to or has chosen to remove from the Tenant Space in accordance with Section 7.4 hereof, and Tenant shall have complied with the standards of removal and restoration more particularly set forth in Section 7.4.3 thereof. In the event any items of Tenant's Personal Property remain in the Tenant Space after the expiration or earlier termination of this Lease, then, in addition to the rights and remedies given to Landlord in Section 7.4 hereof in respect to Tenant's Personal Property not properly removed, Landlord shall have the alternative right, at Landlord's election, to treat any or all of Tenant's Personal Property remaining in the Tenant Space as having been abandoned to the Landlord. In such case, Landlord shall have the right to treat such abandoned property as its own and to make such disposition of such property as Landlord may desire without liability for compensation or damages to Tenant.

13.3 Holding Over. If Tenant should remain in possession of all or any portion of the Tenant Space after the expiration of the Term of this Lease (or any earlier termination of this Lease or the termination of Tenant's right to possess the Tenant Space), without the execution by Landlord and Tenant of a new lease or an extension of the Term of this Lease, then Tenant shall be deemed to be occupying the entire Tenant Space as a tenant-at-sufferance, upon all of the terms contained herein, except as to term and Base Rent and any other provision reasonably determined by Landlord to be inapplicable. During any such holdover period, Tenant shall pay to Landlord a monthly Base Rent in an amount equal to one hundred fifty percent (150%) of the Base Rent and Additional Rent payable by Tenant to Landlord during the last month of the Term of this Lease. The monthly rent payable for such holdover period shall in no event be construed as a penalty or as liquidated damages for such retention of possession, nor shall such monthly rent be considered to be any form of consequential or special damages related to such retention of possession. Neither any provision hereof nor any acceptance by Landlord of any rent after any such expiration or earlier termination shall be deemed a consent to any holdover hereunder or result in a renewal of this Lease or an extension of the Term, or any waiver of any of Landlord's rights or remedies with respect to such holdover. Notwithstanding any provision to the contrary contained herein, Landlord expressly reserves the right to require Tenant to surrender possession of the Tenant Space upon the expiration of the Term of this Lease or upon the earlier termination hereof or at any time during any holdover and the right to assert any remedy at law or in equity to evict Tenant and collect damages in connection with any such wrongful holdover after notice from Landlord (including incidental and consequential damages sustained by virtue of Tenant's wrongful holding over after notice from Landlord).

13.4 Survival. The provisions of this Article 13 shall survive the expiration or early termination of this Lease.

14. WAIVERS; INDEMNIFICATION; CONSEQUENTIAL DAMAGES; LIENS.

14.1 Waiver. To the fullest extent permitted by law, Tenant, as a material part of the consideration to Landlord, hereby assumes all risk of, and waives all claims it may have against the Landlord Group for damage to or loss of property (including, without limitation, consequential damages, loss of profits and intangible property) or personal injury or loss of life or other damages of any kind resulting from the Property, the Building or the Tenant Space or any part thereof becoming out of repair, by reason of any repair or alteration thereof, or resulting from any accident within the Property, the Building or the Tenant Space or on or about any space adjoining the same, or resulting directly or indirectly from any act or omission of any person, or due to any condition, design or defect of the Property, the Building or the Tenant Space, or any space adjoining the same, or the mechanical systems of the Building, which may exist or occur, whether such damage, loss or injury results from conditions arising upon the Tenant Space or upon other portions of the Building, or from other sources or places, and regardless of whether the cause of such damage, loss or injury or the means of repairing the same is accessible to Tenant; provided, however, that, subject to Section 9.3 and Section 14.3, such assumption and waiver shall not apply to the extent such claims are caused by the gross negligence or willful misconduct of Landlord or any other member of the Landlord Group. Except to the extent cause caused by the gross negligence or willful misconduct of Landlord or any other member of the Landlord Group, Tenant further waives any claim for damages for any injury to Tenant's business or inconvenience to, or interference with, Tenant's business, any loss of occupancy or quiet enjoyment of the Tenant Space or any other loss occasioned by Landlord's entry under the terms of Section 18.16 below. Tenant agrees that Landlord will not have any responsibility or liability for any damage to Tenant's equipment or interruption of Tenant's operations, which is caused by any other occupant of the Building or the Property or the employees, agents, contractors, technicians, representatives, customers, co-locators or invitees of any such occupant.

14.2 Indemnifications.

14.2.1 Subject to the terms of Section 9.3, and except to the extent caused by the active negligence (defined below), gross negligence or willful misconduct of Landlord or any other member of the Landlord Group, as determined by a court of competent jurisdiction, Tenant hereby agrees to indemnify, defend, and hold harmless Landlord and the Landlord Group from and against (and to reimburse Landlord and the Landlord Group for) any and all claims, actions, suits, proceedings, losses, damages, obligations, liabilities, penalties, fines, costs and expenses (including, without limitation, reasonable attorneys' fees, legal costs, and other reasonable costs and expenses of defending against any claims, actions, suits, or proceedings) (collectively, "**Claims**") arising from, in connection with, or in any manner relating to (or alleged to arise from, to be in connection with, or to be in any manner related to): (i) the use or occupancy of the Tenant Space or any portion of the Building or the Property by (A) Tenant or any person claiming by, through or under Tenant or any other Tenant Party*, or (B) any Customer or any person claiming by, through or under any Customer, its partners, and their respective officers, agents, servants or employees of Tenant or any such person (collectively, the "**Colocating Parties**"); (ii) the gross negligence or willful misconduct of Tenant or any Tenant Parties with respect to the Tenant Space, the Building or the Property, (iii) the acts or omissions of any Customer or any Colocating Parties; (iv) any malfunctioning of Tenant's security system that causes Landlord's security system to malfunction (which would not have occurred but for the installation of Tenant's security system being added to the Shared Space)**; (v) Tenant's failure to surrender the Tenant Space upon the expiration or any earlier termination of this Lease or the termination of Tenant's right to possess the Tenant Space in accordance with the terms of this Lease (including, without limitation, costs and expenses incurred by Landlord in returning the Tenant Space to the condition in which Tenant was to surrender and Claims made by any succeeding tenant founded on or resulting from Tenant's failure to surrender the Tenant Space); and (vi) any Permitted Agreement. In the event that any action or proceeding is brought against Landlord or any member of the Landlord Group by reason of any such Claim, Tenant upon notice from Landlord shall defend such action or proceeding at Tenant's cost and expense by counsel reasonably approved by Landlord. Tenant's obligations under this Section 14.2 shall survive the expiration or termination of this Lease as to any matters arising prior to such expiration or termination or prior to Tenant's vacation of the Tenant Space and the Building. Notwithstanding any provision to the contrary contained in this Section 14.2, nothing contained in this Section 14.2 shall be interpreted or used in any way to affect, limit, reduce or abrogate any insurance coverage provided by any insurer to either Tenant or Landlord. This indemnity provision shall survive the termination or expiration of this Lease. For the purposes of this Section 14.2.1 and Section 14.2.2 below, the term "active negligence" shall mean and refer to a negligent act in which the party at fault has personally participated and which constitutes the violation of a duty expressly provided by this Lease.

* For the avoidance of doubt, Landlord and Tenant hereby agree that the indemnification contained in (i) above applies to Claims (a) by, through or related to any third (3rd) party who owns or holds any ownership interest (including lien rights) in any item or portion of Tenant's Personal Property; and (b) by Tenant or any other Tenant Party (or any individual accessing the Tenant Space on any Tenant Party's behalf) for bodily injury occurring in, on or around the Tenant Space, the Building or otherwise on or at the Property.

** For avoidance of doubt, Landlord and Tenant hereby agree that the indemnification contained in (iv) above does not apply to any Claims arising from (or alleged to arise from) any exercise by Landlord of its right under Section 17 below to tie into (i.e., interface with and receive the video content directly from) any of Tenant's Shared Space cameras.

14.2.2 Subject to the terms of Section 9.3 above, and except to the extent caused by the active negligence, gross negligence or willful misconduct of Tenant, as determined by a court of competent jurisdiction, Landlord hereby agrees to indemnify, defend, and hold harmless Tenant and the Tenant Group from and against (and to reimburse Tenant and the Tenant Group for) any and all Claims arising from, in connection with, or in any manner relating to (or alleged to arise from, to be in connection with, or to be in any manner related to) the gross negligence or willful misconduct of Landlord or any other member of the Landlord Group with respect to the Tenant Space, the Building or the Property. In the event that any action or proceeding is brought against Tenant or any of the Tenant Group by reason of any such Claim, Landlord upon notice from Tenant shall defend such action or proceeding at Landlord's cost and expense by counsel reasonably approved by Tenant. Landlord's obligations under this Section 14.2 shall survive the expiration or termination of this Lease as to any matters arising prior to such expiration or termination or prior to Tenant's vacation of the Tenant Space and the Building. Notwithstanding any provision to the contrary contained in this Section 14.2, nothing contained in this Section 14.2 shall be interpreted or used in any way to affect, limit, reduce or abrogate any insurance coverage provided by any insurer to either Tenant or Landlord. This indemnity provision shall survive the termination or expiration of this Lease.

14.3 **Consequential Damages.** Except for the indemnification obligations expressly set forth in Section 14.2 and this Section 14.3, and except as stated in Section 13.3 hereof, under no circumstances whatsoever shall Landlord or Tenant ever be liable under this Lease for consequential damages, incidental damages, indirect damages or special damages, or for loss of profit, loss of business opportunity or loss of income. The foregoing notwithstanding, with regard to each sub-lessee, customer or other person or entity to which Tenant, any Tenant Affiliate, or any Transferee provides goods or services, which are in any way related to or associated with the use of the Tenant Space, including, but not limited to, those (now or hereafter) conducting transactions or other operations by or through or in connection with equipment located within the Tenant Space (collectively, "**Tenant Space Customers**"), Tenant hereby agrees, except to the extent caused by the gross negligence or willful misconduct of Landlord or any other member of the Landlord Group, to indemnify and hold Landlord and the other members of the Landlord Group harmless with regard to (and to reimburse Landlord and any other members of the Landlord Group for) any and all claims by, through, or under any Tenant Space Customer which are related to the use of the Tenant Space or equipment located within the Tenant Space, for, or with regard to, any and all types of consequential damages, incidental damages, indirect damages or special damages, or for loss of profit, loss of business opportunity or loss of income related to any use of the Tenant Space or equipment located within the Tenant Space.

14.4 **Liens.** Notwithstanding anything to the contrary herein, in no event shall Tenant have any right (express or implied) to create or permit there to be established any lien or encumbrance of any nature against the Tenant Space, the Building or the Property or against Landlord's or Tenant's interest therein or hereunder, including, without limitation, for any improvement or improvements by Tenant, and Tenant shall fully pay the cost of any improvement or improvements made or contracted for by Tenant. Tenant shall require each contractor which it engages to perform any improvements or alterations within the Tenant Space or elsewhere in the Building or the Property, to acknowledge and agree in writing that it is performing its work under its agreement with Tenant solely for the benefit of Tenant and that Tenant is not acting as Landlord's agent. Any mechanics' lien filed against the Tenant Space, the Building or the Property, or any portion of any of the above, for work claimed to have been done, or materials claimed to have been furnished to Tenant, shall be duly discharged or bonded by Tenant within ten (10) days after the filing of the lien; such bonds shall meet the criteria for a Lien Bond more particularly set forth in Section 15.3 of **Exhibit E** hereto.

15. **TENANT DEFAULT.**

15.1 **Events of Default by Tenant.** Each of the following acts or omissions of Tenant or occurrences shall constitute an "**Event of Default**":

15.1.1 Any failure or refusal by Tenant to timely pay any Rent or any other payments or charges required to be paid hereunder, or any portion thereof, within five (5) days following written notice that the same is delinquent.

15.1.2 Any failure by Tenant to perform or observe any other covenant or condition of this Lease to be performed or observed by Tenant (other than those described in Section 15.1.1 above or Sections 15.1.3 or 15.1.4 below) if such failure continues for a period of thirty (30) days following written notice to Tenant of such failure; provided, however, that in the event Tenant's failure to perform or observe any covenant or condition of this Lease to be performed or observed by Tenant cannot reasonably be cured within thirty (30) days following written notice to Tenant, Tenant shall not be in default if Tenant commences to cure same within ten (10) days following receipt of such written notice and thereafter diligently continues to prosecute the curing thereof to completion following such written notice.

15.1.3 The filing or execution or occurrence of any one of the following: (i) a petition in bankruptcy or other insolvency proceeding by or against Tenant, (ii) a petition or answer seeking relief under any provision of the Bankruptcy Act, (iii) an assignment for the benefit of creditors, (iv) a petition or other proceeding by or against Tenant for the appointment of a trustee, receiver or liquidator of Tenant or any of Tenant's property, or (v) a proceeding by any governmental authority for the dissolution or liquidation of Tenant or any other instance whereby Tenant or any general partner of Tenant shall cease doing business as a going concern; provided, however, in each of the foregoing subsections, such order, judgment or decree (entered as a result of a petition or proceeding) shall remain undischarged or unstayed sixty (60) days after it is entered.

15.1.4 Any failure by Tenant to execute and deliver any statement or document described in either Article 11 or Section 12.1 requested to be so executed and delivered by Landlord within the time periods specified therein applicable thereto, where such failure continues for five (5) days after delivery of written notice of such failure by Landlord to Tenant.

15.1.5 The parties hereto acknowledge and agree that all of the notice periods provided in this Section 15.1 are in lieu of, and not in addition to, the notice requirements of any Applicable Laws.

15.2 **Remedies.** Upon the occurrence of any Event of Default by Tenant, Landlord shall have, in addition to any other remedies available to Landlord at law or in equity, the option to pursue any one or more of the remedies:

15.2.1 Accelerate all rent payments due under this Lease; the present value of which shall then become immediately due and payable less what the Tenant can show Landlord could have avoided if Landlord used reasonable efforts, to the extent required by Applicable Law, to mitigate its damages.

15.2.2 Terminate this Lease following written notice to Tenant, in which event Tenant shall immediately surrender the Tenant Space to Landlord, and if Tenant fails so to do, then Landlord may, without prejudice to any other remedy which it may have for possession or arrearages in rent, enter upon and take possession of the Tenant Space and expel or remove Tenant and any other person who may be occupying such Tenant Space or any part thereof, by any lawful means without being liable for prosecution or any claim of damages therefor, and Tenant agrees to pay to Landlord on demand the amount of all loss and damage which Landlord may suffer by reason of such termination, whether through inability to relet the Tenant Space on satisfactory terms or otherwise.

15.2.3 Enter upon and take possession of the Tenant Space and expel or remove Tenant and any other person who may be occupying such Tenant Space or any part thereof, by any lawful means without being liable for prosecution or any claim for damages therefor, and relet the Tenant Space for such terms ending before, on or after the expiration date of the Term, at such rentals and upon such other conditions (including concessions and prior occupancy periods) as Landlord in its sole discretion may determine, and receive the rent therefor; and Tenant agrees to pay to Landlord on demand any deficiency that may arise by reason of such reletting. Landlord shall use reasonable efforts to mitigate its damages, as required by Applicable Law. If Landlord is successful in reletting the Tenant Space at rent that is in excess of that agreed to be paid by Tenant pursuant to the terms of this Lease, Landlord and Tenant each mutually agree that Tenant shall not be entitled, under any circumstances, to such excess rent, and Tenant does hereby specifically waive any claim to such excess rent.

15.2.4 Enter upon the Tenant Space, by any lawful means without being liable for prosecution or any claim for damages therefor, and do whatever Tenant is obligated to do under the terms of this Lease; and Tenant agrees to reimburse Landlord on demand for any actual and reasonable out-of-pocket expenses which Landlord may incur in thus effecting compliance with Tenant's obligations under this Lease, and Tenant further agrees that Landlord shall not be liable for any damages resulting to Tenant from such action, except to the extent caused by the gross negligence or willful misconduct of Landlord, its agents, representatives or employees.

15.2.5 Whether or not Landlord retakes possession of or relets the Tenant Space, Landlord shall have the right to recover unpaid rent and all damages caused by Tenant's Event of Default, including reasonable attorneys' fees. Damages shall include, without limitation, all rentals lost and all reasonable legal expenses and other related costs incurred by Landlord in connection with Tenant's Event of Default, less any net rents obtained by Landlord in mitigating its losses taking into account all costs incurred by Landlord in restoring the Tenant Space to good order and condition, or in remodeling, renovating or otherwise preparing the Tenant Space for reletting, all costs (including without limitation any brokerage commissions) incurred by Landlord, plus interest thereon from the date of expenditure (in the case of a reimbursement owing by Tenant to Landlord hereunder), or from the date the failure of Tenant to make such payment to Landlord became an Event of Default under Section 15.1 above (in the case of any installment of rent or other payment owing by Tenant to Landlord hereunder other than a reimbursement) until fully repaid at the Default Rate.

15.2.6 Pursuit of any of the foregoing remedies shall not preclude pursuit of any of the other remedies herein provided or any other remedies provided by law, such remedies being cumulative and non-exclusive, nor shall pursuit of any remedy herein provided constitute a forfeiture or waiver of any rent due to Landlord hereunder or of any damages accruing to Landlord by reason of the violation of any of the terms, provisions and covenants contained in this Lease. No act or thing done by Landlord or its agents during the Term shall be deemed a termination of this Lease or an acceptance of the surrender of the Tenant Space, and no agreement to terminate this Lease or accept a surrender of said Tenant Space shall be valid unless in writing signed by Landlord. No waiver by Landlord or Tenant of any violation or breach of any of the terms, provisions and covenants herein contained shall be deemed or construed to constitute a waiver of any other violation or breach of any of the terms, provisions and covenants contained in this Lease. Landlord's acceptance of the payment of rent or other payments due hereunder after the occurrence of an Event of Default shall not be construed as a waiver of such Event of Default, unless Landlord so notifies Tenant in writing. Forbearance by Landlord to enforce one or more of the remedies herein provided upon an Event of Default shall not be deemed or construed to constitute a waiver of such Event of Default or of Landlord's right to enforce any such remedies with respect to such Event of Default or any subsequent Event of Default.

16. LANDLORD'S LIABILITY.

16.1 **Landlord Default.** In the event that Landlord shall fail to perform any obligation of Landlord to be performed under this Lease, Tenant's sole and exclusive remedies for any such failure shall be an action for money damages (subject to Sections 14.1 and 14.3), specific performance and/or injunctive relief (Tenant hereby waiving the benefit of any laws granting Tenant a lien upon the property of Landlord and/or upon rental due to Landlord or granting Tenant a right to terminate this Lease upon a default by Landlord); provided, however, that Landlord shall not be in default hereunder (and Tenant shall have no right to pursue any such claim for damages in connection with any such failure) unless and until Tenant shall have delivered to Landlord a written notice specifying such default with particularity, and Landlord shall thereafter have failed to cure such default within thirty (30) days (or, if the nature of Landlord's obligation is such that more than thirty (30) days are reasonably required for its performance, then not unless Landlord shall have failed to commence such performance of such cure within such thirty (30) day period and thereafter diligently continue to pursue the same to completion). In the event Landlord's failure to perform an obligation of Landlord to be performed under this Lease materially adversely affects Tenant's use of the Tenant Space for the Permitted Use, Landlord shall commence to cure such default within ten (10) business days following receipt of written notice from Tenant of such default, and in the event of an emergency, shall commence to cure such default within twenty-four (24) hours following receipt of written notice from Tenant of such default, and shall diligently pursue the curing thereof to completion. Unless and until Landlord shall have so failed to so cure any such failure after such notice, Tenant shall not have any remedy or cause of action by reason thereof. Except as expressly set forth in this Lease, in no event shall Tenant have the right to terminate the Lease nor shall Tenant's obligation to pay Base Rent or other charges under this Lease abate based upon any default by Landlord of its obligations under the Lease.

16.1.1 **Tenant Self-Help.** If Landlord fails to perform or to commence and diligently pursue its repair and/or maintenance obligations under Section 7.1 or elsewhere in this Lease within thirty (30) days following notice from Tenant of same (or such shorter period of time if an emergency exists that prevents Tenant from accessing the Tenant Space or that may result in injury to persons or actual damage to property), then Tenant shall have the right, but shall not be obligated, to perform all such repairs or maintenance ("**Tenant Self-Help**"); provided, however, in any event where Tenant intends to exercise its rights contained herein with regard to equipment located outside of the Tenant Space, Tenant hereby agrees to indemnify, defend, and hold harmless Landlord and the Landlord Group from and against (and to reimburse Landlord and the Landlord Group) for any and all Claims arising directly from Tenant's gross negligence or willful misconduct in the performance of Tenant Self-Help in any portion of the Building or the Property by Tenant or any other Tenant Party or any person engaged by Tenant or any other Tenant Party to perform such Tenant Self-Help. Any amounts actually expended by Tenant to reasonably effect such repair and/or maintenance shall be reimbursed by Landlord to Tenant within thirty (30) days after receipt of Tenant's written demand therefor. If Landlord, within thirty (30) days of such written demand, neither reimburses such amount nor provides written notice to Tenant that Landlord disputes such amount or the legal or factual basis for Tenant's demand, then (and not otherwise) Tenant shall have the right to offset such amount against Rent.

16.2 **Landlord's Liability.** In consideration of the benefits accruing under this Lease to Tenant and notwithstanding anything to the contrary in this Lease or in any exhibits, riders, amendments, or addenda to this Lease (collectively, the "**Lease Documents**"), it is expressly understood and agreed by and between the parties to this Lease that: (i) the recourse of Tenant or its successors or assigns against Landlord (and the liability of Landlord to Tenant, its successors and assigns) with respect to (a) any actual or alleged breach or breaches by or on the part of Landlord of any representation, warranty, covenant, undertaking or agreement contained in any of the Lease Documents, or (b) any matter relating to Tenant's occupancy of the Tenant Space (collectively, the "**Landlord's Lease Undertakings**"), shall be limited solely to an aggregate amount of Landlord's interest in the Property not to exceed an amount equivalent to a thirty percent (30%) equity interest in the Property; (ii) other than Landlord's interest in the Property, Tenant shall have no recourse against any other assets of the Landlord Group (as defined in the Basic Lease Information); (iii) except to the extent of Landlord's interest in the Property, no personal liability or personal responsibility of any sort with respect to any of Landlord's Lease Undertakings or any alleged breach thereof is assumed by, or shall at any time be asserted or enforceable against, the Landlord Group, and (iv) at no time shall Landlord be responsible or liable to Tenant or any Tenant Party for any lost profits, lost economic opportunities or any form of consequential damages as the result of any actual or alleged breach by Landlord of Landlord's Lease Undertakings.

16.3 Transfer of Landlord's Interest. Landlord shall have the right, from time to time, to assign its interest in this Lease in whole or, to a wholly owned subsidiary, in part. Notwithstanding the foregoing, in connection with any assignment in part to a wholly-owned subsidiary, (i) Landlord shall provide a written notice to Tenant specifying the rights and obligations so assigned and (ii) Landlord shall guaranty the performance of the obligations assigned to such wholly-owned subsidiary; provided, however, Landlord's maximum liability under such guaranty shall not exceed the maximum liability it would have had under this Lease if such obligations had not been assigned. Landlord, and each successor to Landlord, shall be fully released from the performance of Landlord's obligations under the Lease Documents arising after the date of such transfer of Landlord's interest in the Property to a third party (and such third party shall be deemed to have assumed such obligations). Landlord shall not be liable for any obligation under the Lease Documents arising after the date of such transfer of its interest in the Property (and such third party shall be deemed to have assumed such obligations), and Tenant agrees to look solely to the successor in interest of Landlord in and to this Lease for all obligations and liabilities accruing on or after the date of such transfer. If any security has been given by Tenant to secure the faithful performance of any of the covenants of this Lease, Landlord may transfer or deliver said security, as such, to Landlord's successor in interest and thereupon Landlord shall be discharged from any further liability with regard to said security. Except as set forth in this Section 16.3, this Lease shall not be affected by any such sale and Tenant agrees to attorn to the purchaser or assignee. Notwithstanding the foregoing, Landlord agrees that it will not assign this Lease (or any part of same) prior to the Commencement Date, except that the foregoing prohibition shall not be deemed to prohibit or affect Landlord's otherwise existing ability to assign this Lease (or any part of same) to an affiliate of Landlord and/or to any Holder or to affect any Holder's ability to assign this Lease in accordance with its relevant Security Documents.

17. TENANT'S SECURITY. As between Landlord and Tenant, Landlord and Tenant acknowledge and agree that Landlord shall not be obligated to provide security for the Building. In that connection, Tenant shall have the right, but shall not be obligated, to (at its sole cost and expense) provide security for the Tenant Space and the Shared Space (including the installation of surveillance cameras). The foregoing notwithstanding, Landlord shall have the right to reasonably approve the Shared Space locations of all such cameras, and shall have the right to tie into (i.e., interface with and receive the video content directly from) all such Shared Space cameras.

18. MISCELLANEOUS.

18.1 Severability. If any term or other provision of this Lease is determined by any court of competent jurisdiction to be invalid, illegal or incapable of being enforced by any legal requirement, all other terms and provisions of this Lease shall nevertheless remain in full force and effect. Upon such determination by a court of competent jurisdiction that any term or other provision is invalid, illegal or incapable of being enforced, Landlord and Tenant shall negotiate in good faith a new provision, to replace the invalid, illegal or unenforceable provision, that, as far as legally possible, (a) most nearly reflects the intent of Landlord and Tenant, (b) restores this Lease as closely as possible to its original intent and effect, and (c) results in the economic and legal substances of the transactions contemplated hereby not being affected in any manner materially adverse to Landlord or Tenant.

18.2 No Waiver. The covenants and obligations of Tenant and Landlord pursuant to this Lease shall be independent of performance by the other of its covenants and obligations pursuant to this Lease. No failure or delay by either Tenant or Landlord to insist on the strict performance of any obligation, covenant, agreement, term or condition of this Lease, or to exercise any right or remedy available upon such non-performance, will constitute a waiver, and no breach or failure by such party to perform will be waived, altered or modified, except by written instrument signed by such party against whom enforcement is sought.

18.3 Attorneys' Fees and Costs. If either Landlord or Tenant initiates any litigation, mediation, arbitration or other proceeding regarding the enforcement, construction or interpretation of this Lease, then the non-prevailing party shall pay the prevailing party's reasonable attorneys' fees and costs (including, without limitation, all expense reimbursements, expert witness fees and litigation costs). In addition, if it should otherwise be necessary or proper for Landlord to consult an attorney concerning this Lease for the review of instruments evidencing a proposed Transfer and/or any proposed sublease, subordination agreement and/or any documentation related to Section 5.2, above, and/or for the purpose of collecting Rent, Tenant agrees to pay to Landlord its reasonable attorneys' fees whether suit be brought or not, to the extent such fees exceed \$1,000.00. The parties further agree that their agreement and associated obligation to pay any such attorneys' fees shall survive the expiration or termination of this Lease.

18.4 Waiver of Right to Jury Trial. IN ORDER TO LIMIT THE COST OF RESOLVING ANY DISPUTES BETWEEN THE PARTIES, AND AS A MATERIAL INDUCEMENT TO EACH PARTY TO ENTER INTO THIS LEASE, TO THE FULLEST EXTENT PERMITTED BY LAW, LANDLORD AND TENANT EACH EXPRESSLY WAIVES ITS RIGHT TO TRIAL BY JURY IN ANY TRIAL HELD AS A RESULT OF A CLAIM ARISING OUT OF, IN CONNECTION WITH, OR IN ANY MANNER RELATED TO THIS LEASE IN WHICH LANDLORD AND TENANT ARE ADVERSE PARTIES. THE FILING OF A CROSS-COMPLAINT BY ONE AGAINST THE OTHER IS SUFFICIENT TO MAKE THE PARTIES "ADVERSE."

18.5 Headings; Time; Survival. The headings of the Articles, Sections and Exhibits of this Lease are for convenience only and do not define, limit or construe the contents thereof. Words of any gender used in this Lease shall be held and construed to include any other gender, and words in the singular number shall be held to include the plural, unless the context otherwise requires. Each of the parties hereto acknowledges that it has read and reviewed this Lease and that it has had the opportunity to confer with counsel in the negotiation of this Lease. Accordingly, this Lease shall be construed neither for nor against Landlord or Tenant, but shall be given a fair and reasonable interpretation in accordance with the meaning of its terms and the intent of the parties. In all instances where Tenant is required to pay any sum or do any act at a particular indicated time or within an indicated period, it is understood that time is of the essence. Any obligations of Tenant accruing prior to the expiration or termination of this Lease shall survive the expiration or termination of this Lease, and Tenant shall promptly perform all such obligations whether or not this Lease has expired.

18.6 Notices. Any notice which may or shall be given under the provisions of this Lease shall be in writing and may be delivered by (i) hand delivery or personal service, (ii) a reputable overnight courier service which provides evidence of delivery, (iii) facsimile (so long as a confirming copy is forwarded by a reputable overnight courier service within twenty-four (24) hours thereafter), or (iv) email (so long as a confirming copy is forwarded by a reputable overnight courier service within twenty-four (24) hours thereafter), if for Landlord, at the address specified in Item 11 of the Basic Lease Information, or if for Tenant, at the address specified in Item 3 of the Basic Lease Information, or at such other addresses as either party may have theretofore specified by written notice delivered in accordance herewith. Such address may be changed from time to time by either party by giving notice as provided herein. Notice shall be deemed given, (a) when delivered (if delivered by hand or personal service), (b) if sent by a reputable overnight courier service, on the business day immediately following the business day on which it was sent, (c) the date the facsimile is transmitted, or (d) the date the e-mail is transmitted.

18.7 Governing Law; Jurisdiction. This Lease shall be governed by, and construed in accordance with, the laws of the state in which the Property is located. In addition, each of Landlord and Tenant hereby submits to local jurisdiction in the state in which the Property is located and agrees that any action by one against the other shall be instituted in the state in which the Property is located and that each shall have personal jurisdiction over the other for any action brought by one against the other in the state in which the Property is located.

18.8 Incorporation; Amendment; Merger. This Lease, along with any exhibits and attachments or other documents referred to herein, all of which are hereby incorporated into this Lease by this reference, constitutes the entire and exclusive agreement between Landlord and Tenant relating to the Tenant Space, and each of the aforementioned documents may be altered, amended or revoked only by an instrument in writing signed by the party to be charged thereby. All prior or contemporaneous oral or written agreements, understandings and/or practices relative to the leasing or use of the Tenant Space are merged herein or revoked hereby. For the avoidance of doubt, Landlord and Tenant hereby agree that (i) this Lease relates exclusively to the Tenant Space, and (ii) the provisions herein do not supersede the terms of any other agreement between Landlord and Tenant related to matters other than the Tenant Space.

18.9 **Brokers.** Each party hereto represents to the other that the representing party has not engaged, dealt with or been represented by any broker in connection with this Lease other than the brokers specified in Item 13 of the Basic Lease Information. Landlord and Tenant shall each indemnify, defend (with legal counsel reasonably acceptable to the other) and hold harmless the other party from and against all claims (including attorneys' fees and all litigation expenses) related to any claim made by any other person or entity for any commission or other compensation in connection with the execution of this Lease or the leasing of the Tenant Space to Tenant if based on an allegation that claimant dealt through the indemnifying party. The provisions of this Section 18.9 shall survive the termination of this Lease.

18.10 **Examination of Lease.** This Lease shall not be binding or effective until each of the parties hereto have executed and delivered an original or counterpart hereof to each other.

18.11 **Recordation.** Neither Tenant nor any person or entity acting through, under or on behalf of Tenant shall record or cause the recordation of this Lease; provided, however, Tenant shall have the right (but not the obligation), at its sole cost and expense, to record a short form memorandum of this Lease in a form reasonably acceptable to Landlord.

18.12 **Authority.** Each of Landlord and Tenant represents to the other party that the person executing this Lease on its behalf is duly authorized to execute and deliver this Lease pursuant to its respective by-laws, operating agreement, resolution or other legally sufficient authority. Further, each party represents to the other party that (i) if it is a partnership, the undersigned are all of its general partners, (ii) it has been validly formed or incorporated, (iii) it is duly qualified to do business in the state in which the Property is located, and (iv) this Lease is being executed on its behalf and for its benefit.

18.13 **Successors and Assigns.** Except as otherwise provided in this Lease, all of the covenants, conditions and provisions of this Lease shall be binding upon, and shall inure to the benefit of the parties hereto and their respective heirs, personal representatives and permitted successors and assigns.

18.14 **Force Majeure.** A party shall incur no liability to the other party with respect to, and shall not be responsible for any failure to perform, any of its obligations hereunder (other than payment obligations or obligations that may be cured by the payment of money (e.g., maintaining insurance)) if such failure is caused by any reason beyond the reasonable control of the party obligated to perform such obligations, including, but not limited to, strike, labor trouble, governmental rule, regulations, ordinance, statute or interpretation, or by fire, earthquake, civil commotion, or failure or disruption of utility services (collectively, "**Force Majeure**"). The amount of time for a party to perform any of its obligations (other than payment obligations) shall be extended by the amount of time it is delayed in performing such obligation by reason of any Force Majeure occurrence whether similar to or different from the foregoing types of occurrences. The foregoing notwithstanding, as it relates to Landlord's completion and delivery of the Project Work, Landlord shall be permitted the excuse of Force Majeure delay with regard to the occurrence of weather only to the extent that such weather-related delays (either due to the severity, frequency or duration thereof) were not reasonably foreseeable on the Effective Date.

18.15 **No Partnership or Joint Venture; No Third Party Beneficiaries.** Nothing contained in this Lease shall be deemed or construed to create the relationship of principal and agent, or partnership, or joint venturer, or any other relationship between Landlord and Tenant other than landlord and tenant. Landlord shall have no obligations hereunder to any person or entity other than Tenant, and no other parties shall have any rights hereunder as against Landlord.

18.16 Access by Landlord. Landlord, Landlord's agents and employees shall have the full right to access at all times to the 2020 Parking Garage so that it may use, operate and rent the same. Landlord, Landlord's agents and employees shall have the right to enter upon any and all parts of the Tenant Space and the Shared Space at any reasonable time upon prior reasonable written notice (except in the case of an emergency when oral notice may be given to on-site personnel, but Landlord shall use commercially reasonable efforts to give prior written notice to Tenant and be accompanied by a representative of Tenant) to gain access to Landlord's switch panel located in the basement switch room, examine the condition thereof, to make any repairs, alterations or additions required to be made by Landlord hereunder, to show the Tenant Space to prospective purchasers or prospective tenants (but only to such prospective tenants during the last year of the Term of the Lease) or mortgage lenders (prospective or current), to determine whether Tenant is complying with all of its obligations under this Lease, to exercise any of Landlord's rights or remedies hereunder and for any other purpose deemed reasonable by Landlord (and in all instances, Tenant's representative shall be allowed to accompany Landlord during any such access). In connection with Landlord's rights hereunder, Landlord shall at all times have and retain a key with which to unlock the outer access door(s) for each Datacenter Suite, each stairwell door in the Building, each exterior door of the Building and each exterior or interior door in the roof levels, basement level and levels 1, 2 and 3/4 of the Building. Notwithstanding anything herein to the contrary, Landlord shall use reasonable efforts to minimize disruption of Tenant's business or occupancy during such entries, and shall at all times abide by Tenant's reasonable security procedures during such entries, provided Landlord has prior written notice of such security procedures. Landlord reserves the right to use in common with Tenant any risers of the Building for the installation of any Landlord-owned conduits, wires, cables, pipes or equipment, except to the extent such use of risers in the Building would materially interfere with Tenant's business operations.

18.17 Rights Reserved by Landlord. For the avoidance of doubt, but without negating any of the rights, duties and/or obligations expressly set forth herein, this Lease shall not be deemed to convey any ownership rights or mineral interest rights in the Property to Tenant.

18.18 Signage Rights. Except as otherwise expressly provided in this Section 18.18, Tenant shall, during the Term of this Lease, have the exclusive right to place any signage within the Tenant Space and on the exterior of the Tenant Space, subject to (a) compliance with applicable laws and governmental requirements, and (b) prior approval by Landlord, not to be unreasonably withheld, conditioned or delayed, of any such signage that Tenant proposes to place on the exterior of the Tenant Space. Except as otherwise expressly provided in this Section 18.18, Landlord shall not have the right to place any signage on the exterior of the Building during the Term of this Lease, unless specifically approved by Tenant, which approval may be withheld in Tenant's sole and absolute discretion. The foregoing notwithstanding, (x) Landlord shall have the right to install standard parking and instructional/directional signage on the exterior of the Building in compliance with Applicable Law, and (y) the initial name of the Building, which Landlord reserves the right to change from time to time with Tenant's prior approval, not to be unreasonably withheld, conditioned or delayed, will be the 2020 Fifth Avenue Building. Without limiting the foregoing, Tenant may withhold its approval for any change of the Building's name to one which includes the name of any competing company reasonably identified by Tenant.

18.19 Counterparts; Delivery by Facsimile or E-mail. This Lease may be executed simultaneously in two or more counterparts each of which shall be deemed an original, but all of which shall constitute one and the same Lease. Landlord and Tenant agree that the delivery of an executed copy of this Lease by facsimile or e-mail shall be legal and binding and shall have the same full force and effect as if an original executed copy of this Lease had been delivered.

18.20 Confidentiality. Each party agrees that (i) the terms and provisions of this Lease are confidential and constitute proprietary information of the parties and (ii) it shall not disclose, and it shall cause its partners, officers, directors, shareholders, employees, brokers and attorneys to not disclose any term or provision of this Lease to any other person without first obtaining the prior written consent of the other party, except that each party shall have the right to disclose such information for valid business, legal and accounting purposes (including but not limited to the financing of the Building) and/or if advisable under any applicable securities laws regarding public disclosure of business information. The foregoing notwithstanding, each of Tenant and Landlord reserves the right to post a press release or press releases (in the form reasonably approved by the other), that discloses the fact that Landlord and Tenant have entered into a lease; provided that same does not disclose the location, economics or square footage related hereto. Any references in such press release or press releases, in excess of the fact that Landlord and Tenant have entered into a lease, require approval by Tenant, which Tenant may withhold in its sole and absolute discretion.

18.21 Each of Landlord and Tenant hereby represents, warrants, and covenants that it and its subsidiaries, owners, partners, officers, directors, employees, agents, representatives, and to the best of their knowledge after commercially reasonable inquiry, their respective contractors and subcontractors, are fully aware of the provisions of the United States Foreign Corrupt Practices Act ("FCPA"), 15 U.S.C. §§78dd-1, et seq., as amended regarding, among other things, payments to government officials, and that they will perform their respective obligations under this Lease in compliance with the FCPA and all applicable international, federal, state and local laws, including but not limited to all bribery and corruption laws.

18.22 **Incorporation of Schedules and Exhibits.** All of the terms and conditions of all of the Schedules and Exhibits to this Lease are hereby incorporated into this Lease. Additional definitions appearing in any Schedules or Exhibits of this Lease will have the same meaning herein, except as the context may otherwise require.

IN WITNESS WHEREOF, the parties hereto have duly executed this Lease on the respective dates set forth below to be effective as of the Effective Date.

LANDLORD:

2020 FIFTH AVENUE LLC,
a Delaware limited liability company

By: CLISE & HAMMER HOLDINGS I LLC,
a Washington limited liability company,
as its member

By: Clise Properties, Inc.,
a Washington corporation
Its Manager

By: /s/ A.M. Clise

A.M. Clise, Chairman and CEO

By: DIGITAL 2020 FIFTH AVENUE INVESTOR, LLC
a Delaware limited liability company

By: Digital Realty Trust, L.P.,
a Maryland limited partnership,
its Manager

By: Digital Realty Trust, Inc.,
a Maryland corporation,
its General Partner

By: /s/ Richard Berk

Name: Richard Berk

Title: VP Portfolio Management

Date: _____

TENANT:

SWITCH & DATA WA ONE LLC
a Delaware limited liability company

By: /s/ Howard B. Horowitz

Name: Howard B. Horowitz

Title: Manager

Date: _____

Subsidiaries of Equinix, Inc.

<u>Name</u>	<u>Jurisdiction</u>
Equinix Operating Co., Inc.	Delaware, U.S.
Equinix RP, Inc.	Delaware, U.S.
Equinix South America Holdings, LLC	Delaware, U.S.
Equinix RP II LLC	Delaware, U.S.
CHI 3, LLC	Delaware, U.S.
NY3, LLC	Delaware, U.S.
SV1, LLC	Delaware, U.S.
LA4, LLC	Delaware, U.S.
Equinix Pacific, Inc.	Delaware, U.S.
CHI 3 Procurement, LLC	Illinois, U.S.
Equinix Asia Pacific Pte Ltd	Singapore
Equinix Singapore Holdings Pte Ltd	Singapore
Equinix Singapore Pte Ltd	Singapore
Equinix Japan KK (in Kanji)	Japan
Equinix Australia Pty Ltd	Australia
Equinix Hong Kong Ltd	Hong Kong
Equinix Europe Ltd	United Kingdom
Equinix Group Ltd	United Kingdom
Equinix (UK) Ltd	United Kingdom
Equinix (Services) Ltd	United Kingdom
Equinix Corporation Ltd	United Kingdom
Equinix Investments Ltd	United Kingdom
Equinix (London) Ltd	United Kingdom
Equinix (Real Estate) GmbH	Germany
Equinix (Germany) GmbH	Germany
Equinix (IBX Services) GmbH	Germany
Upminster GmbH	Germany
Equinix (France) SAS	France
Equinix Paris SAS	France
Interconnect Exchange Europe SL	Spain
Equinix (Switzerland) GmbH	Switzerland
Intelisite BV	The Netherlands
Equinix (Netherlands) BV	The Netherlands
Equinix (Netherlands) Holding Coöperatie U.A	The Netherlands
Equinix (Holdings) B.V.	The Netherlands
Virtu Secure Web Services BV	The Netherlands
Equinix (Real Estate) B.V.	The Netherlands
Equinix (Luxembourg) Holdings S.à r.l.	Luxembourg

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

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

I, Stephen M. Smith, certify that:

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

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

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

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

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

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

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

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

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

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

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

Dated: October 28, 2011

/s/ Stephen M. Smith

Stephen M. Smith
Chief Executive Officer and President

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

I, Keith D. Taylor, certify that:

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

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

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

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

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

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

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

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

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

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

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

Dated: October 28, 2011

/s/ Keith D. Taylor

Keith D. Taylor
Chief Financial Officer

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

In connection with the Quarterly Report of Equinix, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen M. Smith, Chief Executive Officer and President of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Stephen M. Smith

Stephen M. Smith
Chief Executive Officer and President

October 28, 2011

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

In connection with the Quarterly Report of Equinix, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Keith D. Taylor, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Keith D. Taylor

Keith D. Taylor
Chief Financial Officer

October 28, 2011