EQUINIX INC
Form 424B5
September 21, 2007
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File No. 333-146064

CALCULATION OF REGISTRATION FEE

Title of each class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price per Security	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Convertible Subordinated Notes due 2014	$395,986,000(1)(2)	100%	$395,986,000(1)(2)	$12,156.77(3)
Common Stock, par value $.001 per share	(4)	(4)	(4)	(5)

(1) Equals the aggregate principal amount of Convertible Subordinated Notes due 2014 to be registered hereunder. These amounts are estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) of the Securities Act of 1933, as amended (the Securities Act).
(2) Includes $45,986,000 in aggregate principal amount of Convertible Subordinated Notes that may be offered and sold pursuant to the exercise in full of the underwriters option to cover over-allotments.
(3) Calculated pursuant to Rule 457(o) under the Securities Act.
(4) Pursuant to Rule 416 of the Securities Act, the registration statement shall include an indeterminate number of shares of common stock that may be issued or become issuable in connection with stock splits, stock dividends, recapitalizations or similar events.
(5) Pursuant to Rule 457(i) under the Securities Act, no separate registration fee is required for the shares of common stock underlying the Convertible Subordinated Notes because no additional consideration is to be received in connection with the exercise of the conversion privilege.

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$350,000,000

Equinix, Inc.

3.00% Convertible Subordinated Notes due 2014

The notes will bear interest at the rate of 3.00% per annum. Interest on the notes is payable on April 15 and October 15 of each year, beginning on April 15, 2008. The notes will mature on October 15, 2014.

Holders may convert their notes into a number of shares of our common stock determined as set forth in this prospectus, which we refer to as the conversion rate, at their option on any day to and including the business day immediately preceding the maturity date. If, at the time of conversion, the applicable stock price of our common stock is less than or equal to $134.48 per share, which we refer to as the base conversion price, the notes will be convertible into 7.4360 shares of common stock per $1,000 principal amount of the notes, subject to adjustment upon the occurrence of certain events. If, at the time of conversion, the applicable stock price of our common stock exceeds the base conversion price, the conversion rate will be determined pursuant to a formula resulting in the receipt of up to 4.4616 additional shares of common stock per $1,000 principal amount of the notes, subject to adjustment upon the occurrence of certain events and determined as set forth in this prospectus.

We may not redeem the notes at our option. Holders may require us to repurchase some or all of their notes upon the occurrence of a fundamental change at 100% of the principal amount of the notes to be purchased, plus any accrued and unpaid interest to, but excluding, the repurchase date. In addition, if certain fundamental changes occur, we may be required in certain circumstances to increase the conversion rate for any notes converted in connection with such fundamental change by a specified number of shares of our common stock.

The notes will be our unsecured obligations and will be subordinated in right of payment to all of our senior debt and equal in right of payment with all of our subordinated debt.

We have granted to the underwriters named in this prospectus an over-allotment option to purchase up to an additional $45,986,000 principal amount of notes.

Concurrently with this offering, we are offering 3,662,556 shares of our common stock (or a total of 4,211,939 shares if the underwriters exercise their over-allotment option in full) pursuant to a separate registration statement and prospectus. Those shares are not being offered by this prospectus. See Concurrent Stock Offering.

Our common stock is listed on the NASDAQ Global Select Market under the symbol EQIX. The last reported sale price of our common stock on September 20, 2007 was $84.05 per share. The notes will not be listed on any securities exchange.

Investing in the notes involves risks. See Risk Factors beginning on page 10.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Note	Total
Public Offering Price	100.000%	$ 350,000,000
Underwriting Discount	2.625%	$ 9,187,500
Proceeds to Equinix (before expenses)	97.375%	$ 340,812,500

The underwriters expect to deliver the notes to purchasers on or about September 26, 2007.

Sole Book-Running Manager

Citi

Credit Suisse

Jefferies & Company

UBS Investment Bank

Barclays Capital

September 20, 2007

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ABOUT THIS PROSPECTUS

This prospectus incorporates important business and financial information about us and our subsidiaries, including our recently acquired subsidiary, IXEurope plc, that is not included in or delivered with this prospectus. Information incorporated by reference is available without charge to prospective investors upon written request to us at 301 Velocity Way, Fifth Floor, Foster City, California 94404, Attention: Investor Relations, or by telephone at (650) 513-7000.

You should rely only on the information contained or incorporated by reference in this prospectus or in any related free writing prospectus. Neither we nor the underwriters have authorized any other person to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. We are not, and the underwriters are not, making an offer or sale of securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information in this prospectus is accurate as of the date appearing on the front cover of this prospectus only. Our business, financial condition, results of operations and prospects may have changed since that date.

We have not taken any action to permit an offering of the notes outside the United States or to permit the possession or distribution of this prospectus outside the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about and observe any restrictions relating to the offering of the notes and the distribution of this prospectus outside of the United States.

You must comply with all applicable laws and regulations in force in any applicable jurisdiction and you must obtain any consent, approval or permission required by you for the purchase, offer or sale of the notes under the laws and regulations in force in the jurisdiction to which you are subject or in which you make your purchase, offer or sale, and neither we nor the underwriters will have any responsibility therefor.

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We reserve the right to withdraw this offering of notes at any time. We and the underwriters also reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than the amount of notes offered hereby.

Certain persons participating in this offering may engage in transactions that stabilize, maintain or otherwise affect the price of the notes or our common stock. Such transactions may include stabilization and the purchase of notes to cover short positions. For a description of these activities, see Underwriting.

Unless expressly stated or the context otherwise requires, the terms we, our, us, the company and Equinix refer to Equinix, Inc., a Delaware corporation, and its consolidated subsidiaries.

FORWARD-LOOKING STATEMENTS

This prospectus, including the documents incorporated by reference herein, contains forward-looking statements that involve risks and uncertainties. Statements contained in this prospectus or incorporated by reference herein that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including statements regarding Equinix s financial outlook, competitive position, business strategies, expectations, beliefs, intentions or other strategies regarding the future. All forward-looking statements included in this document are based on information available to Equinix on the date hereof, and Equinix assumes no obligation to update any such forward-looking statements. Equinix s actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited to, those set forth in this prospectus under Risk Factors. You should carefully consider the risks described in the Risk Factors section, in addition to the other information set forth in this prospectus and incorporated by reference herein, before making an investment decision.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-3 under the Securities Act relating to the notes and the common stock issuable upon conversion thereof offered by this prospectus. This prospectus is a part of that registration statement, which includes additional information not contained in this prospectus.

We file annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any document we file with the SEC (including exhibits to such documents) at the SEC s Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. Our SEC filings are also available to the public at the SEC s website at *www.sec.gov*.

INCORPORATION BY REFERENCE

The SEC allows us to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below (except the information contained in such documents to the extent furnished and not filed) and any future filings we make with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934:

1. Annual Report on Form 10-K for the year ended December 31, 2006, filed on February 28, 2007.

2. All information in our proxy statement filed with the SEC on April 27, 2007 to the extent incorporated by reference in our Annual Report on Form 10-K for the year ended December 31, 2006.

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3. Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, filed on May 2, 2007.

4. Quarterly Report on Form 10-Q for the quarter ended June 30, 2007, filed on August 1, 2007.

5. Reports on Form 8-K, filed on August 30, 2007, September 7, 2007 and September 14, 2007.

6. A description of our common stock contained in our registration statement on Form 8-A (Registration No. 333-39752) filed on August 9, 2000.

Please refer to our Form 8-K filed on September 14, 2007 for the following information relating to IXEurope:

Audited consolidated balance sheets of IXEurope as of December 31, 2005 and 2006 and the related consolidated income statement, consolidated statement of recognized income and expense and consolidated cash flows for each of the three years in the period ended December 31, 2006;

Unaudited consolidated balance sheet of IXEurope as of June 30, 2007 and the related consolidated income statement, consolidated statement of recognized income and expense and consolidated cash flows for the six month periods ended June 30, 2006 and 2007;

Management s discussion and analysis of financial condition and results of operations for IXEurope for the above periods; and

Unaudited pro forma combined consolidated condensed financial information giving effect to the acquisition of IXEurope, as well as certain other significant transactions of Equinix that occurred or are expected to occur subsequent to June 30, 2007, as if such transactions had been completed as of January 1, 2006 for statements of operations purposes and as of June 30, 2007 for balance sheet purposes.

You may request, and we will provide you with, a copy of these filings, at no cost, by calling us at (650) 513-7000 or by writing to us at the following address:

Equinix, Inc.

301 Velocity Way, Fifth Floor

Foster City, CA 94404

Attn: Investor Relations

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SUMMARY

This summary highlights the information contained or incorporated by reference in this prospectus. Because this is only a summary, it does not contain all of the information that may be important to you. For a more complete understanding of our business and financial affairs, we encourage you to read this entire prospectus, including Risk Factors, together with the documents incorporated by reference into this prospectus, which include historical and pro forma financial statements of us and IXEurope and the notes to those financial statements, before making a decision whether to invest in the notes.

Unless expressly provided, the information contained in this prospectus assumes that the underwriters over-allotment option is not exercised.

Overview

Equinix provides network neutral colocation, interconnection and managed services to enterprises, content companies, systems integrators and the world s largest network providers. Through our 35 Internet Business Exchange hubs, or IBX hubs, in 17 markets in the United States, Europe and the Asia-Pacific region, customers can locate their mission critical infrastructure and directly interconnect with each other for critical traffic exchange requirements. Customers choose Equinix for service reliability and the ability to access multiple networks in one location. Direct interconnection to over 200 networks, which serve more than 90% of the world s Internet routes, enables our customers to increase performance while significantly reducing costs. Based on our network neutral model and the quality of our IBX hubs, we believe we have established a critical mass of customers. We believe that this critical mass and the resulting network effect, combined with a strong financial position, will continue to drive new customer growth and bookings. In addition to our business momentum, significant increases in overall customer demand combined with reduced supply in the data center market has resulted in strong market growth and pricing power. As a result of our largely fixed cost model, any growth in revenue from our current IBX hubs would likely drive incremental margins and increased operating cash flow.

Our network neutral business model is a key differentiator for us when compared to other large providers of colocation services. Because we do not operate a network, we are able to offer our customers direct interconnection to the largest aggregation of bandwidth providers and Internet service providers. The world s top tier Internet service providers, numerous access networks, second tier providers and international carriers, such as AOL, at&t, British Telecom, Cable & Wireless, Comcast, Deutsche Telekom, Level 3, NTT, Qwest, SingTel, Sprint and Verizon, are all currently located at our IBX hubs. Access to such a wide variety of networks has attracted nine of the top 10 Internet properties and numerous other enterprise and government customers, including Amazon.com, Bank of America, Capgemini, Citibank, Deutsche Borse Systems, Electronic Arts, Fox Interactive Media, Fujitsu Asia, Goldman Sachs, Google, IBM, McGraw Hill, Merrill Lynch, MSN, NASA, News Corporation, Salesforce.com, Sony, UBS and Yahoo!.

Our services are primarily comprised of colocation, interconnection and managed IT infrastructure services.

- Colocation services include cabinets, power, operations space and storage space for our customers colocation needs.

- Interconnection services include cross connects and, in certain locations, switch ports on the Equinix Exchange service. These services provide scalable and reliable connectivity that allow our customers to exchange traffic directly with the service provider of their choice or directly with each other.

- Managed IT infrastructure services allow our customers to leverage our significant telecommunications expertise, maximize the benefits of our IBX hubs and optimize their infrastructure and resources.

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The colocation markets across the world have developed differently. In the United States and Asia-Pacific regions, the market for our services has historically been served by large telecommunications carriers who have bundled their telecommunications services and managed services with their colocation offerings. Over the past several years, a number of these telecommunications carriers have eliminated or reduced their colocation footprint to focus on their core businesses. Additionally, many of the competitive providers have failed to scale their businesses and have been forced to exit the market. In Europe, the market has been served by a variety of providers including traditional large telecommunications carriers as well as several network-neutral players of varying size and scale. In each of these regions, we successfully differentiate our service offerings based on our service reliability and access to multiple networks.

Equinix addresses a specific customer segment in the market, namely, those enterprise, content or network companies that need to outsource their critical infrastructure and/or to directly interconnect to multiple parties. There now exists a significant supply and demand imbalance in the customer segment we serve due to the departure or consolidation of several key players from this market, a decline in usable capacity in legacy centers which cannot adequately address the significant power needs of today s customers and a lack of new centers being built. We are focused on a valuable segment of customers who require smaller footprints and value direct interconnection. For example, although some of our larger content customers, including companies such as AOL, Google and MSN operate or are building their own data centers for their large infrastructure deployments or install large footprints in centers being built by real estate investment trusts (REITs), these customers also continue to have a presence in an Equinix data center to use our interconnection services to reach their business partners. The overall reduction in supply in the industry has led to increased pricing and accelerated demand for our centers. Although our growth is primarily driven by existing customers, we have gained many of those customers no longer served by the traditional network-based colocation providers as access to those providers networks is also available in our IBX hubs. Strategically, we will continue to look at attractive opportunities to grow our market share and selectively improve our footprint and service offerings.

Our Strategy

Our objective is to become the premier hub for enterprises, content providers and government agencies to locate their information technology infrastructure operations in order to gain maximum benefits from the choice of networks and partners in the most simple and efficient manner. Key components of our strategy include the following:

Expand to Satisfy our Customers Growth Needs. Our growth is primarily driven by our existing customer base ordering new services and we plan to continue to expand in key markets based on customer demand. We currently have significant expansions underway in 11 of our 17 markets across the world. As a part of our overall expansion strategy, in September 2007, we expanded into the European market with our acquisition of IXEurope plc, a leading provider of colocation services serving 450 customers in four major markets across Europe. Our global expansion strategy is to continue to grow in select existing markets and possibly expand to additional markets based on anticipated customer demand and financial return. We conduct extensive demand studies, property due diligence and financing analysis designed to examine and optimize the mix of variables in our expansion decisions. We expect to execute this expansion strategy in a cost-effective and prudent manner through a combination of acquiring existing centers through lease or purchase, or building new centers based on key criteria, such as demand and potential financial return, in each market.

Continue to Build upon our Critical Mass of Network Providers and Content Companies and Leverage the Network Effect. We have assembled a critical mass of premier network providers and content companies and have become one of the core hubs of the Internet. This critical mass is a key selling point since content companies want to connect with a diverse set of networks to provide the best connectivity to their end-customers and network companies want to sell bandwidth to content customers and interconnect with other networks in the most efficient manner available. As networks, content providers and enterprises locate in our IBX centers, it benefits their suppliers and business partners to do so as well to gain the full economic and performance benefits of direct interconnection. These partners, in turn, pull in their business partners, creating a network effect of customer adoption.

Grow our Enterprise Business. Our customers include several large enterprises including key players in the enterprise sector, such as Bank of America, Capgemini, Citibank, Deutsche Borse Systems, Goldman Sachs, IBM, McGraw Hill, Merrill Lynch, Salesforce.com, Sony, UBS and others. Because of our unique model of direct interconnection, we have attracted a number of large enterprises who require access to multiple networks for their web-enabled applications or to access their business partners. One example is the Financial Exchange service that we offer in IBX centers globally. This service allows financial institutions, such as the Chicago Mercantile Exchange, Deutsche Borse Systems and many others the ability to directly interconnect with networks and financial trading partners to virtually eliminate delay in electronic trading environments. We expect to expand to other enterprise segments including digital media and others and drive growth into 2008.

Promote our IBX Centers as the Highest Performance Data Centers Available. We believe that data center reliability, power availability and network choice are the most important attributes when our customers are choosing a data center provider. Our IBX hubs are next-generation data centers and offer customers advanced security, reliability and redundancy. For example, our security design in the U.S. IBX centers includes five levels of biometrics security to access customer cages and our power infrastructure includes N+1 redundancy for all systems and has delivered 99.9999% uptime over the period from January 1, 2002 through June 30, 2007. In Europe, our centers are ISO 9000:2001 certified. Our global support staff, trained to aid customers with operational support, is available 24 hours a day, 365 days a year. We intend to continue to invest in maintenance and energy efficiency initiatives and customer service support to ensure that we can continue to provide market leading service reliability.

Provide New Products and Services within our IBX Centers. We plan to continue to offer additional products and services that are consistent with our business focus on colocation and interconnection services. Such services would provide additional value to our customers as they manage their infrastructure with our IBX hubs. Examples of recent new services include our IBX Link service which allows customers to easily move traffic between IBX centers located in the same metro area and the Financial Exchange service which allows direct interconnection with electronic financial exchanges.

Recent Developments

IXEurope Acquisition

On September 14, 2007, our wholly-owned subsidiary in the United Kingdom closed the purchase of the entire issued and to be issued share capital of IXEurope plc, which we refer to as the IXEurope acquisition. Under the final terms of the IXEurope acquisition, IXEurope shareholders will receive 140 British pence in cash for each IXEurope share valuing the share capital of IXEurope on a fully diluted basis at approximately 270.1 million British pounds or approximately $548.4 million (based on exchange rates as of September 13, 2007). We have until September 28, 2007 to pay the purchase price for the IXEurope acquisition, and we plan to use the proceeds of this offering and our concurrent common stock offering for that purpose. IXEurope operates data centers in the United Kingdom, France, Germany and Switzerland. Equinix will integrate IXEurope s business and operations under the Equinix brand. The current IXEurope management team is expected to join Equinix and continue to operate the European business.

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San Jose Property Acquisition

In July 2007, we closed on the $65.0 million conditional purchase agreement we signed in January 2007 to purchase the building and property where our original Silicon Valley IBX center is located. We refer to this transaction as the San Jose property acquisition.

Chicago IBX Financing

In July and August 2007, we received additional advances totaling $19.1 million, bringing the cumulative loan payable to date under the Chicago IBX financing to $88.3 million with a blended interest rate of 8.125% per annum. As a result, the remaining amount available to borrow from the Chicago IBX financing totals $21.7 million.

Asia-Pacific Financing

In August 2007, two of our wholly-owned subsidiaries, located in Singapore and Tokyo, Japan, entered into a multi-currency credit facility agreement for approximately $40.0 million in local currency equivalents. We refer to this transaction as the Asia-Pacific financing. The Asia-Pacific financing has a four-year term that allows these two subsidiaries to borrow up to approximately 23.0 million Singapore dollars and 2.9 billion Japanese yen during the first 12-month period with repayment to occur over the remaining three years in twelve equal quarterly installments. Amounts undrawn at the end of the first 12-month period shall be canceled and will no longer be available for borrowing. The Asia-Pacific financing bears interest at a floating rate (the relevant three-month local cost of funds for Singapore and Japan, as applicable, plus a margin ranging from 1.85% to 2.50%) with interest payable quarterly. The Asia-Pacific financing may be used by these two subsidiaries to fund capital expenditures on leasehold improvements, equipment, and other installation costs related to IBX expansion plans in Singapore and Tokyo. The Asia-Pacific financing has several financial covenants with which we must comply quarterly, is guaranteed by Equinix and is secured by the assets of the two subsidiaries. In September 2007, we borrowed approximately 18.3 million Singapore dollars at a local borrowing rate of 4.6625% and approximately 1.5 billion Japanese yen at a local borrowing rate of 2.687%. Collectively the amounts borrowed equal approximately $24.8 million leaving approximately $15.2 million remaining to borrow under the Asia-Pacific financing.

Company Information

Our principal executive offices are located at 301 Velocity Way, Fifth Floor, Foster City, CA 94404 and our telephone number is (650) 513-7000. Our website is located at *www.equinix.com*. Information contained on or accessible through our website is not part of this prospectus.

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The Offering

Issuer	Equinix, Inc.
Securities Offered	$350,000,000 aggregate principal amount of 3.00% Convertible Subordinated Notes due 2014. We have also granted the underwriters an over-allotment option to purchase up to an additional $45,986,000 aggregate principal amount of notes.
Maturity Date	October 15, 2014, unless earlier repurchased or converted.
Interest and Payment Dates	The notes will bear interest at an annual rate of 3.00%. Interest is payable on April 15 and October 15 of each year, beginning on April 15, 2008.
Subordination	The notes are our unsecured obligations and will be subordinated in right of payment to all of our existing and future senior indebtedness and equal in right of payment with all of our existing and future subordinated indebtedness, including our 2.50% Convertible Subordinated Debentures due 2024 and our 2.50% Convertible Subordinated Notes due 2012. See Description of Notes Ranking. The notes are also effectively subordinated to all existing and future indebtedness and other liabilities of our subsidiaries. As of June 30, 2007, on a pro forma basis, we would have had outstanding approximately $250.1 million of senior indebtedness and $632.3 million of subordinated indebtedness and our subsidiaries would have had approximately $599.1 million of indebtedness and other liabilities, excluding intercompany items. The indenture governing the notes does not limit our ability or the ability of our subsidiaries to incur debt, including senior indebtedness.
Optional Redemption	We do not have the right to redeem the notes at our option.
Conversion Rights	Holders may convert their notes at their option on any day to and including the business day immediately preceding the maturity date into shares of our common stock based on a conversion rate as described under Description of Notes Conversion of Notes.
	Upon conversion, holders will not receive any cash representing accrued interest, except in limited circumstances. See Description of Notes Conversion of Notes.
Conversion Rate	The conversion rate per $1,000 principal amount of notes will be determined as follows:

If the applicable stock price is less than or equal to the base conversion price, the conversion rate will be the base conversion rate.

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If the applicable stock price is greater than the base conversion price, the conversion rate will be determined in accordance with the following formula:

$$\textit{base conversion rate} + \left[\frac{(\textit{the applicable stock price} \quad \textit{the base conversion price})}{\textit{the applicable stock price}} \times \textit{the incremental share factor} \right]$$

The conversion rate, including any additional shares added to the conversion rate in connection with a make-whole fundamental change, will not exceed 11.8976 (which is equal to a conversion price of $84.05 per share); however, such maximum conversion rate will be appropriately adjusted for all base conversion rate adjustments (and adjustments to the incremental share factor) described in Description of Notes Conversion of Notes Conversion Rate Adjustments Adjustment Events.

The base conversion rate per $1,000 principal amount of notes is 7.4360, subject to adjustment as described under Description of Notes Conversion of Notes Conversion Rate Adjustments Adjustment Events. The base conversion price is a dollar amount (initially $134.48) derived by dividing $1,000 by the base conversion rate. The incremental share factor is 4.4616, subject to the same proportional adjustments as the base conversion rate. The applicable stock price is equal to the average of the sale prices of our common stock over the 10-trading day period starting the third trading day following the conversion date of the notes; provided that with respect to notes surrendered for conversion on or after the 13th scheduled trading day immediately preceding the maturity date, the applicable stock price shall be equal to the average of the sale prices of our common stock over the 10-trading day period immediately preceding the maturity date.

In addition, if certain fundamental changes occur, we may be required in certain circumstances to increase the conversion rate for any notes converted in connection with such fundamental change by a specified number of shares of our common stock.

Fundamental Change	If we experience a fundamental change, as described under Description of Notes Repurchase at Option of the Holder Upon a Fundamental Change, holders will, subject to specified conditions, have the right, at their option, to require us to repurchase for cash all or a portion of their notes. The repurchase price will be paid in cash and will equal 100% of the principal amount of the notes to be repurchased plus accrued and unpaid interest, if any, to, but not including, the fundamental change repurchase date.
	Following certain corporate transactions that constitute a make-whole fundamental change we will increase the conversion rate for a holder who elects to convert notes in connection with such corporate transaction in certain circumstances, as described under Description of Notes Adjustment to Conversion Rate Upon Certain Changes of Control.

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Use of Proceeds	We intend to use the net proceeds of this offering, together with the net proceeds from our concurrent common stock offering, to pay for our acquisition of IXEurope. We intend to use the remaining proceeds for capital expenditures, acquisitions or general corporate purposes. See Use of Proceeds.
Trading	The notes will not be listed on any securities exchange. Our common stock is listed on the NASDAQ Global Select Market under the symbol EQIX.
Risk Factors	Investment in the notes involves risks. You should carefully consider the information under Risk Factors and all other information included in this prospectus before buying any notes.

Concurrent Common Stock Offering

Concurrently with this offering, we are offering 3,662,556 shares of our common stock (up to 4,211,939 shares if the underwriters exercise their over-allotment option in full) pursuant to a separate registration statement and prospectus. The completion of each offering is conditioned upon the concurrent completion of the other offering.

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Summary Consolidated Financial Data

The following summary consolidated financial data should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and their related notes incorporated by reference into this prospectus and Use of Proceeds and Capitalization. The historical financial information presented below may not be indicative of our future performance. The historical summary consolidated financial data of IXEurope is not presented below. The audited financial statements of IXEurope for the three years ended December 31, 2006 and the unaudited financial statements of IXEurope for the six months ended June 30, 2006 and 2007 are incorporated into this prospectus by reference. The Unaudited Pro Forma Combined Consolidated Condensed Financial Statements are located elsewhere in this prospectus.

	Years Ended December 31,					Six Months Ended June 30,	
	2002	2003	2004	2005	2006	2006	2007
	(dollars in thousands, except per share data)						
Statement of Operations Data:							
Revenues	$ 77,188	$ 117,942	$ 163,671	$ 221,057	$ 286,915	$ 133,417	$ 176,946
Costs and operating expenses:							
Cost of revenues	104,073	128,121	136,950	158,354	188,379	88,908	108,374
Sales and marketing	15,247	19,483	18,604	20,552	32,619	15,678	17,197
General and administrative	30,659	34,293	32,494	45,110	72,123	34,855	47,715
Restructuring charges	28,885		17,685	33,814	1,527		407
Gain on Honolulu IBX sale					(9,647)		
Total costs and operating expenses	178,864	181,897	205,733	257,830	285,001	139,441	173,693
Income (loss) from operations	(101,676)	(63,955)	(42,062)	(36,773)	1,914	(6,024)	3,253
Interest income	998	296	1,291	3,584	6,627	3,341	7,031
Interest expense	(35,098)	(20,512)	(11,496)	(8,880)	(14,875)	(7,433)	(9,577)
Gain (loss) on debt extinguishment and conversion	114,158		(16,211)				(3,395)
Income taxes			(153)	(543)	(439)	(600)	(551)
Cumulative effect of a change in accounting principle					376	376	
Net loss	$ (21,618)	$ (84,171)	$ (68,631)	$ (42,612)	$ (6,397)	$ (10,340)	$ (3,239)
Net loss per share:							
Basic and diluted	$ (7.23)	$ (8.76)	$ (3.87)	$ (1.78)	$ (0.22)	$ (0.37)	$ (0.11)
Weighted average shares	2,990	9,604	17,719	23,956	28,551	28,160	30,424
Ratio of earnings to fixed charges[1]	1.0:2.0				1.0:1.5	1.0:8.8	1.0:1.5

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	As of June 30, 2007	
	Actual	Pro Forma(2)
	(dollars in thousands)	
Balance Sheet Data:		
Cash, cash equivalents and short-term and long-term investments	$ 323,966	$ 416,894
Accounts receivable, net	28,140	40,156
Property and equipment, net	760,175	955,818
Total assets	1,175,451	1,962,400
Capital lease and other financing obligations, excluding current portion	91,557	94,547
Mortgage and loans payable, excluding current portion	164,841	247,307
Convertible debt	282,250	632,250
Total stockholders equity	442,674	735,269

(1) In calculating the ratio of earnings to fixed charges, earnings consist of net loss before income tax expense, cumulative effect of a change in accounting principle and fixed charges. Fixed charges consist of interest expense, including such portion of rental expense that was attributed to interest. The ratio of earnings to fixed charges was less than 1.0 to 1.0 for each of the periods presented, except the years ended December 31, 2002 and December 31, 2006 and the six months ended June 30, 2006 and 2007. The coverage deficiency for the years ended December 31, 2003, 2004 and 2005 was $84.2 million, $68.5 million and $42.1 million, respectively.

(2) Reflects (1) the IXEurope acquisition, (2) the sale of the notes offered hereby, after deducting underwriting discounts and estimated offering expenses, (3) the concurrent sale of our common stock, after deducting underwriting discounts and estimated offering expenses, (4) the termination of the unused senior bridge loan, (5) the completion of the San Jose property acquisition, (6) additional advances during July and August 2007 under the Chicago IBX financing and (7) the Asia-Pacific financing, all of which are more fully described in the Unaudited Pro Forma Combined Consolidated Condensed Financial Statements included elsewhere in this prospectus. Concurrently with this offering, we are offering 3,662,556 shares of our common stock (up to 4,211,939 shares if the underwriters exercise their over-allotment option in full) pursuant to a separate registration statement and prospectus. The completion of each offering is conditioned upon the concurrent completion of the other offering.

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RISK FACTORS

Any investment in the notes or our common stock involves a high degree of risk. You should consider the risks described below carefully and all of the information contained in this prospectus before deciding whether to purchase the notes. The risks and uncertainties described below are not the only risks and uncertainties we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of the events described in the following risks actually occur, our business, financial condition and results of operations could suffer. In that event, the price of the notes and our common stock could decline, and you may lose all or part of your investment in the notes and our common stock. The risks discussed below also include forward-looking statements and our actual results may differ substantially from those discussed in these forward-looking statements. See Forward-Looking Statements.

Risks Related to the Acquisition of IXEurope

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

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

The success of the IXEurope acquisition and integration into our operations will involve a number of risks, including:

- the possible diversion of our management s attention from other business concerns, including our previously announced expansion plans in the U.S. and Asia-Pacific regions;
- the potential inability to successfully pursue some or all of the anticipated revenue opportunities associated with the IXEurope acquisition;
- the possible loss of IXEurope s key employees;
- the potential inability to achieve expected operating efficiencies in IXEurope s operations;
- the increased complexity and diversity of our operations after the IXEurope acquisition compared to our prior operations;
- the impact on our internal controls and compliance with the regulatory requirements under the Sarbanes-Oxley Act of 2002; and
- unanticipated problems, expenses or liabilities.

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

Risks Related to Our Business

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

We have a significant amount of debt. As of June 30, 2007, our total indebtedness was approximately $543.1 million, and our total indebtedness would have been $980.2 million on a pro forma basis. Our substantial level of debt could have important consequences. For example, it could:

require us to dedicate a substantial portion of our cash flow from operations to make payments on our debt, reducing the availability of our cash flow to fund future capital expenditures, working capital, execution of our expansion strategy and other general corporate requirements;

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- make it more difficult for us to satisfy our obligations under our various debt instruments, including the notes;

- increase our vulnerability to general adverse economic and industry conditions and adverse changes in governmental regulations;

- limit our flexibility in planning for, or reacting to, changes in our business and industry, which may place us at a competitive disadvantage compared with our competitors;

- limit our ability to borrow additional funds, even when necessary to maintain adequate liquidity; and

- make us more vulnerable to increases in interest rates because of the variable interest rates on some of our borrowings.

The occurrence of any of the foregoing factors could have a material adverse effect on our business, results of operations and financial condition.

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

Although we have generated cash from operations since the quarter ended September 30, 2003, for the years ended December 31, 2004, 2005 and 2006, we incurred net losses of $68.6 million, $42.6 million and $6.4 million, respectively. Furthermore, for the six months ended June 30, 2007, we incurred an additional net loss of $3.2 million. Although our net losses have generally been decreasing in recent quarters, we are also currently investing heavily in our future growth through the build-out of several additional IBX centers and IBX center expansions. As a result, we will incur higher depreciation and other operating expenses that will negatively impact our ability to achieve and sustain profitability unless and until these new IBX centers generate enough revenue to exceed their operating costs and cover our additional overhead needed to scale our business for this anticipated growth. In addition, costs associated with the IXEurope acquisition and the integration of the two companies, as well as the additional interest expense associated with debt financing we intend to undertake to fund our growth initiatives, may also negatively impact our ability to achieve and sustain profitability. Although our goal is to achieve profitability, there can be no guarantee that we will become profitable, and we may continue to incur additional losses. Even if we achieve profitability, 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.

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

We have begun construction of new IBX centers, and may begin construction of additional new IBX centers, which could involve significant risks to our business.

We believe that most of the pre-existing built-out data centers have already been acquired, and that there are few if any viable distressed assets available for us to acquire in our key markets today. In order to sustain our growth in these markets, we must acquire suitable land with or without structures to build our new IBX centers

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from the ground up, a greenfield build. Greenfield builds are currently underway in the Chicago, Los Angeles, Washington D.C. and New York metro areas. A greenfield build involves substantial planning and lead-time, much longer time to completion than we have currently experienced in our recent IBX retrofits of existing data centers, and significantly higher costs of construction, equipment and materials, which could have a negative impact on our returns. A greenfield build also requires us to carefully select and rely on the experience of one or several general contractors and associated subcontractors during the construction process. Should a general contractor or significant subcontractor experience financial or other problems during the construction process, we could experience significant delays, increased costs to complete the project and other negative impacts to our expected returns. Site selection is also a critical factor in our expansion plans, and there may not be suitable properties available in our markets with the necessary combination of high power capacity and fiber connectivity.

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

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

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

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

Our business depends on providing customers with highly reliable service. We must protect our customers IBX infrastructure and their equipment located in our IBX centers. We continue to acquire IBX centers not built by us. If these IBX centers and their infrastructure assets are not in the condition we believe them to be in, we may be required to incur substantial additional costs to repair or upgrade the centers. The services we provide in each of our IBX centers are subject to failure resulting from numerous factors, including:

- human error;
- physical or electronic security breaches;
- fire, earthquake, flood, tornados and other natural disasters;
- extreme temperatures;
- water damage;
- fiber cuts;
- power loss;

terrorist acts;

sabotage and vandalism; and

failure of business partners who provide our resale products.

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Problems at one or more of our IBX centers, whether or not within our control, could result in service interruptions or significant equipment damage. For example, in the event of an unusually long period of extreme heat, we may not be able to keep certain of our centers in compliance with our stated cooling objectives or the center s cooling units could fail under the strain. The extreme temperatures could also lead to our suppliers experiencing electrical power outages or shortages. We have service level commitment obligations to certain of our customers, including our significant customers. As a result, service interruptions or significant equipment damage in our IBX centers could result in difficulty maintaining service level commitments to these customers and potential claims related to such failures. For example, for the year ended December 31, 2005, we recorded $457,000 in service level credits to various customers, primarily associated with two separate power outages that affected our Chicago and Washington, D.C. metro area IBX centers.

If we incur significant financial commitments to our customers in connection with a loss of power, or our failure to meet other service level commitment obligations, our liability insurance may not be adequate. In addition, any loss of services, equipment damage or inability to meet our service level commitment obligations could reduce the confidence of our customers and could consequently impair our ability to obtain and retain customers, which would adversely affect both our ability to generate revenues and our operating results.

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

A portion of our managed services business in Singapore involves the processing and storage of confidential customer information. Inappropriate use of those services could jeopardize the security of customers confidential information causing losses of data or financially impacting our customers or us and subjecting us to the risk of lawsuits. Efforts to alleviate problems caused by computer viruses or other inappropriate uses or security breaches may lead to interruptions, delays or cessation of our managed services.

There is no known prevention or defense against denial of service attacks. During a prolonged denial of service attack, Internet service may not be available for several hours, thus negatively impacting hosted customers on-line business transactions. Affected customers might file claims against us under such circumstances. Our property and liability insurance may not be adequate to cover these customer claims.

We expect our operating results to fluctuate.

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

- financing or other expenses related to the acquisition, purchase or construction of additional IBX centers;
- mandatory expensing of employee stock-based compensation, including restricted shares and units;
- financing or other expenses related to the IXEurope acquisition;
- demand for space, power and services at our IBX centers;
- changes in general economic conditions and specific market conditions in the telecommunications and Internet industries;
- costs associated with the write-off or exit of unimproved or underutilized property;

- the provision of customer discounts and credits;
- the mix of current and proposed products and services and the gross margins associated with our products and services;
- the timing required for new and future centers to open or become fully utilized;
- competition in the markets in which we operate;
- conditions related to international operations;
- increasing repair and maintenance expenses in connection with aging IBX centers;
- lack of available capacity in our existing IBX centers to book new revenue or delays in opening up new or acquired IBX centers may delay our ability to book new revenue in markets which have otherwise reached capacity;
- the timing and magnitude of other operating expenses, including taxes, capital expenditures and expenses related to the expansion of sales, marketing, operations and acquisitions, if any, of complementary businesses and assets; and
- the cost and availability of adequate public utilities, including power.

Any of the foregoing factors, or other factors discussed elsewhere in this prospectus, could have a material adverse effect on our business, results of operations and financial condition. Although we have experienced growth in revenues in recent quarters, this growth rate is not necessarily indicative of future operating results. We have generated net losses every fiscal year since inception. Furthermore, for the six months ended June 30, 2007, we incurred an additional net loss of $3.2 million. It is possible that we may not be able to generate positive net income on a quarterly or annual basis in the future. In addition, a relatively large portion of our expenses are fixed in the short-term, particularly with respect to lease and personnel expenses, depreciation and amortization and interest expenses. Therefore, our results of operations are particularly sensitive to fluctuations in revenues. As such, comparisons to prior reporting periods should not be relied upon as indications of our future performance. In addition, our operating results in one or more future quarters may fail to meet the expectations of securities analysts or investors. If this occurs, we could experience an immediate and significant decline in the trading price of our stock.

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

We believe that our ability to use our pre-2003 tax net operating losses, or NOLs, in any taxable year is subject to limitations under Section 382 of the United States Internal Revenue Code of 1986, as amended, or the Code, as a result of the significant change in the ownership of our stock that resulted from our combination with i-STT Pte Ltd and Pihana Pacific, Inc. in 2002, which we call the combination. We expect that a significant portion of our NOLs that accrued prior to December 31, 2002 will expire unused as a result of this limitation. In addition to the limitations on NOL carry-forward utilization described above, we believe that Section 382 of the Code will also significantly limit our ability to use the depreciation and amortization on our assets, as well as certain losses on the sale of our assets, to the extent that such depreciation, amortization and losses reflect unrealized depreciation that was inherent in such assets as of the date of the combination. These limitations will cause us to pay taxes at an earlier date and in greater amounts than would occur absent such limitations.

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

Although we received an unqualified opinion regarding the effectiveness of our internal controls over financial reporting as of December 31, 2006, in the course of our ongoing evaluation of our internal controls over financial reporting, we have identified certain areas which we would like to improve and are in the process of

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evaluating and designing enhanced processes and controls to address these areas identified during our evaluation, none of which we believe constitutes or will constitute a material change. However, we cannot be certain that our efforts will be effective or sufficient for us, or our independent registered public accounting firm, to issue unqualified reports in the future, especially as our business continues to grow and evolve.

It may be difficult to design and implement effective financial controls for combined operations, and differences in existing controls of any acquired businesses, including IXEurope, may result in weaknesses that require remediation when the financial controls and reporting are combined.

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

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

For the years ended December 31, 2004, 2005 and 2006, we recognized 13%, 13% and 14%, respectively, of our revenues outside North America. For the six months ended June 30, 2007, we recognized 15% of our revenues outside North America. We anticipate that the acquisition of IXEurope will increase the percentage of our revenues derived from sources outside North America.

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

We may experience gains and losses resulting from fluctuations in foreign currency exchange rates. To date, the majority of our revenues and costs have been denominated in U.S. dollars; however, the majority of revenues and costs in our international operations have been denominated in Singapore dollars, Japanese yen and Australia and Hong Kong dollars. With the completion of the IXEurope acquisition, certain of our revenues and costs will also be denominated in the British pound sterling, the euro and the Swiss franc. Although we have in the past and may decide to undertake foreign exchange hedging transactions in the future to reduce foreign currency transaction exposure, we do not currently intend to eliminate all foreign currency transaction exposure. Where our prices are denominated in U.S. dollars, our sales could be adversely affected by declines in foreign currencies relative to the U.S. dollar, thereby making our products and services more expensive in local currencies.

We are currently undergoing expansions or evaluating expansion opportunities in Europe and in the Asia-Pacific region. Undertaking and managing expansions in foreign jurisdictions may present unanticipated challenges to us. In addition, any expansion requires substantial operational and financial resources, and we may not have sufficient customer demand to support the expansion once complete. Unanticipated technological changes could also affect customer requirements for data centers and we may not have built such requirements into our expanded IBX centers. We are also exposed to risks resulting from fluctuations in foreign currency exchange rates in connection with our international expansions. To the extent we are paying contractors in foreign currencies, our expansions could cost more than anticipated from declines in the U.S dollar relative to foreign currencies.

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

- the costs of customizing IBX centers for foreign countries;
- protectionist laws and business practices favoring local competition;

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greater difficulty or delay in accounts receivable collection;

difficulties in staffing and managing foreign operations, including negotiating with foreign labor unions or workers councils;

political and economic instability;

our ability to obtain, transfer, or maintain licenses required by governmental entities with respect to our business; and

compliance with evolving governmental regulation with which we have little experience.

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

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

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

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

the possibility that we may not be able to successfully integrate acquired businesses or achieve the level of quality in such businesses to which our customers are accustomed;

the possibility that additional capital expenditures may be required;

the possibility that senior management may be required to spend considerable time negotiating agreements and integrating acquired businesses;

the possible loss or reduction in value of acquired businesses;

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

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

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

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

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

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

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

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

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

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

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

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

We agreed to a covenant in connection with the combination (which we refer to as the FIRPTA covenant) that we would use all commercially reasonable efforts to ensure that at all times from and after the closing of the combination none of our capital stock issued to STT Communications would constitute United States real property interests within the meaning of Section 897(c) of the Code. Under Section 897(c) of the Code, our capital stock issued to STT Communications would generally constitute United States real property interests at such point in time that the fair market value of the United States real property interests owned by us equals or exceeds 50% of the sum of the aggregate fair market values of (a) our United States real property interests, (b) our interests in real property located outside the United States and (c) any other assets held by us which are used or held for use in our trade or business. Currently, the fair market value of our United States real property interests is significantly below the 50% threshold. However, in order to ensure compliance with the FIRPTA covenant, we may be limited with respect to the business opportunities we may pursue, particularly if the business opportunities would increase the amounts of United States real property interests owned by us or decrease the amount of other assets owned by us. In addition, we may take proactive steps to avoid our capital stock being deemed a United States real property interest, including, but not limited to, (a) a sale-leaseback

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transaction with respect to some or all of our real property interests, or (b) the formation of a holding company organized under the laws of the Republic of Singapore which would issue shares of its capital stock in exchange for all of our outstanding stock (which would require the submission of that transaction to our stockholders for their approval and the consummation of that exchange). We will take these actions only if such actions are commercially reasonable for our stockholders and us. We have entered into an agreement with STT Communications and its affiliate pursuant to which we will no longer be bound by the FIRPTA covenant as of September 30, 2009. If we were to breach this covenant, we may be liable for damages to STT Communications.

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

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

STT Communications has voting control over a substantial portion of our stock and has influence over matters requiring stockholder consent.

As of June 30, 2007, STT Communications, through its subsidiary, i-STT Investments (Bermuda) Ltd., had voting control over approximately 13.5% of our outstanding common stock. In addition, STT Communications is not prohibited from buying shares of our stock in public or private transactions. As a result, STT Communications is able to exercise significant control over all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, which could prevent or delay a third party from acquiring or merging with us.

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

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

If regulated materials are discovered at centers leased or owned by us, we may be required to remove or clean-up such materials, the cost of which could be substantial.

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

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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, 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.

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

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

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

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

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

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

While no single customer accounted for 10% of our revenues for the year ended December 31, 2006 and the six months ended June 30, 2007, our top ten customers accounted for 25% and 24%, respectively, of our revenues during these periods. As of June 30, 2007, we had 1,373 customers. Notwithstanding our acquisition of IXEurope and the integration of its customer base with ours, we expect that a small percentage of our customers will continue to account for a significant portion of our revenues for the foreseeable future. We cannot guarantee that we will retain these customers or that they will maintain their commitments in our IBX centers at current levels. For example, although the term of our contract with IBM, our single largest customer, runs through 2011, IBM currently has the right to reduce its commitment to us pursuant to the terms and requirements of its customer agreement. If we lose any of these key customers, or if any of them decide to reduce the level of their commitment to us, our business, financial condition and results of operations could be adversely affected.

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

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

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

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

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

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

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

Our success in retaining key employees and discouraging them from moving to a competitor is an important factor in our ability to remain competitive. As is common in our industry, our employees are typically compensated through grants of equity awards in addition to their regular salaries. In addition to granting equity

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awards to selected new hires, we periodically grant new equity awards to certain employees as an incentive to remain with us. To the extent we are unable to offer competitive compensation packages to our employees and adequately maintain equity incentives due to equity expensing or otherwise, and should employees decide to leave us, this may be disruptive to our business and may adversely affect our business, financial condition and results of operations.

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

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

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

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

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

While we own certain of our IBX centers, others are leased under long-term arrangements with lease terms expiring at various dates ranging from 2010 to 2025. These leased centers have all been subject to significant development by us in order to convert them from, in most cases, vacant buildings or warehouses into IBX centers. All of our IBX center leases have renewal options available to us. However, these renewal options provide for rent set at then-prevailing market rates. To the extent that then-prevailing market rates are higher than present rates, these higher costs may adversely impact our business and results of operations.

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

Since January 1, 2006, the closing sale price of our common stock on the NASDAQ Global Select Market ranged from $41.43 to $96.99 per share. The market price of the shares of our common stock has been and may continue to be highly volatile. Actual sales, or the market s perception with respect to possible sales, of a substantial number of shares of our common stock within a narrow period of time could cause our stock price to fall. Announcements by others or us may also have a significant impact on the market price of our common stock. These announcements may include:

- our operating results;
- new issuances of equity, debt or convertible debt;

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- developments in our relationships with corporate customers;
- announcements by our customers or competitors;
- changes in regulatory policy or interpretation;
- governmental investigations;
- changes in the ratings of our stock by securities analysts;
- purchase or development of real estate and/or additional IBX centers;
- acquisitions of complementary businesses;
- announcements with respect to the operational performance of our IBX centers;
- market conditions for telecommunications stocks in general; and
- general economic and market conditions.

The stock market has from time to time experienced extreme price and volume fluctuations, which have particularly affected the market prices for emerging telecommunications companies, and which have often been unrelated to their operating performance. These broad market fluctuations may adversely affect the market price of our common stock.

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

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

On June 29, 2006 and September 18, 2006, shareholder derivative actions were filed in the Superior Court of the State of California, County of San Mateo, naming Equinix as a nominal defendant and several of Equinix s current and former officers and directors as individual defendants. These actions were consolidated, and the consolidated complaint was filed in January 2007. The consolidated complaint alleges that the individual defendants breached their fiduciary duties and violated California securities law as a result of purported backdating of stock option grants, insider trading and the preparation and approval of inaccurate financial results. Plaintiffs seek to recover, on behalf of Equinix, unspecified monetary damages, corporate governance changes, equitable and injunctive relief, restitution and fees and costs. In March 2007, the state court stayed this action in deference to a federal shareholder derivative action filed in the United States District Court for the Northern

District of California in October 2006. The federal action named Equinix as a nominal defendant and several current and former officers and directors as individual defendants. This complaint alleged that the individual defendants breached their fiduciary duties and violated California and federal securities laws as a result of purported backdating of stock options, insider trading and the dissemination of false statements. On April 12, 2007, the federal action was voluntarily dismissed without prejudice pursuant to a joint stipulation entered as an order by the court. On May 3, 2007, the state court lifted the stay on proceedings in the state court action and set a briefing schedule permitting us to file a motion to dismiss on the grounds that plaintiffs lack standing to sue on our behalf. We filed our motion to dismiss on June 4, 2007 and appeared for a hearing on the motion on August 6, 2007. The state court recently granted our motion to dismiss and granted plaintiffs leave to amend their consolidated complaint. In addition to the pending state court derivative action, we may be subject to additional derivative or other lawsuits that may be presented on an individual or class basis alleging claims based on our stock option granting practices. Responding to, investigating and/or defending against these complaints will present a substantial cost to us in both cash and the attention of certain management. Any adverse outcome in litigation could seriously harm our business and results of operations.

Risks Related to Our Industry

If the use of the Internet and electronic business does not grow, our revenues may not grow.

Acceptance and use of the Internet may not continue to develop at historical rates and a sufficiently broad base of consumers may not adopt or continue to use the Internet and other online services as a medium of commerce. Demand for Internet services and products are subject to a high level of uncertainty and are subject to significant pricing pressure, especially in Asia-Pacific. As a result, we cannot be certain that a viable market for our IBX centers will materialize. If the market for our IBX centers grows more slowly than we currently anticipate, our revenues may not grow and our operating results could suffer.

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

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

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

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

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

The September 11, 2001 terrorist attacks in the U.S., the ensuing declaration of war on terrorism and the continued threat of terrorist activity and other acts of war or hostility appear to be having an adverse effect on business, financial and general economic conditions internationally. These effects may, in turn, increase our costs

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due to the need to provide enhanced security, which would have a material adverse effect on our business and results of operations. These circumstances may also adversely affect our ability to attract and retain customers, our ability to raise capital and the operation and maintenance of our IBX centers. We may not have adequate property and liability insurance to cover catastrophic events or attacks.

Risks Related to this Offering and the Notes

The notes are our unsecured subordinated obligations and are subordinated in right of payment to our senior debt.

The notes will be our unsecured obligations and will rank, in right of payment, junior to all of our existing and future senior debt. The notes will rank equal in right of payment to all of our existing and future subordinated debt, including our 2.50% Convertible Subordinated Debentures due 2024 and our 2.50% Convertible Subordinated Notes due 2012.

In the event we default on any of our senior debt or in the event we undergo a bankruptcy, liquidation, dissolution, reorganization or similar proceeding, the proceeds of the sale of our assets would first be applied to the repayment of our senior debt before any of those proceeds would be available to make payments on our subordinated debt, including the notes. Accordingly, there may be no assets remaining from which claims of the holders of the notes could be satisfied, or if any assets remained, they might be insufficient to satisfy those claims in full.

As of June 30, 2007, we had outstanding approximately $167.1 million of senior indebtedness and $282.3 million of subordinated indebtedness ranking equally with the notes on an actual basis and approximately $250.1 million of senior indebtedness and $632.3 million of subordinated indebtedness ranking equally with the notes on a pro forma basis. The indenture governing the notes does not limit our ability or the ability of our subsidiaries to incur debt, including senior debt.

Your right to receive payments on the notes is effectively subordinated to all existing and future liabilities of our subsidiaries and to all of our existing and future secured debt.

None of our subsidiaries will guarantee our obligations under, or have any obligation to pay any amounts due on, the notes. As a result, the notes will be effectively subordinated to all liabilities of our subsidiaries, including trade payables. Our rights and the rights of our creditors, including holders of the notes, to participate in the assets of any of our subsidiaries upon their liquidation or recapitalization will generally be subject to the prior claims of those subsidiaries creditors. As of June 30, 2007 on a pro forma basis, our subsidiaries, which would include IXEurope, would have had approximately $599.1 million of indebtedness and other liabilities outstanding (excluding intercompany items).

In addition, the notes will not be secured by any of our assets or those of our subsidiaries. As a result, the notes will be effectively subordinated to any secured debt we may incur. In any liquidation, dissolution, bankruptcy or other similar proceeding, holders of our secured debt may assert rights against any assets securing such debt in order to receive full payment of their debt before those assets may be used to pay the holders of the notes. In such an event, we may not have sufficient assets remaining to pay amounts due on any or all of the notes. As of June 30, 2007 on a pro forma basis, we would have had approximately $250.1 million of secured indebtedness outstanding, all of which would have been held by our subsidiaries, including IXEurope.

The indenture does not restrict our ability to incur additional debt, repurchase our securities or to take other actions that could negatively impact holders of the notes.

Neither the indenture nor the terms of the notes restrict us from incurring additional debt, including senior debt or secured debt. In addition, the limited covenants contained in the indenture do not require us to achieve or maintain any minimum financial ratios relating to our financial position or results of operations. Our ability to

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recapitalize, incur additional debt and take a number of other actions that are not limited by the indenture or the terms of the notes could have the effect of diminishing our ability to make payments on the notes when due, and require us to dedicate a substantial portion of our cash flow to fund our operations, working capital and capital expenditures. In addition, we are not restricted from repurchasing shares of our common stock or other securities by the terms of the notes.

There may not be an active trading market for the notes and their price may be volatile. Holders may be unable to sell their notes at the price desired or at all.

There is no existing trading market for the notes. As a result, there can be no assurance that a liquid market will develop or be maintained for the notes, that holders will be able to sell any of the notes at a particular time (if at all) or that the prices holders receive if or when they sell the notes will be above their initial offering price. If the notes are traded after their initial issuance, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, the price and volatility in the price of our shares of common stock, our performance and other factors. We do not intend to list the notes on any national securities exchange.

The underwriters have advised us that they intend to make a market in the notes after this offering is completed, but they have no obligation to do so and may cease their market-making at any time without notice. In addition, market-making will be subject to the limits imposed by the Securities Act and the Exchange Act. The liquidity of the trading market in the notes, and the market price quoted for the notes, may be adversely affected by, among other things, changes in the overall market for debt securities, changes in our financial performance or prospects, the prospects for companies in our industry generally, the number of holders of the notes, the interest of securities dealers in making a market for the notes and prevailing interest rates.

Our stock price has been volatile historically and may continue to be volatile. The price of our common stock, and therefore the price of the notes, may fluctuate significantly, which may make it difficult for holders to resell the notes or any shares of our common stock issuable upon conversion of the notes when desired or at attractive prices.

The trading price of our common stock has been and may continue to be subject to wide fluctuations. Since the fiscal year ended December 31, 2005, the closing sale price of our common stock on the NASDAQ Global Select Market ranged from $41.43 to $96.99 per share, and the closing sale price on September 20, 2007 was $84.05 per share. Our stock price may fluctuate in response to a number of events and factors, such as those set forth under Risks Related to Our Business If the market price of our stock continues to be highly volatile, the value of an investment in our common stock may decline.

In the past, many companies have been the subject of securities class action litigation following periods of volatility in the market price of their stock. See Risks Related to Our Business We are subject to securities class action and derivative litigation, which may harm our business and results of operations.

In addition, the stock market in general, and prices for companies in our industry in particular, have experienced extreme volatility that often has been unrelated to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the price of our stock, regardless of our operating performance. Because the notes may be converted into shares of our common stock, volatility or depressed prices of our common stock could have a similar effect on the trading price of our notes. Holders who receive our common stock upon conversion will also be subject to the risk of volatility and depressed prices of our common stock. In addition, the existence of the notes may encourage short selling in our common stock by market participants because the conversion of the notes could depress the price of our common stock.

Sales of a significant number of shares of our common stock in the public markets, or the perception of such sales, could depress the market price of the notes.

Sales of a substantial number of shares of our common stock or other equity-related securities in the public markets could depress the market price of the notes, our common stock, or both, and impair our ability to raise capital through the sale of additional equity securities. We cannot predict the effect that future sales of our common stock or other equity-related securities would have on the market price of our common stock or the value of the notes. The price of our common stock could be affected by possible sales of our common stock by investors who view the notes as a more attractive means of equity participation in our company and by hedging or arbitrage trading activity which we expect to occur involving our common stock. This hedging or arbitrage could, in turn, affect the market price of the notes.

Holders of the notes will not be entitled to any rights with respect to our common stock, but will be subject to all changes made with respect to our common stock.

Holders of the notes will not be entitled to any rights with respect to our common stock (including, without limitation, voting rights or rights to receive any dividends or other distributions on our common stock), but will be subject to all changes affecting our common stock. Holders will only be entitled to rights on our common stock if and when we deliver shares of our common stock upon conversion for their notes and, to a limited extent, under the conversion rate adjustments applicable to the notes. For example, in the event that an amendment is proposed to our certificate of incorporation or bylaws requiring stockholder approval and the record date for determining the stockholders of record entitled to vote on the amendment occurs prior to a holder s conversion of notes, the holder will not be entitled to vote on the amendment, although the holder will nevertheless be subject to any changes in the powers, preferences or rights of our common stock that result from such amendment.

The base conversion rate of the notes may not be adjusted for all dilutive events.

The base conversion rate of the notes is subject to adjustment for certain events including, but not limited to, the issuance of stock dividends on our common stock, subdivisions or combinations of our common stock, the issuance of certain rights or warrants, certain distributions of securities, indebtedness or assets, cash dividends and certain tender or exchange offers as described under Description of Notes Anti-dilution Adjustments Adjustment Events. However, the base conversion rate will not be adjusted for other events, such as a third-party tender or exchange offer or an issuance of our common stock for cash, that may adversely affect the trading price of the notes or our common stock. An event may occur that adversely affects the value of the notes but does not result in an adjustment to the base conversion rate.

The adjustment to the conversion rate for notes converted in connection with a specified corporate transaction may not adequately compensate holders for any lost value of their notes as a result of such transaction.

If a change of control occurs, under certain circumstances we will increase the conversion rate by a number of additional shares of our common stock for notes converted in connection with such change of control. The increase in the conversion rate will be determined based on the date on which the change of control becomes effective and the price paid per share of our common stock in such transaction, as described below under Description of Notes Adjustment to Conversion Rate upon a Change of Control. The adjustment to the conversion rate for notes converted in connection with a change of control may not adequately compensate holders for any lost value of their notes as a result of such transaction. In addition, if the price of our common stock in the transaction is greater than $750.00 per share or less than $84.05 per share (in each case, subject to adjustment), no adjustment will be made to the conversion rate. In no event will the conversion rate, as a result of a change of control, exceed 11.8976 per $1,000 principal amount of notes, regardless of when the transaction becomes effective or the price paid per share of our common stock in the transaction, subject to adjustment as set forth under Description of Notes Adjustment to Conversion Rate upon Certain Changes of Control.

Our obligation to increase the conversion rate in connection with any such change of control could be considered a penalty, in which case the enforceability thereof would be subject to general principles of reasonableness of economic remedies.

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Conversion of the notes will dilute the ownership interests of existing stockholders.

Upon conversion of the notes and, to the extent we deliver shares of our common stock upon conversion of our 2.50% Convertible Subordinated Notes due 2012 or our 2.50% Convertible Subordinated Debentures due 2024, the ownership interests of existing stockholders will be diluted. Any sales in the public market of our common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. Our ability to repurchase the notes or pay cash upon conversion may be limited by law or the terms of other agreements relating to our senior indebtedness. In addition, the existence of the notes may encourage short selling by market participants because the conversion of the notes could depress the price of our common stock.

We may not have the ability to repurchase the notes in cash upon the occurrence of a fundamental change as required by the indenture governing the notes.

Holders of the notes will have the right to require us to repurchase the notes upon the occurrence of a fundamental change as described under Description of Notes Repurchase at Option of the Holder upon a Fundamental Change. We may not have sufficient funds to repurchase the notes in cash at such time or have the ability to arrange necessary financing on acceptable terms. Our ability to repurchase the notes may be limited by law or the terms of other agreements relating to our senior indebtedness. The indentures governing our 2.50% Convertible Subordinated Notes due 2012 and our 2.50% Convertible Subordinated Debentures due 2024 have, and any future indebtedness may have, similar provisions requiring us to repurchase such indebtedness upon a fundamental change and, therefore, we may not have sufficient funds to repurchase the notes if we must use any available funds to repurchase such other indebtedness.

A fundamental change may also constitute an event of default or prepayment under, or result in the acceleration of the maturity of, our then-existing indebtedness. Our ability to repurchase the notes in cash or make any other required payments may be limited by law or the terms of other agreements relating to our indebtedness outstanding at the time. Our failure to repurchase the notes when required would result in an event of default with respect to the notes.

Some significant restructuring transactions may not constitute a fundamental change, in which case we would not be obligated to offer to repurchase the notes.

Upon the occurrence of a fundamental change, holders will have the right to require us to repurchase the notes. However, the fundamental change provisions will not afford protection to holders of notes in the event of certain transactions. For example, any leveraged recapitalization, refinancing, restructuring or acquisition initiated by us will generally not constitute a fundamental change requiring us to repurchase the notes. In the event of any such transaction, holders of the notes will not have the right to require us to repurchase the notes, even though any of these transactions could increase the amount of our indebtedness, or otherwise adversely affect our capital structure or any credit ratings, thereby adversely affecting the holders of notes.

The notes may not be rated or may receive a lower rating than anticipated by investors.

We do not intend to seek a rating on the notes. However, if one or more rating agencies rates the notes and assigns the notes a rating lower than the rating expected by investors, or reduces their rating in the future, the market price of the notes and our common stock could be harmed.

The notes will initially be held in book-entry form and, therefore, holders must rely on the procedures and the relevant clearing systems to exercise their rights and remedies.

Unless and until certificated notes are issued in exchange for book-entry interests in the notes, owners of the book-entry interests will not be considered owners or holders of notes. Instead, DTC, or its nominee, will be the sole holder of the notes. Payments of principal, interest and other amounts owing on or in respect of the notes in global form will be made to the paying agent, which will make payments to DTC. Thereafter, such payments will be credited to DTC participants accounts that hold book-entry interests in the notes in global form and credited by such participants to indirect participants. Unlike holders of the notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents or requests for waivers or other actions from holders of the notes. Instead, if holders own a book-entry interest, they will be permitted to act only to the extent they have received appropriate proxies to do so from DTC or, if applicable, a participant. We cannot assure holders that procedures implemented for the granting of such proxies will be sufficient to enable them to vote on any requested actions on a timely basis.

We may not be able to refinance the notes if required or if we so desire.

We may need or desire to refinance all or a portion of the notes or any other future indebtedness that we incur on or before the maturity of the notes. There can be no assurance that we will be able to refinance any of our indebtedness on commercially reasonable terms, if at all.

Holders may be subject to tax if we make or fail to make certain adjustments to the conversion rate of the notes even though they do not receive a corresponding cash distribution.

The base conversion rate of the notes is subject to adjustment in certain circumstances, including the payment of cash dividends. If the base conversion rate is adjusted as a result of a distribution that is taxable to our common stockholders, such as a cash dividend, you will be deemed to have received a taxable dividend to the extent of our earnings and profits that will be subject to U.S. federal income tax without the receipt of any cash. If you are a Non-U.S. Holder (as defined in Material U.S. Federal Tax Considerations), such deemed dividend may be subject to U.S. federal withholding tax (currently at a 30% rate, or such lower rate as may be specified by an applicable treaty), which may be set off against subsequent payments on the notes. See Dividend Policy and Material U.S. Federal Tax Considerations.

If a change of control occurs on or prior to the maturity date of the notes, under some circumstances, we will increase the conversion rate for notes converted in connection with the change of control. Such increase may be treated as a distribution subject to U.S. federal income tax as a dividend. See Material U.S. Federal Tax Considerations.

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USE OF PROCEEDS

We estimate that the proceeds from this offering, after deducting underwriting discounts and estimated offering expenses, will be approximately $340.4 million. If the underwriters exercise in full their over-allotment option to acquire additional notes, we estimate that our net proceeds from this offering will be approximately $385.1 million. We estimate that the net proceeds from our concurrent common stock offering will be approximately $295.5 million or $339.8 million if the underwriters exercise their over-allotment option in full, after deducting the underwriting discounts and commissions and estimated offering expenses. The completion of each offering is conditioned upon the concurrent completion of the other offering.

We expect to use the net proceeds from this offering, together with the net proceeds of our concurrent common stock offering, to fund the acquisition of IXEurope. The total amount of funds that we need to acquire IXEurope and to pay related fees and expenses is approximately $548.4 million. We expect to use the remaining net proceeds from this offering and our concurrent common stock offering for capital expenditures, acquisitions or general corporate purposes. Pending application of the proceeds as described above, we intend to invest the proceeds in short-term, interest-bearing investment grade securities.

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CAPITALIZATION

The following table sets forth our cash, cash equivalents, short-term and long-term investments and current portion of our indebtedness and our capitalization as of June 30, 2007:

- on an actual basis; and

- on a pro forma basis to reflect (1) the IXEurope acquisition, (2) the sale of the notes offered hereby, after deducting underwriting discounts and estimated offering expenses, (3) the concurrent sale of our common stock, after deducting underwriting discounts and estimated offering expenses, (4) the termination of the unused senior bridge loan, (5) the completion of the San Jose property acquisition, (6) additional advances during July and August 2007 under the Chicago IBX financing and (7) the Asia-Pacific financing, all of which are more fully described in the Unaudited Pro Forma Combined Consolidated Condensed Financial Statements included elsewhere in this prospectus.

This table assumes no exercise of the underwriters over-allotment option and should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations, the Unaudited Pro Forma Combined Consolidated Condensed Financial Statements and our financial statements, including all related notes, included or incorporated by reference in this prospectus.

	As of June 30, 2007	
	Actual	Pro Forma
	(dollars in thousands)	
Cash, cash equivalents and short-term and long-term investments	$ 323,966	$ 416,894
Current portion of capital lease and other financing obligations	$ 2,197	$ 3,340
Current portion of mortgage and loans payable	$ 2,288	$ 2,778
Long-term debt, net of current portion:		
Capital lease and other financing obligations	$ 91,557	$ 94,547
Mortgage and loans payable	164,841	247,307
2.50% convertible subordinated debentures due 2024(1)	32,250	32,250
2.50% convertible subordinated notes due 2012(2)	250,000	250,000
3.00% convertible subordinated notes due 2014 offered hereby(3)		350,000
Total long-term debt	538,648	974,104
Stockholders equity:		
Preferred stock, $0.001 par value per share; 100,000,000 shares authorized actual and pro forma; no shares issued and outstanding actual and pro forma		
Common stock, $0.001 par value per share; 300,000,000 shares authorized actual and pro forma; 31,751,248 shares issued and outstanding actual and 35,413,804 shares issued and outstanding pro forma(4)	32	35
Additional paid-in capital	995,555	1,291,011
Accumulated other comprehensive income	3,770	3,770
Accumulated deficit	(556,683)	(559,547)
Total stockholders equity	442,674	735,269
Total capitalization	$ 981,322	$ 1,709,373

(1) Our 2.50% convertible subordinated debentures due 2024 were convertible into 816,457 shares of common stock as of June 30, 2007.
(2) Our 2.50% convertible subordinated notes due 2012 were convertible into 2,231,475 shares of common stock as of June 30, 2007.
(3) The notes offered hereby would have been convertible into 2,602,600 shares of common stock as of June 30, 2007.

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(4) Excludes 3,734,821 shares of common stock issuable upon the exercise of outstanding options and release of restricted stock and restricted stock units as of June 30, 2007, 9,490 shares of common stock issuable upon the exercise of outstanding common stock warrants as of June 30, 2007, 816,457 shares reserved for the conversion of our 2.50% convertible subordinated debentures due 2024 as of June 30, 2007, 2,231,475 shares reserved for the conversion of our 2.50% convertible subordinated notes due 2012 as of June 30, 2007 and 2,602,600 shares issuable upon conversion of the notes offered hereby on a pro forma basis as of June 30, 2007.

Our pro forma capitalization presented above reflects the sale of $350.0 million aggregate principal amount of the notes offered hereby and a concurrent sale of 3,662,556 shares of our common stock, reflecting total gross proceeds to us of approximately $657.8 million from both offerings. The completion of each offering is conditioned upon the concurrent completion of the other offering.

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MARKET FOR OUR COMMON STOCK AND DIVIDENDS

Our common stock is quoted on the NASDAQ Global Select Market under the symbol of EQIX. Our common stock began trading in August 2000. The following table sets forth on a per share basis the low and high closing prices of our common stock as reported by the NASDAQ Global Select Market since January 1, 2005.

	Low	High
Fiscal 2007:		
Third Fiscal Quarter (through September 20, 2007)	$ 81.91	$ 96.99
Second Fiscal Quarter	78.21	91.47
First Fiscal Quarter	75.38	90.00
Fiscal 2006:		
Fourth Fiscal Quarter	$ 58.91	$ 82.51
Third Fiscal Quarter	46.37	63.21
Second Fiscal Quarter	47.70	65.90
First Fiscal Quarter	41.43	64.22
Fiscal 2005:		
Fourth Fiscal Quarter	$ 35.31	$ 42.53
Third Fiscal Quarter	38.28	45.09
Second Fiscal Quarter	31.61	44.11
First Fiscal Quarter	40.67	46.27

The closing price of our common stock on the NASDAQ Global Select Market on September 20, 2007 was $84.05 per share. As of August 31, 2007, we had 32,030,738 shares of our common stock issued and outstanding held by approximately 256 registered holders. We are offering an additional 3,662,556 shares (up to 4,211,939 additional shares if the underwriters over-allotment option is exercised in full) of common stock in our concurrent common stock offering.

We have never declared or paid any cash dividends on our common stock and we do not anticipate paying cash dividends in the foreseeable future. We currently intend to retain our earnings, if any, for future growth. Future dividends on our common stock, if any, will be at the discretion of our board of directors and will depend on, among other things, our operations, capital requirements and surplus, general financial condition, contractual restrictions and such other factors as our board of directors may deem relevant. Our ability to pay cash dividends is limited under our line of credit with Silicon Valley Bank, such that, without the prior written consent of Silicon Valley Bank, the aggregate amount of any cash dividends may not exceed 25% of our assets.

During the six months ended June 30, 2007, we did not issue or sell any unregistered securities.

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UNAUDITED PRO FORMA COMBINED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

The following unaudited pro forma combined consolidated condensed financial statements have been prepared to give effect to the acquisition by Equinix, Inc. (Equinix or the Company) of IXEurope plc (IXEurope) using the purchase method of accounting and the related financings to fund this acquisition with the assumptions and adjustments described in the accompanying notes to the unaudited pro forma combined consolidated condensed financial statements, as well as certain significant transactions of the Company that have occurred subsequent to June 30, 2007 consisting of (i) additional advances under the Chicago IBX Financing, (ii) the completion of the San Jose Property Acquisition and (iii) the Asia-Pacific Financing. These pro forma statements were prepared as if the acquisition and related financings and other transactions described above had been completed as of January 1, 2006 for statements of operations purposes and as of June 30, 2007 for balance sheet purposes. The combined company will operate under the Equinix name with the current management teams in place in the U.S., Europe and Asia-Pacific.

The unaudited pro forma combined consolidated condensed financial statements are presented for illustrative purposes only and are not necessarily indicative of the financial position or results of operations that would have actually been reported had the acquisition and related financings and other transactions described above occurred on January 1, 2006 for statements of operation purposes and as of June 30, 2007 for balance sheet purposes, nor is it necessarily indicative of the future financial position or results of operations of the combined company. The unaudited pro forma combined consolidated condensed financial statements include adjustments, which are based upon preliminary estimates, to reflect the allocation of the purchase price to the acquired assets and assumed liabilities of IXEurope. The final allocation of the purchase price will be determined after the completion of the acquisition and will be based upon actual net tangible and intangible assets acquired as well as liabilities assumed. The preliminary purchase price allocation for IXEurope is subject to revision as more detailed analysis is completed and additional information on the fair values of IXEurope s assets and liabilities becomes available. Any change in the fair value of the net assets of IXEurope will change the amount of the purchase price allocable to goodwill. Additionally, changes in IXEurope s working capital, including the results of operations from June 30, 2007 through September 14, 2007, the date the transaction was completed, will change the amount of goodwill recorded. Final purchase accounting adjustments may differ materially from the pro forma adjustments presented here.

These unaudited pro forma combined consolidated condensed financial statements are based upon the respective historical consolidated financial statements of Equinix and IXEurope, adjusted to generally accepted accounting principles in the United States of America, and should be read in conjunction with the historical consolidated financial statements of Equinix and IXEurope and related notes and Management s Discussion and Analysis of Financial Condition and Results of Operations of Equinix and IXEurope incorporated in this prospectus by reference.

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UNAUDITED PRO FORMA COMBINED CONDENSED BALANCE SHEET

AS OF JUNE 30, 2007

(In thousands)

	Historical			Pro Forma		
	Equinix	IXEurope (Note 2)	IXEurope Acquisition Related Adjustments (Note 9)	Combined	Other Adjustments (Note 10)	Combined
ASSETS						
Current assets:						
Cash and cash equivalents	$ 234,598	$ 7,806	$ 100,041(a)	$ 342,445	$ (14,919)(p)	$ 327,526
Short-term investments	67,728			67,728		67,728
Accounts receivable, net	28,140	12,016		40,156		40,156
Prepaid expenses and other current assets	9,599	5,364		14,963		14,963
Total current assets	340,065	25,186	100,041	465,292	(14,919)	450,373
Long-term investments	21,640			21,640		21,640
Property and equipment, net	760,175	90,755	41,180(b)	892,110	63,708(q)	955,818
Goodwill	16,914	6,513	398,462(c)	421,889		421,889
Intangible assets, net	385	408	62,642(d)	63,435		63,435
Debt issuance costs, net	14,603	4,912	1,862(e)	21,377	614(r)	21,991
Other assets	21,669	12,085		33,754	(6,500)(s)	27,254
Total assets	$ 1,175,451	$ 139,859	$ 604,187	$ 1,919,497	$ 42,903	$ 1,962,400
LIABILITIES AND STOCKHOLDERS EQUITY						
Current liabilities:						
Accounts payable and accrued expenses	$ 35,425	$ 20,614	$ 17,516(f)	$ 73,555	$ 614(t)	$ 74,169
Accrued property and equipment	71,216	9,432		80,648		80,648
Current portion of accrued restructuring charges	13,687			13,687		13,687
Current portion of capital lease and other financing obligations	2,197	1,143		3,340		3,340
Current portion of mortgage and loan payable	2,288	490		2,778		2,778
Other current liabilities	11,903	9,754	(1,125)(g)	20,532		20,532
Total current liabilities	136,716	41,433	16,391	194,540	614	195,154
Accrued restructuring charges, less current portion	22,729			22,729		22,729
Capital lease and other financing obligations, less current portion	91,557	2,990		94,547		94,547
Mortgage and loan payable, less current portion	164,841	38,653		203,494	43,813(u)	247,307
Convertible debt	282,250		350,000(h)	632,250		632,250
Deferred rent and other liabilities	34,684	7,846	(5,862)(i)	36,668	(1,524)(v)	35,144
Total liabilities	732,777	90,922	360,529	1,184,228	42,903	1,227,131
Stockholders equity:						
Total stockholders equity	442,674	48,937	243,658(j)	735,269		735,269
Total liabilities and stockholders equity	$ 1,175,451	$ 139,859	$ 604,187	$ 1,919,497	$ 42,903	$ 1,962,400

The accompanying notes are an integral part of these unaudited pro forma combined condensed financial statements.

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UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2006

(In thousands, except per share data)

	Historical			Pro Forma		
	Equinix	IXEurope (Note 3)	IXEurope Acquisition Related Adjustments (Note 9)	Combined	Other Adjustments (Note 10)	Combined
Revenues	$ 286,915	$ 65,115	$	$ 352,030	$	$ 352,030
Costs and operating expenses:						
Cost of revenues	188,379	49,095	3,876(k)	241,350	1,791(w)	243,141
Selling, general and administrative	104,742	21,348	5,461(l)	131,551		131,551
Restructuring charges	1,527			1,527		1,527
Gain on Honolulu IBX sale	(9,647)			(9,647)		(9,647)
Total costs and operating expenses	285,001	70,443	9,337	364,781	1,791	366,572
Income (loss) from operations	1,914	(5,328)	(9,337)	(12,751)	(1,791)	(14,542)
Interest income	6,627	405		7,032		7,032
Interest expense	(14,875)	(3,063)	(11,876)(m)	(29,814)	(9,131)(x)	(38,945)
Loss on extinguishment of debt			(2,864)(n)	(2,864)		(2,864)
Income taxes	(439)	1,446		1,007		1,007
Cumulative effect of a change in accounting principle	376			376		376
Net loss	$ (6,397)	$ (6,540)	$ (24,077)	$ (37,014)	$ (10,922)	$ (47,936)
Net loss per share basic and diluted	$ (0.22)			$ (1.15)		$ (1.49)
Shares used in per share calculation basic and diluted	28,551		3,663(o)	32,214		32,214

The accompanying notes are an integral part of these unaudited pro forma combined condensed financial statements.

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UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS

FOR THE SIX MONTHS ENDED JUNE 30, 2007

(In thousands, except per share data)

	Historical			Pro Forma		
	Equinix	IXEurope (Note 3)	IXEurope Acquisition Related Adjustments (Note 9)	Combined	Other Adjustments (Note 10)	Combined
Revenues	$ 176,946	$ 49,465	$	$ 226,411	$	$ 226,411
Costs and operating expenses:						
Cost of revenues	108,374	35,078	2,078(k)	145,530	874(w)	146,404
Selling, general and administrative	64,912	12,345	2,928(l)	80,185		80,185
Restructuring charges	407			407		407
Total costs and operating expenses	173,693	47,423	5,006	226,122	874	226,996
Income (loss) from operations	3,253	2,042	(5,006)	289	(874)	(585)
Interest income	7,031	537		7,568		7,568
Interest expense	(9,577)	(1,503)	(5,938)(m)	(17,018)	(2,852)(x)	(19,870)
Loss on conversion of debt	(3,395)			(3,395)		(3,395)
Income taxes	(551)	(415)		(966)		(966)
Net income (loss)	$ (3,239)	$ 661	$ (10,944)	$ (13,522)	$ (3,726)	$ (17,248)
Net loss per share basic and diluted	$ (0.11)			$ (0.40)		$ (0.51)
Shares used in per share calculation basic and diluted	30,424		3,663(o)	34,087		34,087

The accompanying notes are an integral part of these unaudited pro forma combined condensed financial statements.

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NOTES TO UNAUDITED PRO FORMA COMBINED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

The unaudited pro forma combined consolidated condensed financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission.

1. BASIS OF PRO FORMA PRESENTATION

In June 2007, a wholly-owned subsidiary of the Company announced an offer to purchase all of the entire issued and to be issued share capital of IXEurope (the IXEurope Acquisition). Under the final terms of the IXEurope Acquisition, IXEurope shareholders will receive 140 British pence in cash for each IXEurope share valuing the share capital of IXEurope on a fully diluted basis at approximately 270,100,000 British pounds or approximately $540,632,000 (as translated using effective exchange rates at June 30, 2007); however, fully-diluted shares of IXEurope held by IXEurope s two top officers representing 1,974,000 British pounds of the total purchase price will not be paid in cash upon closing. Instead, equity awards of the Company s common stock with a fair value of 1,974,000 British pounds or approximately $3,951,000 (as translated using effective exchange rates at June 30, 2007) will be issued to the two top officers of IXEurope and are subject to vesting based on continuous employment through the end of 2008, as well as certain performance criteria of IXEurope (the IXEurope Equity Compensation). The IXEurope Equity Compensation will not be accounted for as part of the purchase price of IXEurope. Rather, the IXEurope Equity Compensation will be expensed into operations of the combined company post-acquisition as stock-based compensation over the vesting life of such awards. As a result, the actual cash purchase price for the IXEurope Acquisition is 268,126,000 British pounds or approximately $536,681,000 (also as translated using effective exchange rates at June 30, 2007). IXEurope operates data centers in the United Kingdom, France, Germany and Switzerland. The combined company will operate under the Equinix name with the current management teams in place in the U.S., Europe and Asia-Pacific. The IXEurope Acquisition will be accounted for using the purchase method of accounting in accordance with Statement of Financial Accounting Standard No. 141, Business Combinations (SFAS 141).

Although the IXEurope Acquisition closed on the morning of September 14, 2007, the Company does not have to pay the consideration for the IXEurope Acquisition until September 28, 2007. In addition, the Company will not have completed its preliminary accounting for the IXEurope Acquisition until it reports its 2007 third quarter results in the Company s quarterly report on Form 10-Q for the quarterly period ended September 30, 2007.

In order to provide cash to fund the IXEurope Acquisition, the Company entered into the Senior Bridge Loan for a principal amount of $500,000,000 in June 2007. However, the Company does not intend to use the Senior Bridge Loan to pay for the IXEurope Acquisition. Instead, the Company intends to pay for the IXEurope Acquisition with the proceeds from a combination of (i) the sale of 3,662,556 shares of the Company s common stock at a public offering price of $84.05 per share (the Common Stock Offering) and (ii) the sale of the Company s Convertible Subordinated Notes due 2014 (the Convertible Debt Offering) (collectively, the New Public Offerings). For purposes of the pro forma results contained herein, the Company has assumed that the Senior Bridge Loan will be terminated unused (the Senior Bridge Loan and New Public Offerings are collectively referred to herein as the IXEurope Acquisition Financings). The completion of each offering is conditioned upon the concurrent completion of the other offering.

In addition to the IXEurope Acquisition and IXEurope Acquisition Financings, the pro forma results contained herein also reflect the following significant transactions of the Company that have occurred subsequent to June 30, 2007 consisting of (i) additional advances under the Chicago IBX Financing, (ii) the completion of the San Jose Property Acquisition and (iii) the Asia-Pacific Financing as more fully discussed below (collectively, the Other Significant Subsequent Events).

The unaudited pro forma combined consolidated condensed balance sheet as of June 30, 2007, was prepared by combining the historical unaudited consolidated condensed balance sheet data as of June 30, 2007 for Equinix

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NOTES TO UNAUDITED PRO FORMA COMBINED CONSOLIDATED CONDENSED

FINANCIAL STATEMENTS (continued)

and IXEurope, as adjusted to comply with generally accepted accounting principles in the United States or U.S. GAAP, as if the IXEurope Acquisition, IXEurope Acquisition Financings and Other Significant Subsequent Events had been consummated on that date. In addition to certain U.S. GAAP adjustments, certain balance sheet reclassifications have also been reflected in order to conform IXEurope s balance sheet with the company s balance sheet presentation. Refer to Note 2 for a discussion of these U.S. GAAP and reclassification adjustments.

The unaudited pro forma combined consolidated condensed statement of operations for the year ended December 31, 2006 and for the six months ended June 30, 2007 combines the results of operations of Equinix and IXEurope, as adjusted to comply with U.S. GAAP, as if the IXEurope Acquisition, IXEurope Acquisition Financings and Other Significant Subsequent Events had been consummated on January 1, 2006. In addition to certain U.S. GAAP adjustments, certain statements of operations reclassifications have also been reflected in order to conform with the Company s statements of operations presentation. Refer to Note 3 for a discussion of these U.S. GAAP and reclassification adjustments.

In July and August 2007, the Company entered into forward contracts to purchase 265,156,000 British pounds at an average forward rate of 2.020007, or the equivalent of $535,617,000, to be delivered in September 2007, for purposes of hedging a portion of the purchase price of the IXEurope Acquisition (the IXEurope Acquisition Foreign Exchange Hedge). The Company will be accounting for these forward contracts under the Company s current accounting policies for hedging activities as disclosed in the Company s last annual report on Form 10-K, which are based on the provisions of SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended. The effects of the IXEurope Acquisition Foreign Exchange Hedge have not been reflected in the pro forma statements of operations as the hedge is directly attributable to the acquisition and is non-recurring. Upon closing and completing its accounting for the IXEurope Acquisition, the Company will record a foreign exchange gain or loss in its statement of operations based on the prevailing exchange rate between U.S. dollars and British pounds on such date.

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NOTES TO UNAUDITED PRO FORMA COMBINED CONSOLIDATED CONDENSED

FINANCIAL STATEMENTS (continued)

2. IXEUROPE BALANCE SHEET

IXEurope s consolidated financial statements were prepared in accordance with international financial reporting standards or IFRS, which differ in certain material respects from U.S. GAAP. IXEurope also classified certain amounts differently than Equinix in their consolidated balance sheet. The following schedule summarizes the necessary material adjustments to conform the IXEurope consolidated balance sheet as of June 30, 2007 to U.S. GAAP and to reclassify certain amounts to Equinix s basis of presentation (in thousands):

	Local Currency GBP			USD
	Local GAAP IXEurope	Adjustments	U.S. GAAP IXEurope	U.S. GAAP IXEurope
ASSETS				
Current assets:				
Cash and cash equivalents	£ 5,976	£ (2,076)(i)	£ 3,900	$ 7,806
Accounts receivable, net	8,683	(2,680)(ii)	6,003	12,016
Prepaid expenses and other current assets		2,680(ii)	2,680	5,364
Total current assets	14,659	(2,076)	12,583	25,186
Property and equipment, net	43,141	2,200(iii)	45,341	90,755
Goodwill		3,254(iv)	3,254	6,513
Intangible assets, net	3,726	(3,522)(iv)	204	408
Debt issuance costs, net		2,454(v)	2,454	4,912
Deferred tax asset	626	(626)(vi)		
Other assets	3,336	2,702(vii)	6,038	12,085
Total assets	£ 65,488	£ 4,386	£ 69,874	$ 139,859
LIABILITIES AND STOCKHOLDERS EQUITY				
Current liabilities:				
Accounts payable and accrued expenses	£ 18,603	£ (8,304)(viii)	£ 10,299	$ 20,614
Accrued property and equipment		4,712(ix)	4,712	9,432
Current portion of capital lease and other financing obligations		571(x)	571	1,143
Current portion of mortgage and loan payable	816	(571)(x)	245	490
Other current liabilities	57	4,816(xi)	4,873	9,754
Total current liabilities	19,476	1,224	20,700	41,433
Capital lease and other financing obligations, less current portion		1,494(xii)	1,494	2,990
Mortgage and loan payable, less current portion	18,351	960(xiii)	19,311	38,653
Provisions	36	(36)(xiv)		
Deferred rent and other liabilities	1,595	2,325(xv)	3,920	7,846
Total liabilities	39,458	5,967	45,425	90,922
Stockholders equity:				
Total stockholders equity	26,030	(1,581)(xvi)	24,449	48,937
Total liabilities and stockholders equity	£ 65,488	£ 4,386	£ 69,874	$ 139,859

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NOTES TO UNAUDITED PRO FORMA COMBINED CONSOLIDATED CONDENSED

FINANCIAL STATEMENTS (continued)

IXEurope s balance sheet has been translated into U.S. dollars at the June 30, 2007 exchange rate of GBP £1.00. = USD $2.0016

The adjustments presented above to IXEurope s balance sheet are as follows:

(i) Reflects a U.S. GAAP reclassification of restricted cash totaling £2,076,000 to other assets.

(ii) Reflects a reclassification adjustment to segregate prepaid expenses and other current assets totaling £2,680,000 from accounts receivables, which IXEurope refers to as trade receivables.

(iii) Reflects the following U.S. GAAP adjustments (in thousands):

Installation costs	£ 2,976
Business combinations	(776)
	£ 2,200

Under IFRS, installation costs related to installation fees charged to customers are expensed as incurred. Under U.S. GAAP, installation costs are deferred and amortized over the same period as the related installation fee revenue. The adjustment totaling £2,976,000 reflects the deferral of such installation costs.

Under IFRS, negative goodwill arising from a business combination is recognized directly in the statement of operations. Under U.S. GAAP, negative goodwill is allocated against the carrying value of the assets acquired, which in IXEurope s case, was predominantly property and equipment. The adjustment totaling £776,000 reflects the net impact of the allocation of negative goodwill to property and equipment.

(iv) Reflects the following U.S. GAAP and reclassification adjustments (in thousands):

Total goodwill and net intangible assets under IFRS	£ (3,726)
Intangible asset reclassification adjustment	204
	£ (3,522)

The above reflects a reclassification separating net intangible assets from goodwill in order to conform IXEurope s balance sheet presentation to Equinix s balance sheet presentation.

Reclassification adjustment per above	£ 3,522
Business combinations U.S. GAAP adjustment	(268)

	£ 3,254

Prior to adopting IFRS in 2005, IXEurope s consolidated financial statements were prepared in accordance with generally accepted accounting principles in the United Kingdom or U.K. GAAP. Under IFRS, IXEurope accounts for all business combinations by applying the acquisition method. In respect of business combinations that have occurred since January 1, 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. IXEurope elected not to apply IFRS 3, Business Combinations , to business combinations that were recognized on or before January 1, 2004. As a result, the carrying value of purchased goodwill recognized under U.K. GAAP was treated as a deemed cost upon the transition to IFRS. Under U.K. GAAP, goodwill arising from acquisitions was capitalized and amortized over the period of its expected useful life of ten years. Goodwill is no longer amortized since the transition to IFRS but is

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NOTES TO UNAUDITED PRO FORMA COMBINED CONSOLIDATED CONDENSED

FINANCIAL STATEMENTS (continued)

tested annually for impairment. Under U.S. GAAP, goodwill ceased to be an amortizable asset effective January 1, 2002. Therefore, there is a difference between U.S. GAAP and U.K. GAAP in accounting for the amortization of goodwill prior to IXEurope s adoption of IFRS, resulting in higher carrying values for goodwill under U.S. GAAP compared to IFRS. This increase in goodwill is offset by another IFRS to U.S. GAAP adjustment relating to the benefit of pre-acquisition tax losses carry-forward positions that are recognized subsequently and adjusted against the historically recognized goodwill, then intangible assets and finally reduce income tax expenses. The above adjustment totaling £268,000 represents the net adjustment to goodwill under U.S. GAAP.

(v) Reflects a U.S. GAAP reclassification of debt issuance costs totaling £2,454,000, which are netted against the associated debt under IFRS.

(vi) Reflects a reclassification adjustment to conform IXEurope s balance sheet presentation to Equinix s balance sheet adjustment by presenting deferred tax assets totaling £626,000 with other assets.

(vii) Reflects the following U.S. GAAP and reclassification adjustments (in thousands):

U.S. GAAP restricted cash reclassification adjustment	£ 2,076
Deferred tax asset reclassification adjustment	626
	£ 2,702

The U.S. GAAP restricted cash and deferred tax asset reclassification adjustments are described above.

(viii) Reflects the following U.S. GAAP and reclassification adjustments (in thousands):

Accrued property and equipment reclassification adjustment	£ (4,712)
Other liabilities reclassification adjustment	(2,873)
Stock options U.S. GAAP adjustment	(719)
	£ (8,304)

The accrued property and equipment reclassification adjustment is made to conform IXEurope s balance sheet presentation to Equinix s balance sheet presentation by presenting this liability separately.

The other liabilities reclassification adjustment is made to conform IXEurope s balance sheet presentation to Equinix s balance sheet presentation by presenting these liabilities within other current and non-current liabilities.

The stock options U.S. GAAP adjustment reverses a liability accrued under IFRS as a liability for payroll taxes which is not recognized under U.S. GAAP until it is crystallized, which is typically when the stock option is exercised.

(ix) Reflects the accrued property and equipment reclassification adjustment totaling £4,712,000 described above.

(x) Reflects a reclassification adjustment totaling £571,000 in order to segregate the current portion of capital lease obligations separately from other debt in order to conform IXEurope s balance sheet presentation to Equinix s balance sheet presentation.

(xi) Reflects the following U.S. GAAP and reclassification adjustments (in thousands):

Other liabilities reclassification adjustment	£ 4,254
Installation revenue U.S. GAAP adjustment	562
	£ 4,816

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NOTES TO UNAUDITED PRO FORMA COMBINED CONSOLIDATED CONDENSED

FINANCIAL STATEMENTS (continued)

The other liabilities reclassification adjustment is made to conform IXEurope s balance sheet presentation to Equinix s balance sheet presentation by presenting these various other liabilities (noted in notes viii and xv) within other current liabilities.

Under IFRS, installation revenue related to installation fees is recognized upon completion of the installation and acceptance by the customer. Under U.S. GAAP, installation revenue is deferred and amortized into revenue over the longer of the contract period or the estimated customer life. The installation revenue U.S. GAAP adjustment totaling £562,000 represents the current portion of this deferred installation revenue.

(xii) Reflects a reclassification adjustment totaling £1,494,000 in order to segregate the non-current portion of capital lease obligations separately from other debt in order to conform IXEurope s balance sheet presentation to Equinix s balance sheet presentation.

(xiii) Reflects the following U.S. GAAP and reclassification adjustments (in thousands):

U.S. GAAP debt issuance cost reclassification adjustment	£ 2,454
Capital lease obligation reclassification adjustment	(1,494)
	£ 960

The U.S. GAAP debt issuance cost and capital lease obligation reclassification adjustments are described above.

(xiv) Represents a reclassification adjustment totaling £36,000 made to conform IXEurope s balance sheet presentation to Equinix s balance sheet presentation by presenting these provisions within other liabilities.

(xv) Reflects the following U.S. GAAP and reclassification adjustments (in thousands):

Installation revenue U.S. GAAP adjustment	£ 3,670
Provisions reclassification adjustment	36
Other liabilities reclassification adjustment	(1,381)
	£ 2,325

The installation revenue U.S. GAAP adjustment totaling £3,670,000 represents the non-current portion of this deferred installation revenue adjustment described above.

The provisions and other liabilities reclassification adjustments are described above.

(xvi) Reflects the following U.S. GAAP and reclassification adjustments (in thousands):

Stock options U.S. GAAP adjustment	£ 719
Business combination U.S. GAAP adjustment	(761)
Installation revenue and cost U.S. GAAP adjustment	(845)
Valuation allowance for deferred tax on U.S. GAAP adjustments	(694)
	£ (1,581)

The stock options, business combination and installation revenue and cost U.S. GAAP adjustments are described above. These amounts represent the net impact of such adjustments to stockholders equity.

The valuation allowance for deferred tax on U.S. GAAP adjustments represents the cumulative impact of the various U.S. GAAP adjustments.

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NOTES TO UNAUDITED PRO FORMA COMBINED CONSOLIDATED CONDENSED

FINANCIAL STATEMENTS (continued)

3. IXEUROPE STATEMENTS OF OPERATION

IXEurope s consolidated financial statements were prepared in accordance with IFRS, which differ in certain material respects from U.S. GAAP. IXEurope also classified certain amounts differently than Equinix in their consolidated statements of operations. The following schedule summarizes the necessary material adjustments to conform the IXEurope consolidated statements of operations for the year ended December 31, 2006 and the six months ended June 30, 2007 to U.S. GAAP and to reclassify certain amounts to Equinix s basis of presentation (in thousands):

	Local Currency GBP			USD
	Local GAAP IXEurope	Adjustments	U.S. GAAP IXEurope	U.S. GAAP IXEurope
STATEMENT OF OPERATIONS FOR THE YEAR ENDING DECEMBER 31, 2006				
Revenues	£ 37,335	£ (1,981)(i)	£ 35,354	$ 65,115
Costs and operating expenses:				
Cost of revenues	22,537	4,119(ii)	26,656	49,095
Selling, general and administrative	9,869	1,722(iii)	11,591	21,348
IPO related expenses	1,179	(1,179)(iv)		
Share option charges	510	(510)(iv)		
Depreciation and amortization	5,764	(5,764)(v)		
Total costs and operating expenses	39,859	(1,612)	38,247	70,443
Loss from operations	(2,524)	(369)	(2,893)	(5,328)
Interest income	138	82(vi)	220	405
Interest expense	(1,863)	200(vii)	(1,663)	(3,063)
Income taxes	809	(24)(viii)	785	1,446
Net loss	£ (3,440)	£ (111)	£ (3,551)	$ (6,540)
STATEMENT OF OPERATIONS FOR THE SIX MONTHS ENDING JUNE 30, 2007				
Revenues	£ 25,816	£ (773)(i)	£ 25,043	$ 49,465
Costs and operating expenses:				
Cost of revenues	14,498	3,261(ii)	17,759	35,078
Selling, general and administrative	5,866	384(iii)	6,250	12,345
Share option charges	1,084	(1,084)(iv)		
Depreciation and amortization	3,872	(3,872)(v)		
Total costs and operating expenses	25,320	(1,311)	24,009	47,423
Income from operations	496	538	1,034	2,042
Interest income	151	121(vi)	272	537
Interest expense	(761)		(761)	(1,503)
Income taxes	(210)		(210)	(415)

Net (loss) income	£ (324)	£ 659	£ 335	$ 661

IXEurope s statement of operations for the year ended December 31, 2006 has been translated into U.S. dollars at a rate of GBP £1.00 = USD $1.8418, the average exchange rate for the year ended December 31, 2006.

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NOTES TO UNAUDITED PRO FORMA COMBINED CONSOLIDATED CONDENSED

FINANCIAL STATEMENTS (continued)

IXEurope s statement of operations for the six months ended June 30, 2007 has been translated into U.S. dollars at a rate of GBP £1.00 = USD $1.9752, the average exchange rate for the six months ended June 30, 2007.

The adjustments presented above to IXEurope s statements of operations are as follows:

(i) Under IFRS, installation revenue related to installation fees is recognized upon completion of the installation and acceptance by the customer. Under U.S. GAAP, installation revenue is deferred and amortized into revenue over the longer of the contract period or the estimated customer life. These adjustments totaling £1,981,000 for the year ended December 31, 2006 and £773,000 for the six months ended June 30, 2007 represent the impact of deferring this installation revenue.

(ii) Reflects the following U.S. GAAP and reclassification adjustments (in thousands):

	Year ended December 31, 2006	Six months ended June 30, 2007
Depreciation and amortization reclassification adjustment	£ 5,638	£ 3,761
Installation cost U.S. GAAP adjustment	(1,519)	(500)
	£ 4,119	£ 3,261

Reflects a reclassification of a portion of depreciation and amortization expense to cost of revenues as noted below.

Under IFRS, installation costs related to installation fees charged to customers are expensed as incurred. Under U.S. GAAP, installation costs are capitalized and amortized over the same period as the related installation fee revenue. The installation cost U.S. GAAP adjustments noted above reflects the capitalization of such installation costs.

(iii) Reflects the following U.S. GAAP and reclassification adjustments (in thousands):

	Year ended December 31, 2006	Six months ended June 30, 2007
Share option charge reclassification adjustment	£ 510	£ 1,084
Stock options U.S. GAAP adjustment		(719)
IPO related expenses reclassification adjustment	1,179	
Depreciation and amortization reclassification adjustment	33	19
	£ 1,722	£ 384

Reflects a reclassification of share option charges to selling, general and administrative expenses.

The stock options U.S. GAAP adjustment totaling £719,000 for the six months ended June 30, 2007 is described above in Note 2.

Reflects a reclassification of IPO related expenses totaling £1,179,000 for the year ended December 31, 2006 to selling, general and administrative expenses.

Reflects a reclassification of a portion of depreciation and amortization expense to selling, general and administrative expenses as noted below.

(iv) Reflects the reclassifications to selling, general and administrative expenses as described above.

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NOTES TO UNAUDITED PRO FORMA COMBINED CONSOLIDATED CONDENSED

FINANCIAL STATEMENTS (continued)

(v) Reflects the following U.S. GAAP and reclassification adjustments (in thousands):

	Year ended December 31, 2006	Six months ended June 30, 2007
Depreciation and amortization per IFRS	£ 5,764	£ 3,872
Business combinations U.S. GAAP adjustment	(93)	(92)
Total depreciation and amortization under U.S. GAAP	£ 5,671	£ 3,780
Cost of revenues	£ 5,638	£ 3,761
Selling, general and administrative	33	19
Total depreciation and amortization under U.S. GAAP	£ 5,671	£ 3,780

Under IFRS, negative goodwill arising from a business combination is recognized directly in the statement of operations. Under U.S. GAAP, negative goodwill is allocated against the carrying value of the long-lived assets acquired, which in IXEurope s case, was property and equipment. The business combinations U.S. GAAP adjustments above reflect the depreciation impact of the allocation of this negative goodwill to property and equipment for both periods presented.

(vi) Under IFRS, gains and losses arising from changes in the fair value of a derivative are recognized as they arise in profit or loss unless the derivative is the hedging instrument in a qualifying hedge. IXEurope entered into one hedge relationship using interest rate swaps to hedge the variability in cash flows on variable rate debt (cash flow hedges). U.S. GAAP principles are similar to IFRS. There are, however, differences in their detailed application. In particular, U.S. GAAP requires effectiveness testing to be performed at least quarterly. As a result, the IXEurope has not designated any hedge relationships for U.S. GAAP purposes. Therefore, all changes in fair value of the interest rate swaps are recognized in the statements of operation. As a result, these adjustments reflect the changes in fair value of such interest rate swaps, which is an increase to interest income for both periods presented.

(vii) Under IFRS, a shareholder loan and some convertible deep discount bonds that IXEurope had outstanding during the first half of 2006 were recorded at fair value on January 1, 2005, being the transition date for International Accounting Standard or, IAS 32, Financial Instruments: Presentation and IAS 39, Financial Instruments: Recognition and Measurement. The fair value at that date was then allocated between the liability and equity components. Subsequently the debt component is accounted for as a financial liability measured at amortized cost and the amount credited directly to equity is not subsequently remeasured. Under U.S. GAAP, the conversion features are not separated from the shareholder loan and convertible deep discount bonds. Under U.S. GAAP since the shareholder loan is non-interest bearing, the difference between the proceeds received and the present value of the repayments due has been recorded as a capital contribution. The adjustment totaling £200,000 for the year ended December 31, 2006 represents a corresponding adjustment to interest expense under U.S. GAAP related to this shareholder loan and convertible deep discount bonds, which were converted into equity during the first half of 2006.

(viii) Represents the income tax effects of the various U.S. GAAP adjustments.

4. PURCHASE PRICE IXEUROPE

The following represents the preliminary allocation of the purchase price over the historical net book values of the acquired assets and assumed liabilities of IXEurope as of June 30, 2007, and is for illustrative purposes only. Actual fair values will be based on financial information as of the acquisition date.

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NOTES TO UNAUDITED PRO FORMA COMBINED CONSOLIDATED CONDENSED

FINANCIAL STATEMENTS (continued)

The unaudited pro forma combined consolidated condensed financial statements reflect an estimated purchase price of approximately $543,669,000, consisting of (a) 268,126,000 British pounds or approximately $536,681,000 (as translated using effective exchange rates at June 30, 2007), which is payable in cash and (b) estimated direct transaction costs of $6,988,000. The final purchase price is dependent on the exchange rates in effect at closing and actual direct acquisition costs. The final purchase price will be determined upon completion of the IXEurope Acquisition.

Under the purchase method of accounting, the total estimated purchase price is allocated to IXEurope s net tangible and intangible assets based upon their estimated fair value as of the date of completion of the merger. Based upon the estimated purchase price and the preliminary valuation, the preliminary purchase price allocation, which is subject to change based on Equinix s final analysis, is as follows (in thousands):

Cash and cash equivalents	$ 7,806
Accounts receivable	12,016
Other current assets	5,364
Property and equipment	131,935
Goodwill	404,975
Intangible asset customer contracts	63,050
Other assets	12,085
Total assets acquired	637,231
Accounts payable and accrued expenses	(20,614)
Accrued property and equipment	(9,432)
Current portion of capital leases	(1,143)
Current portion of loan payable	(490)
Other current liabilities	(8,629)
Capital leases, less current portion	(2,990)
Loan payable	(38,653)
Unfavorable leases	(1,483)
Other liabilities	(500)
Estimated IXEurope transaction costs	(9,628)
Net assets acquired	$ 543,669

A preliminary estimate of $63,050,000 has been allocated to customer contracts, an intangible asset with an estimated useful life of eleven years. A preliminary estimate of $1,483,000 has been allocated to unfavorable lease liability with an estimated life of 7.5 years.

A preliminary estimate of $404,975,000 has been allocated to goodwill. Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired. In accordance with Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets, goodwill will not be amortized and will be tested for impairment at least annually. The preliminary purchase price allocation for IXEurope is subject to revision as more detailed analysis is completed and additional information on the fair values of IXEurope s assets and liabilities becomes available. Any changes in the fair value of the net assets of IXEurope will change the amount of the purchase price allocable to goodwill. Additionally, changes in IXEurope s working capital, including the results of operations from June 30, 2007 through the date the transaction is completed, will also change the amount of goodwill recorded. Final purchase accounting adjustments may therefore differ materially from the pro forma adjustments presented here.

NOTES TO UNAUDITED PRO FORMA COMBINED CONSOLIDATED CONDENSED

FINANCIAL STATEMENTS (continued)

There were no historical transactions between Equinix and IXEurope. Certain reclassifications have been made to conform IXEurope s historical amounts to Equinix s financial statement presentation.

The pro forma adjustments do not reflect any integration adjustments to be incurred in connection with the acquisition or operating efficiencies and cost savings that may be achieved with respect to the combined entity as these costs are not directly attributable to the purchase agreement.

5. IXEUROPE ACQUISITION FINANCINGS

The unaudited pro forma combined consolidated condensed financial statements reflect the Senior Bridge Loan being terminated unused as described above.

As of June 30, 2007, the Company had incurred $2,864,000 of debt issuance costs in securing the Senior Bridge Loan. Upon termination of the Senior Bridge Loan, the Company will, therefore, record a loss on extinguishment of debt totaling $2,864,000 reflecting the immediate write-off of all such debt issuance costs.

The Common Stock Offering reflects the sale of 3,662,556 shares of the Company s common stock at a public offering price of $84.05 per share, resulting in anticipated net proceeds to the Company of $295,459,000 after deducting underwriting discounts and commissions and estimated offering expenses.

The Convertible Debt Offering reflects the sale of the Company s 3.00% Convertible Subordinated Notes due 2014, resulting in anticipated net proceeds to the Company of $340,363,000 after deducting underwriting discounts and commissions and estimated offering expenses. The total estimated debt issuance costs of $9,638,000 will be amortized to interest expense over the seven-year term of the Convertible Subordinated Notes due 2014.

The completion of each offering is conditioned upon the concurrent completion of the other offering.

6. CHICAGO IBX FINANCING

In July and August 2007, the Company received additional advances under the Chicago IBX Financing totaling $19,063,000, bringing the cumulative Loan Payable to date to $88,326,000 with a blended interest rate of 8.125% per annum. As a result, the remaining amount available to borrow from the Chicago IBX Financing totals $21,674,000. The unaudited pro forma combined consolidated condensed statements of operations reflect the total Loan Payable under the Chicago IBX Financing totaling $88,326,000 as if it had been outstanding on January 1, 2006.

7. SAN JOSE PROPERTY ACQUISITION

In July 2007, the Company closed on the San Jose Property Acquisition and, as a result, took title to the property and paid the remaining amount due of $58,732,000, including closing costs, in cash following the $6,500,000 cash deposit paid in January 2007. In conjunction with the purchase of this property, which it formerly leased, the Company wrote-off the associated deferred rent and asset retirement obligation totaling $1,386,000 and $138,000, respectively, and as a result recorded property and equipment totaling $63,708,000. The Company assessed the building, site improvements and land elements of the San Jose Property Acquisition and then assigned the relative fair value to each element. The unaudited pro forma combined consolidated condensed statements of operations reflect the San Jose Property Acquisition as if it had been purchased on January 1, 2006 and reflects increased depreciation and property tax expense, offset partially by the rent expense savings.

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NOTES TO UNAUDITED PRO FORMA COMBINED CONSOLIDATED CONDENSED

FINANCIAL STATEMENTS (continued)

8. ASIA-PACIFIC FINANCING

In August 2007, two wholly-owned subsidiaries of the Company, located in Singapore and Tokyo, Japan, entered into an approximately $40,000,000 multi-currency credit facility agreement or the Asia-Pacific Financing. The Asia-Pacific Financing has a four-year term that allows these two subsidiaries to borrow up to 23,250,000 Singapore dollars and 2,932,500,000 Japanese yen, respectively, during the first 12-month period with repayment to occur over the remaining three years in twelve equal quarterly installments. The combined total amount available for borrowing under the two currencies is approximately equal to $40,000,000. Amounts undrawn at the end of the first 12-month period shall be canceled. The Asia-Pacific Financing has a commitment fee of 0.3% on unutilized amounts during the 12-month draw period and bears interest at a floating rate (the relevant three-month local cost of funds for Singapore and Japan, as applicable, plus 1.85%-2.50% depending on the ratio of the Company s senior indebtedness to its earnings before interest, taxes, deprecation and amortization, or EBITDA, with interest payable quarterly. The Asia-Pacific Financing may be used by these two subsidiaries to fund capital expenditures on leasehold improvements, equipment, and other installation costs related to expansion plans in Singapore and Tokyo. The Asia-Pacific Financing has several financial covenants, with which the Company must comply quarterly, is guaranteed by Equinix and is secured by certain of Equinix s Asia-Pacific assets. In September 2007, the Company borrowed 18,282,000 Singapore dollars at an initial interest rate per annum of 4.6625% and 1,476,833,000 Japanese yen at an initial interest rate per annum of 2.687%. Collectively the amounts borrowed equal approximately $24,750,000 leaving approximately $15,250,000 remaining to borrow under the Asia-Pacific Financing.

The debt issuance costs related to the Asia-Pacific Financing totaling approximately $614,000 were capitalized and will be amortized to interest expense using the effective interest method over the four-year life of the Asia-Pacific Financing.

The unaudited pro forma combined consolidated condensed statements of operations reflect the advances to date under the Asia-Pacific Financing totaling $24,750,000 as if they had been outstanding on January 1, 2006.

9. IXEUROPE ACQUISITION RELATED PRO FORMA ADJUSTMENTS

The accompanying unaudited pro forma combined financial statements have been prepared as if the IXEurope Acquisition and IXEurope Acquisition Financing transactions described above were completed on June 30, 2007 for balance sheet purposes and as of January 1, 2006 for statement of operations purposes.

The unaudited pro forma combined consolidated condensed balance sheet gives effect to the following pro forma adjustments:

(a) Represents the following adjustments to cash and cash equivalents (in thousands):

Purchase price for IXEurope	$ (536,681)
Estimated proceeds from Common Stock Offering, net of underwriting discounts and commissions	295,909
Estimated proceeds from Convertible Subordinated Notes due 2014, net of underwriting discounts and commissions	340,813
	$ 100,041

(b) Represents a net adjustment to IXEurope s property and equipment to fair value of $41,180,000.

(c) Represents goodwill of $404,975,000 created in the acquisition of IXEurope, offset by the $6,513,000 write-off of IXEurope s existing goodwill on its balance sheet.

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NOTES TO UNAUDITED PRO FORMA COMBINED CONSOLIDATED CONDENSED

FINANCIAL STATEMENTS (continued)

(d) Represents the addition of the customer contract intangible asset of $63,050,000, offset by the $408,000 write-off of IXEurope s existing intangible asset on its balance sheet.

(e) Represents the new debt issuance costs in conjunction with the Convertible Subordinated Notes due 2014 totaling $9,638,000, offset by the $2,864,000 write-off of debt issuance costs in conjunction with the retirement of the Senior Bridge Loan and a fair value adjustment to write-off IXEurope s debt issuance costs totaling $4,912,000.

(f) Represents the following adjustments to accounts payable and accrued expenses (in thousands):

Accrual for Equinix s IXEurope transaction costs	$ 6,988
Accrual for IXEurope s transaction costs	9,628
Accrual for estimated additional issuance costs in connection with the Common Stock Offering	450
Accrual for estimated additional issuance costs in connection with the Convertible Subordinated Notes due 2014 offering	450
	$ 17,516

(g) Represents an adjustment of IXEurope s other current liabilities to fair value ($1,125,000) in connection with deferred installation revenue with no remaining performance obligations.

(h) Represents the gross proceeds from the Convertible Subordinated Notes due 2014 offering.

(i) Represents the following adjustments to deferred rent and other liabilities (in thousands):

Value attributed to IXEurope s unfavorable leases	$ 1,483
Write-off of IXEurope s non-current deferred installation revenue with no remaining performance obligation	(7,345)
	$ (5,862)

(j) Represents the following adjustments to stockholders equity (in thousands):

Elimination of IXEurope s historical stockholders equity	$ (48,937)
Net proceeds from common stock offering	295,459
Write-off of debt issuance costs in connection with repayment of the Senior Bridge Loan	(2,864)

$ 243,658

The unaudited pro forma combined consolidated condensed statements of operation give effect to the following pro forma adjustments:

(k) Represents additional depreciation expense in connection with the fair value adjustment to IXEurope s property and equipment offset by a nominal amount of rent expense savings as a result of the unfavorable lease liability amortization recorded in connection with the IXEurope Acquisition (in thousands):

	Year ended December 31, 2006	Six months ended June 30, 2007
Additional depreciation expense in connection with IXEurope Acquisition	$ 4,058	$ 2,176
IXEurope unfavorable lease liability amortization	(182)	(98)
	$ 3,876	$ 2,078

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NOTES TO UNAUDITED PRO FORMA COMBINED CONSOLIDATED CONDENSED

FINANCIAL STATEMENTS (continued)

(l) Represents (i) the amortization of the IXEurope customer contract intangible in connection with the IXEurope Acquisition over an estimated useful life of ten years and (ii) additional depreciation expense in connection with the fair value adjustment to IXEurope s property and equipment as noted below (in thousands):

	Year ended December 31, 2006	Six months ended June 30, 2007
IXEurope customer contract intangible amortization	$ 5,274	$ 2,828
Additional depreciation expense in connection with IXEurope acquisition	187	100
	$ 5,461	$ 2,928

(m) Represents the additional interest expense associated with the Convertible Subordinated Notes due 2014.

(n) Represents the write-off of the debt issuance costs in connection with the termination of the Senior Bridge Loan.

(o) Represents the shares of common stock associated with new common stock offering as if they were outstanding as of January 1, 2006.

10. OTHER PRO FORMA ADJUSTMENTS

The accompanying unaudited pro forma combined financial statements have been prepared as if the Other Significant Subsequent Events transactions described above were completed on June 30, 2007 for balance sheet purposes and as of January 1, 2006 for statement of operations purposes.

The unaudited pro forma combined consolidated condensed balance sheet gives effect to the following pro forma adjustments:

(p) Represents the following adjustments to cash and cash equivalents (in thousands):

Additional proceeds from the Chicago IBX financing	$ 19,063
Purchase of San Jose property acquisition	(58,732)
Proceeds from Asia-Pacific financing	24,750
	$ (14,919)

(q) Represents an adjustment to property and equipment as a result of the San Jose property acquisition totaling $63,708,000.

(r) Represents the new debt issuance costs in conjunction with the Asia-Pacific Financing totaling $614,000.

(s) Represents the reclassification of the $6,500,000 deposit for the San Jose Property Acquisition paid in January 2007 to property and equipment in connection with the closing of this transaction.

(t) Represents the accrual for the new debt issuance costs in conjunction with the Asia-Pacific Financing.

(u) Represents the additional proceeds from the Chicago IBX Financing of $19,063,000 and proceeds from the Asia-Pacific Financing of $24,750,000.

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NOTES TO UNAUDITED PRO FORMA COMBINED CONSOLIDATED CONDENSED

FINANCIAL STATEMENTS (continued)

(v) Represents the write-off of deferred rent and asset retirement obligations in connection with the purchase of property in connection with the San Jose property acquisition totaling $1,524,000.

The unaudited pro forma combined consolidated condensed statements of operation give effect to the following pro forma adjustments:

(w) Represents the additional depreciation and property tax expense as a result of the San Jose Property Acquisition offset by some savings in rent expense on this property that was previously rented.

(x) Represents additional interest expense associated with (i) the cumulative advances from the Chicago IBX Financing and (ii) the Asia-Pacific Financing.

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DESCRIPTION OF NOTES

We will issue the notes under an indenture to be dated as of the date of the issuance of the notes between us and U.S. Bank National Association, as trustee. The following description summarizes some, but not all, of the provisions of the notes and the indenture. We urge investors to read the indenture because it, and not this description, defines the rights of the holders of the notes. The terms of the notes will include those stated in the indenture and those made part of the indenture by reference to the Trust Indenture Act of 1939, as amended. A copy of the indenture is available as described under Where You Can Find More Information .

In this Description of Notes section, references to Equinix , we , our or us refer to Equinix, Inc. and not to any existing or future subsidiary.

General

The notes will be our unsecured obligations and will be subordinate in right of payment to all of our existing and future senior debt as described under Subordination . The notes will be convertible into our common stock as described under Conversion of Notes . We are offering $350,000,000 aggregate principal amount of notes, or $395,986,000 aggregate principal amount if the underwriters over-allotment option to purchase additional notes is exercised in full.

The notes will bear interest at an annual rate of 3.00% commencing on the date of issuance or from the most recent date to which interest has been paid or provided for. Interest will be payable on April 15 and October 15 of each year, commencing April 15, 2008, subject to limited exceptions if the notes are converted or repurchased prior to the interest payment date. The record dates for the payment of interest will be the preceding April 1 and October 1, respectively.

The notes will be issued only in denominations of $1,000 or in integral multiples of $1,000. The notes will mature on October 15, 2014, unless earlier converted or repurchased by us at a holder s option upon a fundamental change.

Neither we nor our subsidiaries are restricted from paying dividends, incurring debt or issuing or repurchasing our securities under the indenture. In addition, there are no financial covenants in the indenture. Holders are not protected under the indenture in the event of a highly leveraged transaction or a change in control of Equinix, except to the extent described under Repurchase at Option of the Holder upon a Fundamental Change .

We may, at our option, pay interest on the notes by check mailed to the holders. However, each beneficial owner of notes issued in global form will be paid by wire transfer in immediately available funds in accordance with DTC s settlement procedures, and each holder of notes in certificated form with an aggregate principal amount in excess of $2.0 million will be paid by wire transfer in immediately available funds upon the holder s election if the holder has provided us with wire transfer instructions at least 10 business days prior to the payment date. Interest on the notes will accrue and be paid on the basis of a 360-day year comprised of twelve 30-day months. We will not be required to make any payment on the notes due on any day that is not a business day until the next succeeding business day. The payment made on the next succeeding business day will be treated as though it were paid on the original due date and no interest will accrue on the payment for the additional period of time.

A business day means a day other than Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required to close.

We will maintain an office in New York, New York where the notes may be presented for registration, transfer, exchange or conversion. This office will initially be an office or agency of the trustee. Except under

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limited circumstances described under Book-entry, Delivery and Form , the notes will be issued only in fully-registered book-entry form, without coupons, and will be represented by one or more global notes. There will be no service charge for any registration of transfer or exchange of notes. We may, however, require holders to pay a sum sufficient to cover any tax or other governmental charge payable in connection with certain transfers or exchanges.

We may, without the consent of the holders of the notes, issue additional notes in an unlimited principal amount having the same ranking, the same CUSIP number and the same interest rate, maturity and other terms as the notes, provided that no such additional notes may be issued unless for U.S. federal income tax purposes they are fungible with the notes offered hereby. Any of these additional notes will, together with the notes offered hereby, constitute a single series of notes under the indenture. Holders of any additional notes will have the right to vote together with holders of notes offered hereby as one class. We may also from time to time purchase the notes in the open market, by tender offer or in negotiated transactions without prior notice to holders.

Ranking

The notes are unsecured obligations and are:

- subordinated in right of payment, as provided in the indenture, to the prior payment in full of all of our existing and future senior debt, including our Second Amended and Restated Loan and Security Agreement, dated August 10, 2006 among Silicon Valley Bank, General Electric Capital Corporation, Equinix, Inc., and Equinix Operating Co., Inc., as amended, and our guarantee of amounts outstanding under the Multi-Currency Credit Facility Agreement, dated August 31, 2007 among Equinix Singapore Pte. Ltd., Equinix Japan KK and ABN Amro Bank N.V.;

- equal in right of payment with all of our existing and future subordinated debt, including our 2.50% Convertible Subordinated Debentures due 2024 and our 2.50% Convertible Subordinated Notes due 2012; and

- effectively subordinated to all existing or future indebtedness and other liabilities of our subsidiaries, including, on a pro forma basis, the Senior Facility Agreement between IXEurope plc and CIT Bank Limited.

As of June 30, 2007, on a pro forma basis, we would have had outstanding approximately $250.1 million of senior indebtedness and $632.3 million of subordinated indebtedness and our subsidiaries would have had approximately $599.1 million of indebtedness and other liabilities, excluding intercompany items. The indenture governing the notes does not limit our ability or the ability of our subsidiaries to create, incur, assume or guarantee debt, including senior debt. Any senior debt will continue to be senior debt and will be entitled to the benefits of the subordination provisions irrespective of any amendment, modification or waiver of any of the terms of such senior debt.

Subordination

The indenture provides that in the event of any payment or distribution of our assets upon our dissolution, winding up, liquidation or reorganization, the holders of our senior debt shall first be paid in respect of all senior debt in full in cash or other payment satisfactory to the holders of senior debt before we make any payments of principal of, and interest on the notes. In addition, if the notes are accelerated because of an event of default, the holders of any senior debt would be entitled to payment in full in cash or other payment satisfactory to the holders of senior debt of all obligations in respect of senior debt before the holders of the notes are entitled to receive any payment or distribution. Under the indenture governing the notes, we must promptly notify holders of senior debt if payment of the notes is accelerated because of an event of default.

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The indenture further provides that if any default by us has occurred and is continuing beyond any applicable grace period in the payment of principal of, premium, if any, or interest on, rent or other payment obligations in respect of any senior debt whether by acceleration or otherwise, then no payment shall be made on account of principal of, or interest on the notes, until all such defaults in respect of such senior debt have been cured or waived or cease to exist.

During the continuance of any event of default with respect to any designated senior debt (other than a default in payment of the principal of, premium, if any, or interest on, rent or other payment obligations in respect of any designated senior debt) permitting the holders thereof to accelerate the maturity thereof (or, in the case of any lease, permitting the landlord either to terminate the lease or to require us to make an irrevocable offer to terminate the lease following an event of default thereunder), no payment may be made by us, directly or indirectly, with respect to principal of or interest on the notes until the earlier of (i) 179 days following written notice to the trustee, from persons entitled to give such notice under any agreement pursuant to which that designated senior debt may have been issued, that such an event of default has occurred and is continuing, (ii) the date such event of default has been cured or waived or ceases to exist, or (iii) the date such payment blockage period shall have been terminated by written notice to us or the trustee from the person initiating such payment blockage period.

Notwithstanding the foregoing (but subject to the provisions described above limiting payment on the notes in certain circumstances), unless the holders of such designated senior debt or the representative of such holders shall have accelerated the maturity of such designated senior debt, we may resume payments on the notes after the end of such blockage period. Not more than one payment blockage notice may be given in any consecutive 365-day period, irrespective of the number of defaults with respect to one or more issues of designated senior debt during such period. No nonpayment default that existed or was continuing on the date of delivery of any payment blockage notice to the trustee will be, or can be made, the basis for the commencement of a subsequent payment blockage period whether or not within a period of 365 consecutive days. In no event may the total number of days during which any payment blockage period is in effect exceed 179 days in the aggregate in any consecutive 365-day period.

The term senior debt means the principal of, premium, if any, interest (including all interest accruing subsequent to the commencement of any bankruptcy or similar proceeding, whether or not a claim for post-petition interest is allowable as a claim in any such proceeding) and rent payable on or termination payment with respect to or in connection with, and all fees, costs, expenses and other amounts accrued or due on or in connection with, our indebtedness, whether outstanding on the date of the indenture or subsequently created, incurred, assumed, guaranteed or in effect guaranteed by us (including all deferrals, renewals, extensions or refundings of, or amendments, modifications or supplements to, the foregoing), except for:

	any indebtedness that by its terms expressly provides that such indebtedness shall not be senior in right of payment tom">			3,586				3,586	
Distributions								(1,129)	(1,129)
Dividends paid							(56,337)		(56,337)
Net income							43,862	243	44,105
Stockholders equity, December 31, 2012		37,063,844	$ 371	157,617	$ (1,055)	$ 71,267	$ 50,439	$	$ 121,022

(1) Includes the effect of the exchange of the Operating Partnerships units by HFF Holdings and the effect of the timing of the tax distribution payments on the ownership of the Operating Partnerships.

See accompanying notes to the consolidated financial statements.

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HFF, Inc.

Consolidated Statements of Cash Flows

	Year Ended December 31		
	2012	2011	2010
	(Dollars in thousands)		
Operating activities			
Net income	$ 44,105	$ 42,050	$ 16,989
Adjustments to reconcile net income to net cash provided by operating activities:			
Stock based compensation	3,442	2,053	970
Deferred income taxes	(7,659)	14,426	8,239
Payable under the tax receivable agreement	17,358	3,890	(813)
Depreciation and amortization:			
Property and equipment	1,917	1,730	1,263
Intangibles	3,850	2,888	2,393
Gain on sale or disposition or impairment of assets	(10,772)	(8,918)	(5,713)
Mortgage service rights assumed	(2,373)	(1,932)	(993)
Proceeds from sale of mortgage servicing rights	4,576	5,344	3,093
Increase (decrease) in cash from changes in:			
Restricted cash	80		63
Accounts receivable	(373)	(382)	(460)
Payable to/(receivable from) affiliate	99	(204)	(73)
Payable under the tax receivable agreement	(17,741)	(6,289)	
Mortgage notes receivable	(106,823)	(79,855)	(35,794)
Net borrowings on warehouse line of credit	106,823	79,855	35,794
Prepaid taxes, prepaid expenses and other current assets	(293)	(935)	151
Other noncurrent assets	526	(593)	(292)
Accrued compensation and related taxes	4,913	15,452	9,011
Accounts payable	(326)	599	205
Other accrued liabilities	2,699	3,862	646
Other long-term liabilities	1,043	618	(370)
Net cash provided by operating activities	45,071	73,659	34,309
Investing activities			
Purchases of property and equipment	(2,132)	(2,003)	(357)
Net cash used in investing activities	(2,132)	(2,003)	(357)
Financing activities			
Payments on long-term debt	(340)	(234)	(260)
Treasury stock	(565)	(94)	(223)
Dividends paid	(56,337)		
Distributions to noncontrolling interest holder	(1,129)	(2,904)	(1,061)
Net cash used in financing activities	(58,371)	(3,232)	(1,544)
Net (decrease) increase in cash	(15,432)	68,424	32,408
Cash and cash equivalents, beginning of period	141,763	73,339	40,931
Cash and cash equivalents, end of period	$ 126,331	$ 141,763	$ 73,339
Supplemental disclosure of cash flow information			
Cash paid for income taxes	$ 14,167	$ 3,545	$ 52
Cash paid for interest	$ 3,908	$ 1,997	$ 1,374
Supplemental disclosure of non-cash financing activities			
Property acquired under capital leases	$ 353	$ 491	$ 227

Dividends on unissued restricted stock units	$	986	$		$	

See accompanying notes to the consolidated financial statements.

HFF, Inc.

Notes to Consolidated Financial Statements

1. Organization and Basis of Presentation

Organization

HFF, Inc., a Delaware corporation (the Company), through its Operating Partnerships, Holliday Fenoglio Fowler, L.P., a Texas limited partnership (HFF LP), and HFF Securities L.P., a Delaware limited partnership and registered broker-dealer (HFF Securities and together with HFF LP, the Operating Partnerships), is a commercial real estate financial intermediary and provides capital markets services including debt placement, investment sales, structured finance, private equity, investment banking and advisory services, loan sales and commercial loan servicing and commercial real estate structured financing placements in 21 cities in the United States. The Company s operations are impacted by the availability of equity and/or debt as well as credit and liquidity in the domestic and global capital markets especially in the commercial real estate sector. Significant disruptions or changes in domestic and global capital market flows, as well as credit and liquidity issues in the global and domestic capital markets, regardless of their duration, could adversely affect the supply and/or demand for capital from investors for commercial real estate investments which could have a significant impact on all of the Company s capital market services revenues.

Initial Public Offering and Reorganization

The Company was formed in November 2006 in connection with a proposed initial public offering of its Class A common stock. On November 9, 2006, the Company filed a registration statement on Form S-1 with the United States Securities and Exchange Commission (the SEC) relating to a proposed underwritten initial public offering of 14,300,000 shares of Class A common stock of HFF, Inc. On January 30, 2007, the SEC declared the registration statement on Form S-1 effective and the Company priced 14,300,000 shares for the initial public offering at a price of $18.00 per share. On January 31, 2007, the Company s common stock began trading on the New York Stock Exchange under the symbol HF.

On February 5, 2007, the Company closed its initial public offering of 14,300,000 shares of common stock. Net proceeds from the sale of the stock were $236.4 million, net of $18.0 million of underwriting commissions and $3.0 million of offering expenses. The proceeds of the initial public offering were used to purchase from HFF Holdings LLC, a Delaware limited liability company (HFF Holdings), all of the shares of Holliday GP Corp. and purchase from HFF Holdings partnership units representing approximately 39% of each of the Operating Partnerships (including partnership units in the Operating Partnerships held by Holliday GP). HFF Holdings used approximately $56.3 million of its proceeds to repay all outstanding indebtedness under HFF LP s credit agreement. Accordingly, the Company did not retain any of the proceeds from the initial public offering.

On February 21, 2007, the underwriters exercised their option to purchase an additional 2,145,000 shares of Class A common stock (15% of original issuance) at $18.00 per share. Net proceeds of the overallotment were $35.9 million, net of $2.7 million of underwriting commissions and other expenses. These proceeds were used to purchase HFF Holdings partnership units representing approximately 6.0% of each of the Operating Partnerships. Accordingly the Company did not retain any of the proceeds from the initial public offering.

In addition to cash received for its sale of all of the shares of Holliday GP and approximately 45% of partnership units of each of the Operating Partnerships (including partnership units in the Operating Partnerships held by Holliday GP), HFF Holdings also received, through the issuance of one share of HFF, Inc. s Class B common stock to HFF Holdings, an exchange right that permitted, subject to certain restrictions, HFF Holdings to exchange interests in the Operating Partnerships for shares of (i) the Company s Class A common stock (the Exchange Right) and (ii) rights under a tax receivable agreement between the Company and HFF Holdings (the TRA). See Notes 14 and 13 for further discussion of the exchange right held by HFF Holdings and the tax receivable agreement.

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HFF, Inc.

Notes to Consolidated Financial Statements (Continued)

As a result of the reorganization into a holding company structure in connection with the initial public offering, the Company became a holding company through a series of transactions pursuant to a sale and purchase agreement. As a result of the initial public offering and reorganization, the Company s sole assets are partnership interests in Operating Partnerships (that are held through its wholly-owned subsidiary HFF Partnership Holdings, LLC, a Delaware limited liability company) and all of the shares of Holliday GP, the sole general partner of each of the Operating Partnerships. The transactions that occurred in connection with the initial public offering and reorganization are referred to as the Reorganization Transactions.

The Reorganization Transactions were treated, for financial reporting purposes, as a reorganization of entities under common control. As such, these financial statements present the consolidated financial position and results of operations as if HFF, Inc., Holliday GP and the Operating Partnerships (collectively referred to as the Company) were consolidated for all periods presented. Income earned by the Operating Partnerships subsequent to the initial public offering and attributable to the members of HFF Holdings based on their remaining ownership interest (see Note 14) is recorded as noncontrolling interest in the consolidated financial statements. The remaining income attributable to Class A common stockholders is considered in the determination of earnings per share of Class A common stock (see Note 16).

Basis of Presentation

The accompanying consolidated financial statements of the Company as of December 31, 2012 and December 31, 2011 include the accounts of HFF LP, HFF Securities and the Company s direct wholly-owned subsidiaries, Holliday GP and Partnership Holdings. All significant intercompany accounts and transactions have been eliminated.

The purchase of shares of Holliday GP and partnership units in each of the Operating Partnerships are treated as reorganization under common control for financial reporting purposes. HFF Holdings owned 100% of Holliday GP, HFF LP Acquisition, LLC, a Delaware limited liability company (Holdings Sub), and the Operating Partnerships prior to the Reorganization Transactions. The initial purchase of shares of Holliday GP and the initial purchase of units in the Operating Partnerships are accounted for at historical cost, with no change in basis for financial reporting purposes. Accordingly, the net assets of HFF Holdings purchased by the Company are reported in the consolidated financial statements of the Company at HFF Holdings historical cost.

As the sole stockholder of Holliday GP (the sole general partner of the Operating Partnerships), HFF, Inc. operates and controls all of the business and affairs of the Operating Partnerships. The Company consolidates the financial results of the Operating Partnerships, and the ownership interest of HFF Holdings in the Operating Partnerships is treated as a noncontrolling interest in the Company s consolidated financial statements. HFF Holdings through its wholly-owned subsidiary (Holdings Sub), and the Company, through its wholly-owned subsidiaries (Partnership Holdings and Holliday GP), were the only partners of the Operating Partnerships following the Reorganization Transactions. As of August 31, 2012, HFF Holdings had exchanged all of its remaining interests in the Operating Partnerships and therefore the Company, through its wholly-owned subsidiaries, became and continues to be the only equity holder of the Operating Partnerships.

2. Summary of Significant Accounting Policies

Consolidation

HFF, Inc. controls the activities of the operating partnerships through its 100% ownership interest of Holliday GP. As such, in accordance with ASC 810 *Consolidation*, Holliday GP consolidates the Operating Partnerships as

HFF, Inc.

Notes to Consolidated Financial Statements (Continued)

Holliday GP is the sole general partner of the Operating Partnerships and the limited partners do not have substantive participating rights or kick out rights. The ownership interest of HFF Holdings in the Operating Partnerships that HFF Holdings held prior to the exchange on August 31, 2012 of its final remaining Operating Partnership units is reflected as a noncontrolling interest in the Company s consolidated financial statements.

The accompanying consolidated financial statements of the Company include the accounts of HFF LP, HFF Securities and HFF, Inc. s wholly-owned subsidiaries, Holliday GP and Partnership Holdings. The ownership interest of HFF Holdings in HFF LP and HFF Securities that HFF Holdings held prior to the exchange on August 31, 2012 of its final Operating Partnership units is treated as a noncontrolling interest in the consolidated financial statements of the Company. All significant intercompany accounts and transactions have been eliminated.

Concentrations of Credit Risk

The Company s financial instruments that are exposed to concentrations of credit risk consist primarily of cash. The Company places its cash with financial institutions in amounts which at times exceed the FDIC insurance limit. The Company has not experienced any losses in such accounts and believes it is not exposed to any credit risk on cash other than as identified herein.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in bank accounts and short-term investments with original maturities of three months or less. At December 31, 2012, our cash and cash equivalents were invested or held in a mix of money market funds and bank demand deposit accounts at two financial institutions.

Revenue Recognition

Capital markets services revenues consist of origination fees, investment sales fees, loan sale fees, placement fees and servicing fees. Origination fees are earned for the placement of debt, equity or structured financing for real estate transactions. Investment sales and loan sales fees are earned for brokering sales of real estate and/or loans. Placement fees are earned by HFF Securities for discretionary and nondiscretionary equity capital raises and other investment banking services. These fees are negotiated between the Company and its clients, generally on a case-by-case basis and are recognized and generally collected at the closing and the funding of the transaction, unless collection of the fee is not reasonably assured, in which case the fee is recognized as collected. The Company s fee agreements do not include terms or conditions that require the Company to perform any service or fulfill any obligation once the transaction closes. Servicing fees are compensation for providing any or all of the following: collection, remittance, recordkeeping, reporting and other services for either lenders or borrowers on mortgages placed with third-party lenders. Servicing fees are recognized when cash is collected as these fees are contingent upon the borrower making its payments on the loan.

Certain of the Company s fee agreements provide for reimbursement of transaction-related costs which the Company recognizes as revenue. Certain reimbursements received from clients for out-of-pocket expenses are characterized as revenue in the statement of income rather than as a reduction of expenses incurred. Since the Company is the primary obligor, has supplier discretion, and bears the credit risk for such expenses, the Company records reimbursement revenue for such out-of-pocket expenses. Reimbursement revenue is recognized when billed if collectibility is reasonably assured. Reimbursement revenue is classified as other revenue in the consolidated statements of income.

HFF, Inc.

Notes to Consolidated Financial Statements (Continued)

Mortgage Notes Receivable

The Company is qualified with the Federal Home Loan Mortgage Corporation (Freddie Mac) as a Freddie Mac Multifamily Program Plus® Seller/Servicer. Under this Program, the Company originates mortgages based on commitments from Freddie Mac, and then sells the loans to Freddie Mac approximately one month following the loan origination. The Company recognizes interest income on the accrual basis during this holding period based on the contract interest rate in the loan that will be purchased by Freddie Mac (see Note 8).

The loans are initially recorded and then subsequently sold to Freddie Mac at the Company s cost. The Company records mortgage loans held for sale at period end at market value in accordance with the provisions of ASC 948, *Financial Services-Mortgage Banking,* which states that market value for mortgage loans covered by investor commitments shall be based on commitment prices. In the case of loans originated for Freddie Mac, the commitment price is equal to the Company s cost due to the short time frame from the Company s origination to the purchase of the loan by the investor, which is approximately 30 days. As a result, the Company does not deem there to be any potential lower of cost or market issues.

Freddie Mac requires HFF LP to meet minimum net worth and liquid assets requirements and to comply with certain other standards. As of December 31, 2012, HFF LP met Freddie Mac s minimum net worth and liquid assets requirements.

Advertising

Costs associated with advertising are expensed as incurred. Advertising expense was $0.6 million, $0.7 million and $0.4 million for the years ended December 31, 2012, 2011 and 2010, respectively. These amounts are included in other operating expenses in the accompanying consolidated statements of income.

Property and Equipment

Property and equipment are recorded at cost, except for those assets acquired on June 16, 2003, which were recorded at their estimated fair values. The Company depreciates furniture, office equipment and computer equipment on the straight-line method over three to seven years. Software costs are depreciated using the straight-line method over three years, while capital leases and leasehold improvements are depreciated using the straight-line method over the shorter of the term of the lease or useful life of the asset.

Depreciation expense was $1.9 million, $1.7 million and $1.3 million for the years ended December 31, 2012, 2011 and 2010, respectively.

Expenditures for routine maintenance and repairs are charged to expense as incurred. Renewals and betterments which substantially extend the useful life of an asset are capitalized.

Leases

The Company leases all of its facilities under operating lease agreements. These lease agreements typically contain tenant improvement allowances. The Company records tenant improvement allowances as a leasehold improvement asset, included in property and equipment, net in the consolidated balance sheet, and a related deferred rent liability and amortizes them on a straight-line basis over the shorter of the term of the lease or useful life of the asset as additional depreciation expense and a reduction to rent expense, respectively. Lease agreements sometimes contain rent escalation clauses or rent holidays, which are recognized on a straight-line basis over the life of the lease in accordance with ASC 840, *Leases* (ASC 840). Lease terms generally range from one to ten years. An analysis is performed on all equipment leases to determine whether they should be classified as a capital or an operating lease according to ASC 840.

HFF, Inc.

Notes to Consolidated Financial Statements (Continued)

Computer Software Costs

Certain costs related to the development or purchases of internal-use software are capitalized. Internal computer software costs that are incurred in the preliminary project stage are expensed as incurred. Direct consulting costs as well as payroll and related costs, which are incurred during the development stage of a project are capitalized and amortized using the straight-line method over estimated useful lives of three years when placed into production.

Goodwill

Goodwill of $3.7 million represents the excess of the purchase price over the estimated fair value of the acquired net assets of HFF LP on June 16, 2003. The Company does not amortize goodwill, but evaluates goodwill on at least an annual basis for potential impairment.

Prepaid Compensation Under Employment Agreements

The Company entered into employment agreements with certain employees whereby sign-up bonuses and incentive compensation payments were made during 2012, 2011 and 2010. In most cases, the sign-up bonuses and the incentive compensation are to be repaid to the Company upon voluntary termination by the employee or termination by cause (as defined) by the Company prior to the termination of the employment agreement. The total cost of the employment agreements is being amortized by the straight-line method over the term of the agreements and is included in cost of services on the accompanying consolidated statements of income. As of December 31, 2012 and 2011, there was a total of approximately $0.8 million and $1.1 million of unamortized costs related to HFF LP agreements, respectively.

Producer Draws

As part of the Company s overall compensation program, the Company offers a new producer a draw arrangement which generally lasts until such time as a producer s pipeline of business is sufficient to allow the producer to earn sustainable commissions. This program is intended to provide the producer with a minimal amount of cash flow to allow adequate time for the producer to develop business relationships. Similar to traditional salaries, the producer draws are paid irrespective of the actual fees generated by the producer. Often these producer draws represent the only form of compensation received by the producer. Furthermore, it is not the Company s policy to seek collection of unearned producer draws under this arrangement. As a result, the Company has concluded that producer draws are economically equivalent to salaries paid, and accordingly, charges them to compensation expense as incurred. The producer is also entitled to earn a commission on closed revenue transactions. Commissions are calculated as the commission that would have been earned by the broker under one of the Company s commission programs, less any amount previously paid to the producer in the form of a draw.

Intangible Assets

Intangible assets include mortgage servicing rights under agreements with third-party lenders and costs associated with obtaining a FINRA license.

Servicing rights are capitalized for servicing assumed on loans originated and sold to the Freddie Mac with servicing retained based on an allocation of the carrying amount of the loan and the servicing right in proportion to the relative fair values at the date of sale. Servicing rights are recorded at the lower of cost or market.

HFF, Inc.

Notes to Consolidated Financial Statements (Continued)

Mortgage servicing rights do not trade in an active, open market and therefore, do not have readily available observable prices. Since there is no ready market value for the mortgage servicing rights, such as quoted market prices or prices based on sales or purchases of similar assets, the Company determines the fair value of the mortgage servicing rights by estimating the net present value of future cash flows associated with the servicing of the loans. Management makes certain assumptions and judgments in estimating the fair value of servicing rights. The estimate is based on a number of assumptions, including the benefits of servicing (contractual servicing fees and interest on escrow and float balances), the cost of servicing, prepayment rates (including risk of default), an inflation rate, the expected life of the cash flows and the discount rate. The cost of servicing, prepayment rates and discount rates are the most sensitive factors affecting the estimated fair value of the servicing rights. Management estimates a market participant s cost of servicing by analyzing the limited market activity and considering the Company s own internal servicing costs. Management estimates the discount rate by considering the various risks involved in the future cash flows of the underlying loans which include the cancellation of servicing contracts, concentration in the life company portfolio and the incremental risk related to large loans. Management estimates the prepayment levels of the underlying mortgages by analyzing recent historical experience. Many of the commercial loans being serviced have financial penalties for prepayment or early payoff before the stated maturity date. As a result, the Company has consistently experienced a low level of loan runoff. The estimated value of the servicing rights is impacted by changes in these assumptions.

Effective January 1, 2007, the Company adopted the provisions of ASC 860, *Transfers and Servicing* (ASC 860). ASC 860 requires an entity to recognize a servicing asset or servicing liability at fair value each time it undertakes an obligation to service a financial asset by entering into a servicing contract, regardless of whether explicit consideration is exchanged. The statement also permits a company to choose to either subsequently measure servicing rights at fair value and to report changes in fair value in earnings, or to retain the amortization method whereby servicing rights are recorded at the lower of cost or fair value and are amortized over their expected life. The Company retained the amortization method upon adoption of ASC 860, but began recognizing the fair value of servicing contracts involving no consideration assumed after January 1, 2007. The fair value of servicing rights assumed without consideration and recognized as intangible assets and income in 2012 and 2011 was $2.4 million and $1.9 million, respectively. These amounts are recorded in Interest and other income, net in the consolidated statements of income.

HFF Securities has recognized an intangible asset in the amount of $0.1 million for the costs of obtaining and holding a FINRA license as a broker-dealer. The license is determined to have an indefinite useful economic life and is, therefore, not being amortized.

The Company evaluates amortizable intangible assets on an annual basis, or more frequently if circumstances so indicate, for potential impairment. Indicators of impairment monitored by management include a decline in the level of serviced loans.

Earnings Per Share

The Company computes net income per share in accordance with ASC 260, *Earnings Per Share*. Basic net income per share is computed by dividing income available to Class A common stockholders by the weighted average of common shares outstanding for the period. Diluted net income per share reflects the assumed conversion of all dilutive securities (see Note 16).

Firm and Office Profit Participation Plans

The Company s firm and office profit participation plans provide for payments in cash and share-based awards if certain performance targets are achieved during the year. The expense recorded for these plans is estimated during the year based on actual results at each interim reporting date and an estimate of future results

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HFF, Inc.

Notes to Consolidated Financial Statements (Continued)

for the remainder of the year. The plans allow for payments to be made in both cash and share-based awards, the composition of which is determined in the first calendar quarter of the subsequent year. Cash and share-based awards issued under these plans are subject to vesting conditions over the subsequent year, such that the total expense measured for these plans is recorded over the period from the beginning of the performance year through the vesting date. Based on an accounting policy election, the expense associated with the share-based component of the estimated incentive payout is recognized before the grant date of the stock due to the fact that the terms of the profit participation plans have been approved by the Company s board of directors and the employees of the Company understand the requirements to earn the award. Expense associated with the stock component of estimated incentive payouts under the Company s firm profit participation bonus plan or office profit participation bonus plans that are anticipated to be paid in respect of the applicable year is recorded as incentive compensation expense within personnel expenses in the Company s consolidated statements of income during the year to which the expense relates. Following the award, if any, of the related incentive payout, the stock component expense is reclassified as stock compensation costs within personnel expenses.

Stock Based Compensation

ASC 718, *Compensation Stock Compensation* (ASC 718), requires the measurement and recognition of compensation expense for all stock-based payment awards made to employees and directors, including employee stock options and other forms of equity compensation based on estimated fair values. The Company estimates the grant-date fair value of stock options using the Black-Scholes option-pricing model. The fair value of the restricted stock awards is calculated as the market value of the Company s Class A common stock on the date of grant. The Company also has restricted stock awards that are accounted for as liability awards and require remeasurment to fair value at the end of each reporting period. The Company s awards are subject to graded or cliff vesting. Compensation expense is adjusted for estimated forfeitures and is recognized on a straight-line basis over the requisite service period of the award. Forfeiture assumptions for all stock-based payment awards are evaluated on a quarterly basis and updated as necessary.

Income Taxes

HFF, Inc. and Holliday GP are corporations, and the Operating Partnerships are limited partnerships. The Operating Partnerships are subject to state and local income taxes. Income and expenses of the Operating Partnerships have been passed through and are reported on the individual tax returns of the members of HFF Holdings and on the corporate income tax returns of HFF, Inc. and Holliday GP. Income taxes shown on the Company s consolidated statements of income reflect federal income taxes of the corporation and business and corporate income taxes in various jurisdictions. These taxes are assessed on the net income of the corporations, including its share of the Operating Partnerships net income.

The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and for tax losses and tax credit carryforwards, if any. Deferred tax assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates will be recognized in income in the period of the tax rate change. In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Cost of Services

The Company considers personnel expenses directly attributable to providing services to its clients, such as salaries, commissions and transaction bonuses to producers and analysts, and certain purchased services to be directly attributable to the generation of capital markets services revenue and has classified these expenses as cost of services in the consolidated statements of income.

Segment Reporting

The Company operates in one reportable segment, the commercial real estate financial intermediary segment and offers debt placement, investment sales, loan sales, structured finance, equity placement and investment banking services through its 21 offices. The results of each office have been aggregated for segment reporting purposes as they have similar economic characteristics and provide similar services to a similar class of customer.

Use of Estimates

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

Treasury Stock

The Company records common stock purchased for treasury at cost. At the date of subsequent reissue, the treasury stock account is reduced by the cost of such stock on the first-in, first-out basis.

3. Stock Compensation

ASC 718 requires the measurement and recognition of compensation expense for all stock-based payment awards made to employees and directors including employee stock options and other forms of equity compensation based on estimated fair values. The Company estimates the grant-date fair value of stock options using the Black-Scholes option-pricing model. For stock options, the Company uses the simplified method to determine the expected term of the option as the Company does not have enough history as a public company to estimate an expected term. Expected volatility used to value stock options is based on the Company s historical volatility. The fair value of the restricted stock awards is calculated as the market value of the Company s Class A common stock on the date of grant. The Company also has restricted stock awards that are accounted for as liability awards and require remeasurement to fair value at the end of each reporting period. The Company s awards are subject to graded or cliff vesting. Compensation expense is adjusted for estimated forfeitures and is recognized on a straight-line basis over the requisite service period of the award. Forfeiture assumptions for all stock-based payment awards are evaluated on a quarterly basis and updated as necessary. A summary of the cost of the awards granted during the years ended December 31, 2012 and 2011 is provided below.

Omnibus Incentive Compensation Plan

Prior to the effective date of the initial public offering, the stockholder of HFF, Inc. and the Board of Directors adopted the HFF, Inc. 2006 Omnibus Incentive Compensation Plan (the Plan). The Plan authorizes the grant of deferred stock, restricted stock, stock options, stock appreciation rights, stock units, stock purchase rights and cash-based awards. Upon the effective date of the registration statement, grants were awarded under the Plan to certain employees and non-employee members of the board of directors. The Plan imposes limits on the awards that may be made to any individual during a calendar year. The number of shares available for awards under the terms of the Plan is 3,500,000 (subject to stock splits, stock dividends and similar transactions). For a

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HFF, Inc.

Notes to Consolidated Financial Statements (Continued)

full copy of the Plan, see Exhibit 10.9 to the Registration Statement on Form S-1 filed with the SEC on January 8, 2007.

The stock compensation cost that has been charged against income for the years ended December 31, 2012, 2011 and 2010 was $3.4 million, $2.1 million and $1.0 million, respectively, which is recorded in Personnel expenses in the consolidated statements of income. At December 31, 2012, there was approximately $2.7 million of unrecognized compensation cost related to share based awards.

The fair value of stock options is estimated on the grant date using a Black-Scholes option-pricing model. The following table presents the weighted average assumptions for the year ended December 31, 2012:

Dividend yield	0.0%
Expected volatility	63.9%
Risk-free interest rate	3.2%
Expected life (in years)	6.2

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance at January 1, 2010	44,605	$ 10.31	11.4 years	$ 266
Granted	12,319	7.58	13.0 years	60
Exercised				
Forfeited or expired	(5,338)	17.41		(52)
Balance at December 31, 2010	51,586	$ 8.92	11.0 years	$ 274
Granted				
Exercised				
Forfeited or expired				
Balance at December 31, 2011	51,586	$ 8.92	10.0 years	$ 274
Granted				
Exercised				
Forfeited or expired				
Balance at December 31, 2012	51,586	$ 8.92	9.0 years	$ 274

HFF, Inc.

Notes to Consolidated Financial Statements (Continued)

A summary of option activity and related information during 2010, 2011 and 2012 was as follows:

	Options	Weighted Average Exercise Price
Nonvested at January 1, 2010	30,311	$ 7.41
Granted	12,319	7.58
Vested	(14,869)	10.31
Forfeited or expired		
Nonvested at December 31, 2010	27,761	$ 5.93
Granted		
Vested	(12,639)	5.73
Forfeited or expired		
Nonvested at December 31, 2011	15,122	$ 6.10
Granted		
Vested	(11,017)	5.55
Forfeited or expired		
Nonvested at December 31, 2012	4,105	$ 7.58

CONCURRENT STOCK OFFERING

Concurrently with this offering, we are offering 3,662,556 shares of our common stock (up to 4,211,939 shares if the underwriters exercise their over-allotment option in full) pursuant to a separate registration statement and prospectus. The completion of each offering is conditioned upon the concurrent completion of the other offering.

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DESCRIPTION OF CAPITAL STOCK

The following summary is a description of the material terms of our common stock and does not purport to be complete. You should read our amended and restated certificate of incorporation and our amended and restated bylaws, which are incorporated by reference as exhibits to the registration statement of which this prospectus is a part. For information regarding how you can receive copies of these documents, please see Where You Can Find More Information.

Common Stock

Our amended and restated certificate of incorporation provides that we have authority to issue up to 300,000,000 shares of common stock, par value $0.001 per share. As of August 31, 2007, there were 32,030,738 shares of our common stock issued and outstanding. We expect to issue an additional 3,662,556 shares (up to 4,211,939 shares if the underwriters over-allotment option is exercised in full) of common stock in our concurrent common stock offering.

The holders of common stock are entitled to one vote per share on all matters to be voted on by the stockholders. Subject to preferences that may be applicable to any outstanding preferred stock, the holders of common stock are entitled to receive ratably such dividends, if any, as may be declared from time to time by the board of directors out of funds legally available for the payment of dividends. All dividends are non-cumulative. In the event of the liquidation, dissolution, or winding up of Equinix, the holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior distribution rights of preferred stock, if any, then outstanding. The common stock has no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of common stock are fully paid and nonassessable, and shares of common stock to be issued upon conversion of the notes will be fully paid and nonassessable upon issuance.

Our common stock is quoted on the NASDAQ Global Select Market under the symbol EQIX.

Anti-takeover Effects of Provisions of the Amended and Restated Certificate of Incorporation, Amended and Restated Bylaws and Delaware Law

Certificate of Incorporation and Bylaws. Our amended and restated certificate of incorporation and amended and restated bylaws provide that all stockholder actions must be effected at a duly called meeting and not by a consent in writing. The bylaws also provide that, except as otherwise required by law or by our amended and restated certificate of incorporation, special meetings of the stockholders can only be called pursuant to a resolution adopted by a majority of the number of authorized members of the board of directors. Further, provisions of the amended and restated certificate of incorporation provide that the stockholders may amend most provisions of the amended and restated certificate of incorporation only with the affirmative vote of at least 66 $^{2}/3$% of our capital stock. Provisions of the amended and restated bylaws provide that the stockholders may amend all of the provisions of the bylaws only with the affirmative vote of at least 75% of our capital stock. In addition, our amended and restated certificate of incorporation and our amended and restated bylaws provide that the board of directors shall have the power to amend or repeal our bylaws. These provisions of our amended and restated certificate of incorporation and our amended and restated bylaws could discourage potential acquisition proposals and could delay or prevent a change in control of Equinix. These provisions are intended to enhance the likelihood of continuity and stability in the composition of the board of directors and in the policies formulated by the board of directors and to discourage certain types of transactions that may involve an actual or threatened change of control of Equinix. These provisions are designed to reduce our vulnerability to an unsolicited acquisition proposal. The provisions also are intended to discourage certain tactics that may be used in proxy fights. However, such provisions could have the effect of discouraging others from making tender offers for our shares and, as a consequence, they also may inhibit fluctuations in the market price of our shares that could result from actual or rumored takeover attempts. Such provisions also may have the effect of preventing changes in our management.

Delaware Takeover Statute. We are subject to Section 203 of the Delaware General Corporation Law, or DGCL Section 203, which regulates corporate acquisitions. DGCL Section 203 restricts the ability of certain Delaware corporations, including those whose securities are listed on NASDAQ, from engaging, under certain circumstances in a business combination with any interested stockholder for three years following the date that such stockholder became an interested stockholder. For purposes of DGCL Section 203, a business combination includes, among other things, a merger or consolidation involving Equinix and the interested stockholder and the sale of 10% or more of our assets. In general, DGCL Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of our outstanding voting stock and any entity or person affiliated with or controlling or controlled by such entity or person. A Delaware corporation may opt out of DGCL Section 203 with an express provision in its original certificate of incorporation or an express provision in its certificate of incorporation or bylaws resulting from amendments approved by the holders of at least a majority of the corporation s outstanding voting shares. We have not opted out of the provisions of DGCL Section 203 in our amended and restated certificate of incorporation or our amended and restated bylaws. In connection with the combination, our board of directors approved such transactions for purposes of DGCL Section 203, the effect of which would not restrict us under DGCL Section 203 from entering into a business combination with STT Communications.

The transfer agent and registrar for the shares of our common stock is Computershare Shareholder Services, Inc.

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MATERIAL U.S. FEDERAL TAX CONSIDERATIONS

The following is a discussion of the material U.S. federal income tax considerations and certain estate tax consequences of the purchase, ownership and disposition of the notes and the common stock received upon conversion of the notes. This discussion is based on the Internal Revenue Code of 1986, as amended (the Code), Treasury regulations promulgated thereunder, judicial decisions, published positions of the Internal Revenue Service (IRS) and other applicable authorities, all as in effect as of the date on the front cover of this prospectus and all of which are subject to change, possibly with retroactive effect.

This discussion is limited to the U.S. federal tax consequences to holders who are beneficial owners of the notes or our common stock received upon conversion of the notes and who hold the notes or our common stock received upon conversion of the notes as capital assets within the meaning of Section 1221 of the Code (generally, for investment). In addition, this discussion is limited to the tax consequences to initial holders that purchase the notes at the issue price, which will equal the first price to the public (not including bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the notes is sold for money.

This discussion does not address all of the tax consequences that may be relevant to a particular holder or to holders subject to special treatment under the Code, such as financial institutions, broker dealers, insurance companies, former U.S. citizens or long-term residents, tax-exempt organizations, persons that are, or that hold their notes or our common stock received upon conversion of the notes through, partnerships or other pass-through entities, U.S. Holders (as defined below) whose functional currency is not the U.S. dollar, persons that hold notes or our common stock received upon conversion of the notes as part of a straddle, hedge, conversion, synthetic security or constructive sale transaction for U.S. federal income tax purposes, Non-U.S. Holders (as defined below) that own, or are deemed to own, more than 5% of our common stock or more than 5% of the fair market value of the notes, or Non-U.S. Holders that, on the date of acquisition of the notes, own notes with a fair market value of more than 5% of the fair market value of our common stock.

If a partnership holds the notes or our common stock received upon conversion of the notes, the tax treatment of a partner will depend on the status of the partner and the activities of the partnership. If you are a partner of a partnership holding the notes or our common stock received upon conversion of the notes, you are urged to consult your tax advisors.

Persons considering the purchase of notes or the conversion of notes for common stock should consult their own tax advisors concerning the application of U.S. federal income and other tax laws, as well as the law of any state, local or foreign taxing jurisdiction, to their particular situations.

For purposes of this discussion, a U.S. Holder means a beneficial owner of notes or our common stock received upon conversion of the notes and that for U.S. federal income tax purposes is:

- a citizen or resident of the United States;
- a corporation (including an entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any of its states or the District of Columbia;
- an estate whose income is includible in gross income for U.S. federal income tax purposes regardless of its source; or
- any trust if (a) the administration of the trust is subject to the primary supervision of a court in the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust or (b) the trust has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person.

A Non-U.S. Holder means any beneficial owner of a note or our common stock received upon conversion of the notes that is not a U.S. Holder.

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If you are considering buying the notes, we urge you to consult your tax advisor about the particular U.S. federal, state, local and foreign tax consequences of the acquisition, ownership and disposition of the notes and our common stock received upon conversion of the notes and the application of the U.S. federal income tax laws to your particular situation.

U.S. Holders

Interest. It is expected, and therefore this discussion assumes, that the notes will be issued without original issue discount for U.S. federal income tax purposes. Accordingly, a U.S. Holder of the notes will be required to include stated interest in income as ordinary income in accordance with the holder s method of accounting for U.S. federal income tax purposes. If, however, the notes principal amount exceeds the issue price by more than a *de minimis* amount, as determined under applicable Treasury Regulations, then a U.S. Holder will be required to include such excess in income as original issue discount, as it accrues, in accordance with a constant-yield method based on a compounding of interest before the receipt of cash payments attributable to this income.

Disposition of the Notes. Upon the sale, exchange, retirement, repurchase or other taxable disposition of a note (other than a conversion as discussed below in Conversion of the Notes), a U.S. Holder will recognize capital gain or loss equal to the difference (if any) between the amount realized (other than amounts attributable to accrued but unpaid stated interest, which will be taxable as ordinary income if not previously included in such holder s income) and such U.S. Holder s tax basis in the note. The U.S. Holder s tax basis for a note will be the purchase price for the note. Such gain or loss will be treated as long-term capital gain or loss if the note was held for more than one year. Long-term capital gain recognized by certain non-corporate U.S. Holders, including individuals, will be subject to a reduced tax rate.

Exchange in Lieu of Conversion. If a U.S. Holder surrenders notes for conversion, the Company directs the notes to be offered to a financial institution for exchange in lieu of conversion, and the designated financial institution accepts the notes and delivers shares of our common stock in exchange for the notes, the holder will be taxed on the transfer as a sale or exchange of the notes, as described under Disposition of the Notes above. In such case, a U.S. Holder s tax basis in any common stock received will equal the fair market value of the stock on the date of the exchange, and the holder s holding period in any shares of common stock received will begin the day after the date of the exchange.

Conversion of the Notes.

A U.S. Holder will not recognize taxable gain or loss on the conversion (excluding shares allocable to accrued interest, which will be taxable as ordinary income if not previously included in such holder s income and cash received in lieu of a fractional share, as described below). The U.S. Holder s tax basis in the common stock (other than common stock allocable to accrued interest but including any tax basis allocable to a fractional share) will equal the U.S. Holder s tax basis in the notes. A U.S. Holder s tax basis in the common stock allocable to accrued interest will equal the fair market value of such stock on the date of conversion. The U.S. Holder s holding period for the common stock received will include the holding period for the notes (except for any common stock received allocable to accrued interest, which will have a holding period beginning on the day after conversion). Cash received in lieu of a fractional share upon conversion of the notes will generally be treated as a payment in exchange for such fractional share. Accordingly, the receipt of cash in lieu of a fractional share generally will result in capital gain or loss measured by the difference between the cash received for the fractional share and the U.S. Holder s tax basis allocable to such fractional share.

Adjustments to Conversion Rate. The conversion rate of the notes is subject to adjustment under certain circumstances (see Description of Notes Anti-Dilution Adjustments and Adjustment to Conversion Rate upon Certain Changes of Control). Certain adjustments to (or failures to make such adjustments to) the conversion rate of the notes that increase a U.S. Holder s proportionate interest in our assets or earnings and profits (including an adjustment to the conversion rate in connection with a change of control) may result in a

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taxable constructive distribution to the U.S. Holder, whether or not such holder ever converts the notes. This would occur, for example, upon an adjustment to the conversion rate to compensate U.S. Holders of notes for distributions of cash or property to our shareholders (but generally not distributions of stock or rights to subscribe for our common stock). Any such constructive distribution will be treated as a dividend for tax purposes, resulting in ordinary income, to the extent of our current or accumulated earnings and profits. As a result, U.S. Holders could have taxable income as a result of an event pursuant to which they receive no cash or property. It is unclear whether a constructive distribution to U.S. Holders of the notes would be eligible for the reduced tax rate applicable to certain dividends paid to non-corporate holders or for the dividends-received deduction applicable to certain dividends paid to corporate holders. A U.S. Holder s tax basis in a note will be increased to the extent any such constructive distribution is treated as a dividend. Moreover, if there is an adjustment (or a failure to make an adjustment) to the conversion rate of the notes that increases the proportionate interest of the U.S. Holders of outstanding common stock in our assets or earnings and profits, then such increase in the proportionate interest of the U.S. Holders of the common stock will be treated as a constructive distribution to such holders of common stock, taxable as described below. U.S. Holders should consult their tax advisors as to the tax consequences of receiving constructive distributions.

Distributions on Common Stock. Distributions paid on our common stock received upon conversion of a note, other than certain pro rata distributions of common shares, will be treated as a dividend to the extent paid out of current or accumulated earnings and profits and dividends will be taxed as ordinary income when received. If a distribution exceeds our current and accumulated earnings and profits, the excess will be first treated as a tax-free return of the U.S. Holder s investment, up to the U.S. Holder s tax basis in the common stock. Any remaining excess will be treated as a capital gain. Dividends received by a corporate U.S. Holder may qualify for a dividends-received deduction and dividends received by non-corporate U.S. Holders, including individuals, in tax years prior to 2011 may qualify for preferential rates of taxation; however, in each case, certain holding period and other limitations apply.

Disposition of Common Stock. Gain or loss realized by a U.S. Holder on the sale or other disposition of our common stock received upon conversion of a note will be capital gain or loss for U.S. federal income tax purposes, and will be long-term capital gain or loss if the U.S. Holder s holding period for the common stock is more than one year (including the U.S. Holder s holding period for the converted note, if applicable). Long-term capital gain recognized by non-corporate U.S. Holders, including individuals, will be subject to a reduced tax rate. The amount of the U.S. Holder s gain or loss will be equal to the difference between the U.S. Holder s tax basis in the common stock disposed of and the amount realized on the disposition.

Non-U.S. Holders

Interest. Subject to the discussion below concerning backup withholding, a Non-U.S. Holder will not be subject to U.S. federal income or withholding tax on payments of interest on a note, provided that:

- the Non-U.S. Holder is not an actual or constructive owner of 10% or more of the total voting power of all our voting stock; a controlled foreign corporation related, directly or indirectly, to us through stock ownership; or a bank whose receipt of interest on a note is pursuant to a loan agreement entered into in the ordinary course of business;

- such interest payments are not effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States; and

- we or our paying agent receives certain information from the Non-U.S. Holder (or a financial institution that holds the notes in the ordinary course of its trade or business), including certification that such holder is a Non-U.S. Holder on a properly executed IRS Form W-8BEN or other applicable IRS form.

A Non-U.S. Holder that is not exempt from tax under these rules will be subject to U.S. federal income tax withholding at a rate of 30% unless:

- the income is effectively connected with the conduct of a U.S. trade or business (and is attributable to a U.S. permanent establishment under an applicable income tax treaty); or an applicable income tax treaty provides for a lower rate of, or exemption from, withholding tax.

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Interest on a note that is effectively connected with the conduct by a Non-U.S. Holder of a trade or business in the United States and, if the Non-U.S. Holder is entitled to the benefits under an applicable income tax treaty, attributable to a permanent establishment or a fixed base in the United States, will be subject to U.S. federal income tax on a net basis at the rates applicable to U.S. persons (and, if received by corporate holders, may also be subject to a 30% branch profits tax unless reduced or prohibited by an applicable income tax treaty). If interest is subject to U.S. federal income tax on a net basis in accordance with the rules described in the preceding sentence, payments of such interest will not be subject to U.S. withholding tax so long as the Non-U.S. Holder provides us or the paying agent with a properly executed IRS Form W-8ECI. To claim the benefit of an applicable income tax treaty, the Non-U.S. Holder must timely provide the appropriate and properly executed IRS forms.

Conversion of Notes. A Non-U.S. Holder will not be subject to U.S. federal income or withholding tax on the conversion of the notes. To the extent a Non-U.S. Holder realizes any gain as a result of the receipt of cash in lieu of a fractional share upon conversion, such gain would be subject to the rules described below under Disposition of Notes or Common Stock with respect to the sale or exchange of our common stock. To the extent that a Non-U.S. Holder receives upon conversion common shares attributable to accrued interest not previously included in income, such shares would be subject to the rules described above for interest.

Adjustments to Conversion Rate. The conversion rate of the notes is subject to adjustment in certain circumstances. Any such adjustment (or failure to make such adjustment) could, in certain circumstances, give rise to a deemed distribution to Non-U.S. Holders. See U.S. Holders Adjustments to Conversion Rate above. In such case, the deemed distribution would be subject to the rules described below under Distributions on Common Stock regarding taxation and withholding of U.S. federal income tax on dividends in respect of common shares. Any resulting withholding tax attributable to deemed dividends would be collected from interest payments made on the notes or from the proceeds on sale or conversion of the notes.

Distributions on Common Stock. Dividends paid on our common stock to a Non-U.S. Holder will be subject to U.S. withholding tax at a 30% rate, subject to reduction under an applicable income tax treaty. In order to obtain a reduced rate of withholding, a Non-U.S. Holder will be required to provide a properly executed IRS Form W-8BEN (or applicable successor form) certifying its entitlement to benefits under an applicable income tax treaty.

A Non-U.S. Holder who is subject to withholding tax should consult its own tax advisor as to whether it can obtain a refund for all or a portion of the withholding tax.

Dividends on our common stock (or constructive dividends, see Adjustments to Conversion Rate above) that are effectively connected with the conduct by a Non-U.S. Holder of a trade or business in the United States and, if the Non-U.S. Holder is entitled to the benefits under an applicable tax treaty, attributable to a permanent establishment or a fixed base in the United States, will be subject to U.S. federal income tax on a net basis at the rates applicable to U.S. persons (and, if received by corporate holders, may also be subject to a 30% branch profits tax unless reduced or prohibited by an applicable income tax treaty). If dividends (or constructive dividends) are subject to U.S. federal income tax on a net basis in accordance with the rules described in the preceding sentence, payments of dividends will not be subject to U.S. withholding tax so long as the Non-U.S. Holder provides us or the paying agent with a properly executed IRS Form W-8ECI. To claim the benefit of an applicable income tax treaty, the Non-U.S. Holder must timely provide the appropriate and properly executed IRS forms.

Disposition of Notes or Common Stock. Subject to the rules described below under Information Reporting and Backup Withholding, a Non-U.S. Holder will not be subject to U.S. federal income or withholding tax on gain from the sale or other taxable disposition of a note or common shares unless:

- such gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States and, if the Non-U.S. Holder is entitled to the benefits under an applicable income tax treaty, attributable to a permanent establishment or a fixed base in the United States;

such Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of disposition and meets certain other requirements; or

we are or have been a U.S. real property holding corporation at any time within the shorter of the five-year period preceding such sale or other taxable disposition and the period during which the Non-U.S. Holder held the notes or common shares. We believe that we are currently not a U.S. real property holding corporation for U.S. federal income tax purposes, but there is no assurance that we will not become one in the future. If we become a U.S. real property holding corporation, any gain realized on such sale or other taxable disposition by a Non-U.S. Holder will be subject to U.S. federal income tax if our common stock ceases to be regularly traded on an established securities market (as defined in the applicable Treasury regulations) prior to the beginning of the calendar year in which the disposition occurs.

Except to the extent provided by an applicable income tax treaty, a Non-U.S. Holder will be subject to U.S. federal income tax with respect to gain from the sale or disposition of a note or shares of common stock that is effectively connected with the conduct by the holder of a trade or business in the United States (and Non-U.S. Holders that are corporations may also be subject to a 30% branch profits tax unless reduced or prohibited by an applicable income tax treaty). If such gain is realized by a Non-U.S. Holder who is an individual present in the United States for 183 days or more in the taxable year of disposition and who meets certain other requirements, then such individual will be subject to U.S. federal income tax at a rate of 30% (or at a reduced rate under an applicable income tax treaty) on the amount by which capital gains from U.S. sources (including gains from the sale or other disposition of the notes or shares of our common stock) exceed capital losses allocable to U.S. sources. To claim the benefit of an applicable income tax treaty, the Non-U.S. Holder must timely provide the appropriate and properly executed IRS forms.

Federal Estate Tax. Individual Non-U.S. Holders and entities the property of which is potentially includible in such an individual s gross estate for U.S. federal estate tax purposes (for example, a trust funded by such an individual and with respect to which the individual has retained certain interests or powers), should note that, absent an applicable treaty benefit, a note will be treated as U.S. situs property subject to U.S. federal estate tax if payments on the note, if received by the decedent at the time of death, would have been subject to U.S. federal withholding tax (even if the IRS Form 8-BEN certification requirement described above were satisfied) or effectively connected to the conduct by the holder of a trade or business in the United States.

Individual Non-U.S. Holders and entities the property of which is potentially includible in such an individual s gross estate for U.S. federal estate tax purposes (for example, a trust funded by such an individual and with respect to which the individual has retained certain interests or powers), should note that, absent an applicable treaty benefit, the common stock will be treated as U.S. situs property subject to U.S. federal estate tax.

Information Reporting and Backup Withholding

Information returns may be filed with the IRS in connection with payments on the notes and on the common stock and the proceeds from a sale or other disposition of the notes or the common stock. A U.S. Holder may be subject to U.S. backup withholding tax on these payments if it fails to provide its taxpayer identification number to the paying agent and comply with certification procedures or otherwise establish an exemption from backup withholding. A Non-U.S. Holder may be subject to U.S. information reporting and backup withholding tax on these payments unless the Non-U.S. Holder complies with certification procedures to establish that it is not a U.S. person. The certification procedures required of Non-U.S. Holders to claim the exemption from withholding tax on interest, described above, will satisfy the certification requirements necessary to avoid the backup withholding tax. Copies of applicable IRS information returns may be made available, under the provisions of an applicable income tax treaty or agreement, to the tax authorities of the country in which the Non-U.S. Holder resides. The amount of any backup withholding from a payment will be allowed as a credit against the holder s U.S. federal income tax liability and may entitle the holder to a refund, provided that the required information is timely furnished to the IRS.

UNDERWRITING

Citigroup Global Markets Inc. is acting as sole book-running manager of the offering and as representative of the underwriters named below. Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus, each underwriter named below has agreed to purchase, and we have agreed to sell to that underwriter, the principal amount of notes set forth opposite the underwriter s name.

Underwriter	Principal Amount of Notes
Citigroup Global Markets Inc.	$ 262,500,000
Credit Suisse Securities (USA) LLC	42,000,000
Jefferies & Company, Inc.	17,500,000
UBS Securities LLC	17,500,000
Barclays Capital Inc	10,500,000
Total	$ 350,000,000

The underwriting agreement provides that the obligations of the underwriters to purchase the notes included in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriters are obligated to purchase all of the notes if they purchase any of the notes.

The underwriters propose to offer some of the notes directly to the public at the public offering price set forth on the cover page of this prospectus and some of the notes to dealers at the public offering price less a concession not to exceed 1.575% of principal amount of the notes. After the initial offering of the notes to the public, the representative may change the public offering price and concessions.

We have granted to the underwriters an over-allotment option, exercisable for 30 days from the date of this prospectus, to purchase up to $45,986,000 additional aggregate principal amount of notes at the offering price less the underwriting discount. The underwriters may exercise the option solely for the purpose of covering over-allotments, if any, in connection with this offering. To the extent the option is exercised, each underwriter must purchase a principal amount of additional notes approximately proportionate to that underwriter s initial purchase commitment.

We and each of our executive officers and directors have agreed that, for a period of 90 days from the date of this prospectus, we and they will not, without the prior written consent of Citigroup, dispose of or hedge any shares of our common stock or any securities convertible into or exchangeable for our common stock, subject to certain exceptions, including:

- sales of up to an aggregate of 100,000 shares of common stock by our executive officers and directors;
- transfers by our executive officers or directors to family members or family trusts provided that any such transferee agrees to be bound by the lock-up agreement;
- programmatic sales by our executive officers pursuant to existing plans established by our executive officers pursuant to Rule 10b5-1 under the Exchange Act;
- entry into new plans established by our executive officers pursuant to Rule 10b5-1 under the Exchange Act provided that no sales occur prior to the expiration of the lock-up period; and
- our issuance of up to 500,000 shares in connection with future acquisitions if any.

Citigroup in its sole discretion may release any of the securities subject to these lock-up agreements at any time without notice.

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The following table shows the underwriting discounts that we are to pay to the underwriters in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters over-allotment option to purchase additional notes.

	Paid by Equinix	
	No Exercise	Full Exercise
Per note	$ 26.25	$ 26.25
Total	$ 9,187,500	$ 10,394,633

In connection with the offering, the underwriters may purchase and sell notes in the open market. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions. Over-allotment involves syndicate sales of notes in excess of the principal amount of notes to be purchased by underwriters in the offering, which creates a syndicate short position. Covered short sales are sales of notes made in an amount up to the principal amount represented by the underwriters over-allotment option. In determining the source of notes to close out the covered syndicate short position, the underwriters will consider, among other things, the price of notes available for purchase in the open market as compared to the price at which they may purchase notes through the over-allotment option. Transactions to close out the covered syndicate short involve either purchase of the notes in the open market after the distribution has been completed or the exercise of the over-allotment option. The underwriters may also make naked short sales of notes in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing notes in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the notes in the open market after pricing that would adversely affect investors who purchase in the offering. Stabilizing transactions must consist of bids for or purchases of notes in the open market while the offering is in progress.

The underwriters also may impose a penalty bid. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when Citigroup, in covering syndicate short positions or making stabilizing purchases, repurchases notes originally sold by that syndicate member in order to cover syndicate short positions or make stabilizing purchases.

Any of these activities may have the effect of preventing or regarding a decline in the market price of the notes. They may also cause the price of the notes to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The underwriters may conduct these transactions in the over-the-counter market or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

We estimate that the total expenses of this offering will be $450,000. The underwriters have agreed to reimburse us for a portion of these expenses.

The underwriters or their affiliates have performed investment banking, commercial banking and advisory services for us from time to time for which they have received customary fees and expenses. Specifically, Citigroup and/or its affiliates (i) acted as our advisor in connection with the IXEurope acquisition, (ii) is the agent under the bridge loan and (iii) was the sole book-running manager of the offering of our 2.50% Convertible Subordinated Notes due 2012 and one of the initial purchasers of our 2.50% Convertible Subordinated Debentures due 2024. Credit Suisse and Jefferies & Company were underwriters of the offering of our 2.50% Convertible Subordinated Notes due 2012. In addition, all of the underwriters participating in this offering other than Barclays Capital are also acting as underwriters in our concurrent common stock offering for which they will receive customary underwriting discounts and commissions. The underwriters may, from time to time in the future, engage in transactions with and perform services for us in the ordinary course of their business.

A prospectus in electronic format may be made available on the web sites maintained by one or more of the underwriters.

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We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

Notice to Prospective Investors in the European Economic Area

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a relevant member state), with effect from and including the date on which the Prospectus Directive is implemented in that relevant member state (the relevant implementation date), an offer of notes described in this prospectus may not be made to the public in that relevant member state prior to the publication of a prospectus in relation to the notes that has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in that relevant member state, all in accordance with the Prospectus Directive, except that, with effect from and including the relevant implementation date, an offer of notes may be offered to the public in that relevant member state at any time:

- to any legal entity that is authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in notes or

- to any legal entity that has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than 43,000,000 and (3) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts or

- in any other circumstances that do not require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive.

Each purchaser of notes described in this prospectus located within a relevant member state will be deemed to have represented, acknowledged and agreed that it is a qualified investor within the meaning of Article 2(1)(e) of the Prospectus Directive.

For purposes of this provision, the expression an offer to the public in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each relevant member state.

The sellers of the notes have not authorized and do not authorize the making of any offer of notes through any financial intermediary on their behalf, other than offers made by the underwriter with a view to the final placement of the notes as contemplated in this prospectus. Accordingly, no purchaser of the notes, other than an underwriter, is authorized to make any further offer of the notes on behalf of the sellers or an underwriter.

Notice to Prospective Investors in the United Kingdom

This prospectus is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive (Qualified Investors) that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Order) or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as relevant persons). This prospectus and its contents should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

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Notice to Prospective Investors in France

Neither this prospectus nor any other offering material relating to the notes described in this prospectus has been submitted to the clearance procedures of the Autorité des Marchés Financiers or by the competent authority of another member state of the European Economic Area and notified to the Autorité des Marchés Financiers. The notes have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this prospectus nor any other offering material relating to the notes has been or will be

released, issued, distributed or caused to be released, issued or distributed to the public in France or

used in connection with any offer for subscription or sale of the notes to the public in France.

Such offers, sales and distributions will be made in France only

to qualified investors *(investisseurs qualifiés)* and/or to a restricted circle of investors *(cercle qualifiés)*, in each case investing for their own account, all as defined in, and in accordance with, Article L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier or*

to investment services providers authorized to engage in portfolio management on behalf of third parties or

in a transaction that, in accordance with article L.411-2-II-1°-or-2°-or 3° of the French *Code monétaire et financier* and article 211-2 of the General Regulations *(Règlement Général)* of the Autorité des Marchés Financiers, does not constitute a public offer *(appel public à l épargne)*.

The notes may be resold directly or indirectly, only in compliance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French *Code monétaire et financier*.

Notice to Prospective Investors in Japan

Each underwriter has represented, warranted and agreed that the notes offered in this prospectus have not been registered under the Securities and Exchange Law of Japan, and it has not offered or sold and will not offer or sell, directly or indirectly, the notes in Japan or to or for the account of any resident of Japan, except (1) pursuant to an exemption from the registration requirements of the Securities and Exchange Law and (2) in compliance with any other applicable requirements of Japanese law.

Notice to Prospective Investors in Hong Kong

Each underwriter has represented, warranted and agreed that it has not offered or sold and will not offer or sell notes in Hong Kong SAR by means of this prospectus or any other document, other than to persons whose ordinary business involves buying or selling shares or debentures, whether as principal or agent or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32 of the Laws of Hong Kong SAR), and (2) unless it is a person who is permitted to do so under the securities laws of Hong Kong SAR, it has not issued or held for the purpose of issue in Hong Kong and will not issue or hold for the purpose of issue in Hong Kong SAR this prospectus, any other offering material or any advertisement, invitation or document relating to the notes, otherwise than with respect to notes intended to be disposed of to persons outside Hong Kong SAR or only to persons whose business involves the acquisition, disposal, or holding of securities, whether as principal or as agent.

Notice to Prospective Investors in Singapore

Each underwriter has represented, warranted and agreed that this prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes, may not be

circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than (1) to an institutional investor or other person specified in Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the SFA), (2) to a sophisticated investor, and in accordance with the conditions, specified in Section 275 of the SFA or (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

LEGAL MATTERS

Certain legal matters will be passed upon for Equinix by Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP, Menlo Park, California and Shearman & Sterling LLP, San Francisco, California. Certain legal matters will be passed upon for the underwriters by Davis Polk & Wardwell, Menlo Park, California.

EXPERTS

The audited financial statements of Equinix, Inc. and management s assessment of the effectiveness of internal control over financial reporting (which is included in Management s Report on Internal Control Over Financial Reporting) incorporated in this prospectus by reference to Equinix, Inc. s Annual Report on Form 10-K for the year ended December 31, 2006 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The financial statements of IXEurope plc included in Equinix, Inc. s Current Report on Form 8-K filed on September 14, 2007 and incorporated by reference in this prospectus have been audited by BDO Stoy Hayward LLP, an independent registered public accounting firm, to the extent and for the periods set forth in their report incorporated herein by reference, and are incorporated herein in reliance upon such report given upon the authority of said firm as experts in auditing and accounting.

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$350,000,000

Equinix, Inc.

3.00% Convertible Subordinated Notes due 2014

PROSPECTUS

September 20, 2007

Citi

Credit Suisse

Jefferies & Company

UBS Investment Bank

Barclays Capital

om">$(495) $13,037 $14,761

Amounts capitalized represent mortgage servicing rights retained upon the sale of originated loans to Freddie Mac and mortgage servicing rights acquired without the exchange of initial consideration. The Company recorded mortgage servicing rights retained upon the sale of originated loans to Freddie Mac of $7.0 million and $4.1 million on $2.3 billion and $1.4 billion of loans, respectively, during the years ended December 31, 2012 and 2011, respectively. The Company recorded mortgage servicing rights acquired without the exchange of initial consideration of $2.4 million and $1.9 million on $5.1 billion and $4.2 billion of loans, respectively, during the years ended December 31, 2012 and 2011. These amounts are recorded in Interest and other income, net in the consolidated statements of income. During each of 2012 and 2011, the Company sold the cashiering portion of certain Freddie Mac mortgage servicing rights. While the Company transferred the risks and rewards of ownership of the cashiering portion of the relevant mortgage servicing rights, the Company continues to perform limited servicing activities on these loans for a reduced market-based fee. Therefore, the remaining servicing rights were transferred to the CMBS servicing tranche. The net result of these transactions was the Company recording a gain in each of the years ended December 31, 2012 and 2011 of $3.8 million and $4.8 million, respectively, within interest and other income, net in the consolidated income statements.

HFF, Inc.

Notes to Consolidated Financial Statements (Continued)

Amortization expense related to intangible assets was $3.9 million, $2.9 million, and $2.4 million for the years ended December 31, 2012, 2011 and 2010, respectively, and is reported in Depreciation and Amortization in the consolidated statements of income.

Estimated amortization expense for the next five years is as follows (in thousands):

2012	$ 4,371
2013	3,698
2014	2,828
2015	2,162
2016	1,722

The weighted-average remaining life of the mortgage servicing rights intangible asset was 6.0 and 5.7 years at December 31, 2012 and 2011, respectively.

6. Fair Value Measurement

ASC Topic 820, *Fair Value Measurement* (ASC 820) establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into the following three levels: Level 1 inputs which are quoted market prices in active markets for identical assets or liabilities; Level 2 inputs which are observable market-based inputs or unobservable inputs corroborated by market data for the asset or liability; and Level 3 inputs which are unobservable inputs based on our own assumptions that are not corroborated by market data. A financial asset or liability s classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

In May 2011, the Financial Accounting Standards Board issued an accounting pronouncement which amends the fair value measurement and disclosure requirements to achieve common disclosure requirements between GAAP and International Financial Reporting Standards. The accounting pronouncement requires certain disclosures about transfers between Level 1 and Level 2 of the fair value hierarchy, sensitivity of fair value measurements categorized within Level 3 of the fair value hierarchy, and categorization by level of items that are reported at cost but are required to be disclosed at fair value. The adoption of this pronouncement had no impact on the Company s consolidated financial statements.

As of December 31, 2012 and 2011, the Company did not have any assets or liabilities recognized at fair value on a recurring basis.

In accordance with GAAP, from time to time, the Company measures certain assets at fair value on a nonrecurring basis. These assets may include mortgage servicing rights and mortgage notes receivable. The mortgage servicing rights were not measured at fair value during 2012 as the Company continues to utilize the amortization method under ASC 860 and the fair value of the mortgage servicing rights exceeds the carrying value at December 31, 2012. See Note 5 for further discussion on the assumptions used in valuing the mortgage servicing rights and impact on earnings during the period. The fair value of the mortgage notes receivable was based on prices observable in the market for similar loans and equaled carrying value at December 31, 2012 and 2011. Therefore, no lower of cost or fair value adjustment was required.

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HFF, Inc.

Notes to Consolidated Financial Statements (Continued)

The following table sets forth the Company s financial assets that were accounted for at fair value on a nonrecurring basis by level within the fair value hierarchy as of December 31, 2012 (in thousands):

		December 31, 2012 Fair Value Measurements Using:		
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Nonrecurring fair value measurements				
Mortgage notes receivable	$ 261,272	$	$ 261,272	$
Mortgage servicing rights	17,799			19,848
Total nonrecurring fair value measurements	$ 279,071	$	$ 261,272	$ 19,848

The following table sets forth the Company s financial assets that were accounted for at fair value on a nonrecurring basis by level within the fair value hierarchy as of December 31, 2011 (in thousands):

		December 31, 2011 Fair Value Measurements Using:		
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Nonrecurring fair value measurements				
Mortgage notes receivable	$ 154,449	$	$ 154,449	$
Mortgage servicing rights	13,037			14,761
Total nonrecurring fair value measurements	$ 167,486		$ 154,449	$ 14,761

Mortgage servicing rights do not trade in an active, open market with readily available observable prices. Since there is no ready market value for the mortgage servicing rights, such as quoted market prices or prices based on sales or purchases of similar assets, the Company determines the fair value of the mortgage servicing rights by estimating the present value of future cash flows associated with the servicing the loans. Management makes certain assumptions and judgments in estimating the fair value of servicing rights. The estimate is based on a number of assumptions, including the benefits of servicing (contractual servicing fees and interest on escrow and float balances), the cost of servicing, prepayment rates (including risk of default), an inflation rate, the expected life of the cash flows and the discount rate. The significant assumptions utilized to value servicing rights as of December 31, 2012 and 2011 are as follows:

	As of December 31,	
	2012	2011

Expected life of cash flows	3 years to 10 years	3 years to 10 years
Discount rate(1)	15% to 20%	15% to 20%
Prepayment rate	0% to 8%	0% to 8%
Inflation rate	2%	2%
Cost of service per loan	$1,600 to $4,370	$1,600 to $4,275

(1) Reflects the time value of money and the risk of future cash flows related to the possible cancellation of servicing contracts, transferability restrictions on certain servicing contracts, concentration in the life company portfolio and large loan risk.

HFF, Inc.

Notes to Consolidated Financial Statements (Continued)

The above assumptions are subject to change based on management s judgments and estimates of future changes in the risks related to future cash flows and interest rates. Changes in these factors would cause a corresponding increase or decrease in the prepayment rates and discount rates used in our valuation model.

FASB ASC Topic 825, *Financial Instruments* also requires disclosure of fair value information about financial instruments, whether or not recognized in the accompanying consolidated balance sheets. Our financial instruments, excluding those included in the preceding fair value tables above, are as follows:

Cash and Cash Equivalents and Restricted Cash: These balances include cash and cash equivalents as well as restricted cash with maturities of less than three months. The carrying amount approximates fair value due to the short-term maturities of these instruments; these are considered Level 1 fair values.

Warehouse line of credit: Due to the short-term nature and variable interest rates of this instrument, fair value approximates carrying value; these are considered Level 2 fair values.

7. Capital Lease Obligations and Letters of Credit

(a) Capital Lease Obligation

Capital lease obligations consist of the following at December 31, 2012 and 2011 (in thousands):

	December 31	
	2012	**2011**
Capital lease obligations	$ 578	$ 569
Less current maturities	299	269
	$ 279	$ 300

Capital lease obligations consist primarily of office equipment leases that expire at various dates through April 2017. A summary of future minimum lease payments under capital leases at December 31, 2012 is as follows (in thousands):

2013	$ 299
2014	191
2015	51
2016	30
2017	7
	$ 578

(b) Letters of Credit

As of December 31, 2012, the Company had no outstanding letters of credit. As of December 31, 2011, the Company had one outstanding letter of credit of approximately $0.1 million as security for one lease. The letter of credit was originally set to expire in October 2012; however, the underlying lease to which this letter of credit relates was terminated in March 2012, and the letter of credit was released and the related funds returned to the Company.

HFF, Inc.

Notes to Consolidated Financial Statements (Continued)

8. Warehouse Line of Credit

HFF LP maintains two uncommitted warehouse revolving lines of credit for the purpose of funding the Freddie Mac mortgage loans that it originates in connection with its services as a Freddie Mac Multifamily Program Plus® Seller/Servicer. The Company is a party to an uncommitted $350 million financing arrangement with PNC Bank, N.A. (PNC) and an uncommitted $75 million financing arrangement with The Huntington National Bank (Huntington). On April 23, 2012, HFF LP entered into a fourth amended and restated line of credit with Huntington which provided for an additional $25 million of availability ($100 million in total), upon election of HFF LP, for a four consecutive month period commencing after June 30, 2012 and ending December 31, 2012. HFF LP did not utilize this election. HFF LP s warehouse line of credit with PNC originally provided for $175 million of availability. In May 2011, availability under the PNC line increased to $250 million and in June 2012 the availability increased to $350 million.

Each funding is separately approved on a transaction-by-transaction basis and is collateralized by a loan and mortgage on a multifamily property that is ultimately purchased by Freddie Mac. The PNC and Huntington National Bank financing arrangements are only for the purpose of supporting the Company s participation in Freddie Mac s Program Plus Seller Servicer program and cannot be used for any other purpose. As of December 31, 2012 and December 31, 2011, HFF LP had $261.3 million and $154.4 million, respectively, outstanding on the warehouse lines of credit and a corresponding amount of mortgage notes receivable. Interest on the warehouse lines of credit is at the 30-day LIBOR rate (0.21% and 0.28% at December 31, 2012 and December 31, 2011, respectively) plus a spread. HFF LP is also paid interest on its loans secured by multifamily loans at the rate in the Freddie Mac note.

9. Lease Commitments

The Company leases various corporate offices, parking spaces, and office equipment under noncancelable operating leases. These leases have initial terms of one to ten years. Several of the leases have termination clauses whereby the term may be reduced by two to seven years upon prior notice and payment of a termination fee by the Company. Total rental expense charged to operations was $6.4 million, $5.3 million, and $5.6 million for the years ended December 31, 2012, 2011 and 2010, respectively, and is recorded within occupancy expense in the consolidated statements of income.

Future minimum rental payments for the next five years under operating leases with noncancelable terms in excess of one year and without regard to early termination provisions are as follows (in thousands):

2013	$ 6,003
2014	4,878
2015	4,106
2016	3,281
2017	2,558
Thereafter	4,981
	$ 25,807

The Company subleases certain office space to subtenants, some of which may be canceled at any time. The rental income received from these subleases is included as a reduction of occupancy expenses in the accompanying consolidated statements of income.

HFF, Inc.

Notes to Consolidated Financial Statements (Continued)

The Company also leases certain office equipment under capital leases that expire at various dates through 2017. See Note 4 and Note 7 for further description of the assets and related obligations recorded under these capital leases at December 31, 2012 and 2011, respectively.

HFF Holdings is not an obligor under, nor does it guarantee, any of the Company s leases.

10. Retirement Plan

The Company maintains a retirement savings plan for all eligible employees, in which employees may make deferred salary contributions up to the maximum amount allowable by the IRS. After-tax contributions may also be made up to 50% of compensation. The Company makes matching contributions equal to 50% of the first 6% of both deferred and after-tax salary contributions, up to a maximum of $5,000. Between April 1, 2009 and September 1, 2010, the matching contributions were suspended by the Company. Effective September 1, 2010, the Company reinstated the matching contributions with the same criteria in effect prior to its suspension. During 2008 and 2009, any employee that was involuntarily terminated was vested at 100% in the Company s matching contributions made through the termination date due to the 401(k) partial plan guidelines. The Company s contributions charged to expense for the plan were $1.6 million, $1.4 million, and $0.3 million for the years ended December 31, 2012, 2011 and 2010, respectively.

11. Servicing

The Company services commercial real estate loans for investors. The servicing portfolio totaled $31.3 billion, $27.2 billion, and $25.1 billion at December 31, 2012, 2011 and 2010, respectively.

In connection with its servicing activities, the Company holds funds in escrow for the benefit of mortgagors for hazard insurance, real estate taxes and other financing arrangements. At December 31, 2012, 2011 and 2010, the funds held in escrow totaled $172.9 million, $126.6 million and $108.3 million, respectively. These funds, and the offsetting obligations, are not presented in the Company s financial statements as they do not represent assets and liabilities of the Company. Pursuant to the requirements of the various investors for which the Company services loans, the Company maintains bank accounts, holding escrow funds, which have balances in excess of the FDIC insurance limit. The fees earned on these escrow funds are reported in capital markets services revenue in the consolidated statements of income.

12. Legal Proceedings

The Company is party to various litigation matters, in most cases involving ordinary course and routine claims incidental to its business. The Company cannot estimate with certainty its ultimate legal and financial liability with respect to any pending matters. In accordance with ASC 450, *Contingencies*, a reserve for estimated losses is recorded when the amount is probable and can be reasonably estimated. However, the Company does not believe, based on examination of such pending matters, that a material loss related to these matters is reasonably possible.

HFF, Inc.

Notes to Consolidated Financial Statements (Continued)

13. Income Taxes

Income tax expense includes current and deferred taxes as follows (in thousands):

	Current	Deferred	Total
Year Ended December 31, 2012:			
Federal	$ 13,142	$ (7,554)	$ 5,588
State	3,178	(105)	3,073
	$ 16,320	$ (7,659)	$ 8,661

	Current	Deferred	Total
Year Ended December 31, 2011:			
Federal	$ 5,734	$ 15,735	$ 21,469
State	2,211	(1,309)	902
	$ 7,945	$ 14,426	$ 22,371

The reconciliation between the income tax computed by applying the U.S. federal statutory rate and the effective tax rate on net income is as follows for the year ended December 31, 2012 and 2011 (dollars in thousands):

	Dec. 31, 2012	Dec. 31, 2011
Pre-tax book income	$ 52,766	$ 64,421
Less: pre-tax income allocated to noncontrolling interest holder	(246)	(2,044)
Pre-tax book income after noncontrolling interest	$ 52,520	$ 62,377

	December 31,			
	2012		2011	
Income Tax expense		Rate		Rate
Taxes computed at federal rate	$ 18,382	35.0%	$ 21,832	35.0%
State and local taxes, net of federal tax benefit	3,433	6.5%	3,287	5.3%
Effect of deferred tax rate change	976	1.9%	(3,475)	(5.6)%
Effect of change in valuation allowance	(21,087)	(40.1)%	(1,058)	(1.7)%
Change in income tax benefit payable to stockholder	6,075	11.6%	1,361	2.2%
Change in state net operating loss	(200)	(0.4)%	(55)	(0.1)%
Compensation limitation	490	0.9%		0.0%
Stock compensation		0.0%	41	0.1%
Meals and entertainment	582	1.1%	437	0.7%
Other	10	0.0%	1	0.0%
	$ 8,661	16.5%	$ 22,371	35.9%

Total income tax expense recorded for the year ended December 31, 2012 and 2011, included income tax expense of $3,000 and $13,000, respectively, of state and local taxes on income allocated to the noncontrolling interest holder, which represents 0.01% and 0.02% of the total effective rate, respectively.

HFF, Inc.

Notes to Consolidated Financial Statements (Continued)

Deferred income tax assets and liabilities consist of the following at December 31, 2012 and 2011 (in thousands):

	December 31, 2012	December 31, 2011
Deferred income tax assets:		
Section 754 election tax basis step-up	$ 169,487	$ 176,365
Tenant improvements	2,232	1,882
Net operating loss carryforward	1,212	1,144
Restricted stock units	2,572	1,144
Compensation	3,736	4,369
Intangible asset	548	857
Tax credits	123	123
Other	278	205
	180,188	186,089
Less: valuation allowance		(21,902)
Deferred income tax asset	180,188	164,187
Deferred income tax liabilities:		
Goodwill	(1,270)	(1,248)
Servicing rights	(6,750)	(4,829)
Deferred rent	(1,653)	(1,473)
Investment in partnership	(586)	(857)
Deferred income tax liability	(10,259)	(8,407)
Net deferred income tax asset	$ 169,929	$ 155,780

The primary deferred tax asset represents a tax basis step-up election under Section 754 of the Internal Revenue Code, as amended (Section 754), made by HFF, Inc. relating to the initial purchase of units of the Operating Partnerships in connection with the Reorganization Transactions and a tax basis step-up on subsequent exchanges of Operating Partnership units for the Company s Class A common stock since the date of the Reorganization Transactions. As a result of the step-up in basis from these transactions, the Company is entitled to annual future tax benefits in the form of amortization for income tax purposes. During 2012, the deferred tax asset for the Section 754 election tax basis step-up increased $6.5 million due to the exchanges of Operating Partnership units for the Company s Class A common stock. The annual pre-tax benefit on the Section 754 basis step-up and past payments under the tax receivable agreement was approximately $27.8 million at December 31, 2012. To the extent that the Company does not have sufficient taxable income in a year to fully utilize this annual deduction, the unused benefit is recharacterized as a net operating loss and can then be carried back two years or carried forward for twenty years. The Company measured the deferred tax asset based on the estimated income tax effects of the increase in the tax basis of the assets owned by the Operating Partnerships utilizing the enacted tax rates at the date of the transaction. In accordance with ASC 740, the tax effects of transactions with shareholders that result in changes in the tax basis of a company s assets and liabilities are recognized in equity. The Company initially recorded a valuation allowance on a portion of the recognized deferred tax assets recorded in connection with the Reorganization Transactions and the subsequent exercise of exchange rights due to the uncertainty in the timing and level of tax benefits that would be realized when payments are made to HFF Holdings under the Tax Receivable Agreement (see further discussion below). Prior to the fourth quarter of 2012, a valuation allowance was established on a portion of the deferred tax assets from the Section 754 step-up. In the fourth quarter of 2012, the Company determined based on its analysis that the valuation allowance on the deferred tax assets was no longer required and therefore reversed this allowance. Changes in the measurement of

HFF, Inc.

Notes to Consolidated Financial Statements (Continued)

the deferred tax assets or the valuation allowance due to changes in the enacted tax rates upon the finalization of the income tax returns for the year of the exchange transaction are recorded in equity. All subsequent changes in the measurement of the deferred tax assets due to changes in the enacted tax rates or changes in the valuation allowance are recorded as a component of income tax expense.

In evaluating the realizability of the deferred tax assets, management makes estimates and judgments regarding the level and timing of future taxable income, including projecting future revenue growth and changes to the cost structure. In order to realize the annual pre-tax benefit of approximately $27.8 million, the Company needs to generate approximately $204 million in revenue each year, assuming a constant cost structure. In the event that the Company cannot realize the annual pre-tax benefit of $27.8 million each year, the shortfall becomes a net operating loss that can be carried back two years to offset prior years taxable income or carried forward 20 years to offset future taxable income. Based on this analysis and other quantitative and qualitative factors, management believes that it is currently more likely than not that the Company will be able to generate sufficient taxable income to realize the net deferred tax assets resulting from the basis step up transactions (initial sale of units in the Operating Partnerships and subsequent exchanges of Operating Partnership units since the date of the Reorganization Transactions). The combined federal and state tax effected net operating loss carryforwards of $1.2 million at December 31, 2012 represent the cumulative excess of the Section 754 annual tax deductions over taxable income for 2012 and prior years. The use of the net operating loss is subject to limitation under Section 382 of the Internal Revenue Code, as amended. The limitation on the use of the net operating loss in 2012 is $1.2 million, which can be used in future years. The net operating loss limitation does not impact the Company s ability to fully utilize the net operating loss before its expiration. The federal net operating loss carryforwards expire from 2028 to 2030 while the state net operating loss carryforwards expire from 2015 through 2030.

The Company will recognize interest and penalties related to unrecognized tax benefits in interest and other income, net in the consolidated statements of income. There were no interest or penalties recorded in the twelve months ended December 31, 2012 or December 31, 2011.

Tax Receivable Agreement

In connection with the Reorganization Transactions, HFF LP and HFF Securities made an election under Section 754 for 2007 and intend to keep that election in effect for each taxable year in which an exchange of Operating Partnership partnership units for shares of the Company s Class A common stock occurred. The initial sale as a result of the offering and the subsequent exchanges of partnership units increased the tax basis of the assets owned by HFF LP and HFF Securities to their fair market value. This increase in tax basis allows the Company to reduce the amount of future tax payments to the extent that the Company has future taxable income. During 2012, the deferred tax asset for the Section 754 election tax basis step-up increased $6.5 million due to the exchanges of Operating Partnership units for the Company s Class A common stock. As a result of the increase in tax basis, the Company is entitled to future tax benefits of $6.5 million and has recorded this amount as a deferred tax asset on its consolidated balance sheet. The Company has updated its estimate of these future tax benefits based on the changes to the estimated annual effective tax rate for 2012 and 2011. The Company is obligated, however, pursuant to its Tax Receivable Agreement with HFF Holdings, to pay to HFF Holdings, 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that the Company actually realizes as a result of these increases in tax basis and as a result of certain other tax benefits arising from the Company entering into the tax receivable agreement and making payments under that agreement. For purposes of the tax receivable agreement, actual cash savings in income tax will be computed by comparing the Company s actual income tax liability to the amount of such taxes that it would have been required to pay had there been no increase to the tax basis of the assets of HFF LP and HFF Securities as a result of the initial sale and later exchanges and had the Company not entered into the tax receivable agreement.

HFF, Inc.

Notes to Consolidated Financial Statements (Continued)

The Company accounts for the income tax effects and corresponding tax receivable agreement effects as a result of the initial purchase and the sale of units of the Operating Partnerships in connection with the Reorganization Transactions and exchanges of Operating Partnership units for the Company s Class A shares by recognizing a deferred tax asset for the estimated income tax effects of the increase in the tax basis of the assets owned by the Operating Partnerships, based on enacted tax rates at the date of the transaction, less any tax valuation allowance the Company believes is required. In accordance with ASC 740, the tax effects of transactions with shareholders that result in changes in the tax basis of a company s assets and liabilities will be recognized in equity. If transactions with shareholders result in the recognition of deferred tax assets from changes in the company s tax basis of assets and liabilities, the valuation allowance initially required upon recognition of these deferred assets will be recorded in equity. Subsequent changes in enacted tax rates or any valuation allowance are recorded as a component of income tax expense.

The Company believes it is more likely than not that it will realize the benefit represented by the deferred tax asset, and, therefore, the Company recorded 85% of this estimated amount of the increase in deferred tax assets, as a liability to HFF Holdings under the tax receivable agreement and the remaining 15% of the increase in deferred tax assets directly in additional paid-in capital in stockholders equity.

While the actual amount and timing of payments under the tax receivable agreement will depend upon a number of factors, including the amount and timing of taxable income generated in the future, changes in future tax rates, the value of individual assets, the portion of the Company s payments under the tax receivable agreement constituting imputed interest and increases in the tax basis of the Company s assets resulting in payments to HFF Holdings, the Company has estimated that the payments that will be made to HFF Holdings will be $154.9 million and has recorded this obligation to HFF Holdings as a liability on the consolidated balance sheet. During the year ended December 31, 2012, the tax rates used to measure the deferred tax assets were updated which resulted in a decrease of deferred tax assets of $1.2 million and the valuation allowance was reversed which resulted in an increase of deferred tax assets of $21.9 million, which collectively resulted in an increase in the payable under the tax receivable agreement of $17.4 million. In addition, during the year ended December 31, 2011, the tax rates used to measure the deferred tax assets were updated which resulted in an increase of deferred tax assets of $4.6 million, which resulted in an increase in the payable under the tax receivable agreement of $3.9 million. To the extent the Company does not realize all of the tax benefits in future years, this liability to HFF Holdings may be reduced.

In conjunction with the filing of the Company s 2011 federal and state tax returns, the benefit for 2011 relating to the Section 754 basis step-up was finalized resulting in $20.9 million in tax benefits realized by the Company for 2011. As discussed above, the Company is obligated to remit to HFF Holdings 85% of any such cash savings in federal and state tax. As such, during August 2012, the Company paid $17.7 million to HFF Holdings under this tax receivable agreement. In conjunction with filing of the Company s 2010 federal and state tax returns, the benefit for 2010 relating to the Section 754 basis step-up was finalized resulting in $7.4 million of tax benefits being realized by the Company for 2010. As such during 2011, the Company paid $6.3 million to HFF Holdings under the tax receivable agreement. As of December 31, 2012, the Company has made payments to HFF Holdings pursuant to the terms of the tax receivable agreement in an aggregate amount of approximately $31.5 million and the Company anticipates to make a payment of approximately $9.9 million to HFF Holdings in 2013.

14. Noncontrolling Interest

Noncontrolling interest recorded in the consolidated financial statements of HFF, Inc. relates to the ownership interest of HFF Holdings in the Operating Partnerships that HFF Holdings held prior to August 31,

HFF, Inc.

Notes to Consolidated Financial Statements (Continued)

2012. As a result of the Reorganization Transactions discussed in Note 1, partners capital was eliminated from equity and a noncontrolling interest of $6.4 million was recorded representing HFF Holdings remaining interest in the Operating Partnerships following the initial public offering and the underwriters exercise of the overallotment option on February 21, 2007, along with HFF Holdings proportional share of net income earned by the Operating Partnerships subsequent to the change in ownership. As discussed in Note 1, HFF, Inc. is a holding company and, as such, does not generate income other than through its proportional share of net income earned by the Operating Partnerships. However, HFF, Inc. does incur certain costs which are not allocated or shared with the Operating Partnerships or their direct or indirect partners (including, prior to August 31, 2012, HFF Holdings) and, therefore, the net income as shown on the consolidated statements of income is not proportionately shared between the noncontrolling interest holder and the controlling interest holder.

As a result of the Reorganization Transactions, HFF Holdings beneficially owned 20,355,000 partnership units in each of the Operating Partnerships. Pursuant to the terms of HFF, Inc. s amended and restated certificate of incorporation, HFF Holdings was entitled from time to time to exchange, subject to certain restrictions, its partnership units in the Operating Partnerships for shares of the Company s Class A common stock on the basis of two partnership units, one for each Operating Partnership, for one share of Class A common stock, subject to customary conversion rate adjustments for stock splits, stock dividends and reclassifications.

The table below sets forth the noncontrolling interest amount recorded during the years ending December 31, 2012 and 2011, which includes the exchange of 845,947 partnership units for 845,947 shares of Class A common stock during the three months ended March 31, 2012, 18,000 partnership units for 18,000 shares of Class A common stock during the three months ended June 30, 2012, 133,142 partnership units for 133,142 shares of Class A common stock during the three months ended September 30, 2012, 1,113,691 partnership units for 1,113,691 shares of Class A common stock during the three months ended March 31, 2011, and 25,444 partnership units for 25,444 shares of Class A common stock during the three months ended December 31, 2011 (dollars in thousands).

	Three Months Ended 3/31/12	Three Months Ended 6/30/12	Three Months Ended 9/30/12	Three Months Ended 12/31/12	Year Ended 12/31/12
Net income from operating partnerships	$ 6,124	$ 19,039	$ 17,083	$ 29,402	$ 71,648
Noncontrolling interest ownership percentage	(A)	(B)	(C)	0.00%	
Noncontrolling interest	$ 121	$ 75	$ 47	$	$ 243

	Three Months Ended 3/31/11	Three Months Ended 6/30/11	Three Months Ended 9/30/11	Three Months Ended 12/31/11	Year Ended 12/31/11
Net income from operating partnerships	$ 7,753	$ 22,733	$ 17,562	$ 22,529	$ 70,577
Noncontrolling interest ownership percentage	(D)	2.78%	2.78%	(E)	
Noncontrolling interest	$ 297	$ 632	$ 488	$ 614	$ 2,031

(A) During the three months ending March 31, 2012, the ownership of the Operating Partnerships changed due to the exercise of exchange rights of HFF Holdings. HFF Holdings ownership percentage in the Operating Partnerships was 2.71% during January and February 2012 and 0.43% during March 2012.

(B) During the three months ending June 30, 2012, the ownership of the Operating Partnerships changed due to the exercise of exchange rights of HFF Holdings. HFF Holdings ownership percentage in the Operating Partnerships was 0.41% during April 2012, 0.39% during May 2012 and 0.38% during June 2012.

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HFF, Inc.

Notes to Consolidated Financial Statements (Continued)

(C) During the three months ending September 30, 2012, the ownership of the Operating Partnerships changed due to the exercise of exchange rights of HFF Holdings. HFF Holdings ownership percentage in the Operating Partnerships was 0.36% during July and August 2012 and 0.00% during September 2012.

(D) During the three months ending March 31, 2011, the ownership of the Operating Partnerships changed due to the exercise of exchange rights of HFF Holdings. HFF Holdings ownership percentage in the Operating Partnerships was 5.8% during January and February 2011 and 2.8% during March 2011.

(E) During the three months ending December 31, 2011, the ownership of the Operating Partnerships changed due to the exercise of exchange rights of HFF Holdings. HFF Holdings ownership percentage in the Operating Partnerships was 2.8% during October 2011 and 2.7% during November and December 2011.

On September 30, 2009, a Registration Statement on Form S-3 relating to the offering and sale from time to time by the members of HFF Holdings of the 20,355,000 shares of Class A common stock exchangeable for the 20,355,000 partnership units in each of the Operating Partnerships beneficially owned by members of HFF Holdings immediately following the Reorganization Transactions became effective. At December 31, 2012, all such 20,355,000 partnership units had been exchanged for an equal amount of shares of the Company s Class A common stock pursuant to the Exchange Right. After giving effect to these changes, HFF Holdings owned 0% of the Operating Partnerships and the Company, through its wholly-owned subsidiaries, became on August 31, 2012, and continues to be, the only equity holder of the Operating Partnerships.

As a result of the Reorganization Transactions, HFF Holdings was issued one share of the Company s Class B common stock. Class B common stock had no economic rights but entitled the holder to a number of votes that is equal to the total number of shares of Class A common stock for which the partnership units that HFF Holdings held in the Operating Partnerships, as of the relevant record date for the HFF, Inc. stockholder action, were exchangeable. Since all of the partnership units had been exchanged as of August 31, 2012, the Class B common stock was transferred to the Company and retired on August 31, 2012 in accordance with the Company s certificate of incorporation.

15. Stockholders Equity

The Company is authorized to issue 175,000,000 shares of Class A common stock, par value $0.01 per share, and one share of Class B common stock, par value $0.01 per share. Each share of Class A common stock entitles its holder to one vote on all matters to be voted on by stockholders generally. As part of the Reorganization Transactions, HFF Holdings was issued one share of Class B common stock. Class B common stock had no economic rights but entitled the holder to a number of votes equal to the total number of shares of Class A common stock for which the partnership units that HFF Holdings held in the Operating Partnerships, as of the relevant record date for the HFF, Inc. stockholder action, were exchangeable. Holders of Class A and Class B common stock voted together as a single class on all matters presented to the stockholders for their vote or approval. Since all of the partnership units have been exchanged as of August 31, 2012, the Class B common stock was transferred to the Company and retired on August 31, 2012 in accordance with the Company s certificate of incorporation. The Company had issued 37,221,461 and 36,102,322 shares of Class A common stock and zero and 1 share of Class B common stock as of December 31, 2012 and December 31, 2011, respectively.

On November 30, 2012, the Company s board of directors declared a special cash dividend of $1.52 per share of Class A common stock to stockholders of record on December 10, 2012. The aggregate dividend payment was paid on December 20, 2012 and totaled approximately $56.3 million based on the number of shares of Class A common stock then outstanding. Additionally, 69,273 restricted stock units (dividend units) were granted for those unvested and vested but not issued restricted stock units as of the record date of December 10, 2012. These dividend units follow the same vesting terms as the underlying restricted stock units. The Company has not otherwise declared any dividends on any class of its common stock since its initial public offering.

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HFF, Inc.

Notes to Consolidated Financial Statements (Continued)

16. Earnings Per Share

The Company s net income and weighted average shares outstanding for the years ended December 31, 2012 and 2011, consists of the following *(dollars in thousands)*:

	Year Ended December 31, 2012	Year Ended December 31, 2011
Net income	$ 44,105	$ 42,050
Net income attributable to controlling interest	$ 43,862	$ 40,019
Weighted Average Shares Outstanding:		
Basic	36,917,096	35,867,610
Diluted	37,151,792	36,125,173

The calculations of basic and diluted net income per share amounts for the years ended December 31, 2012 and 2011 are described and presented below.

Basic Net Income per Share

Numerator net income attributable to the controlling interest for the three and twelve months ended December 31, 2012 and 2011, respectively.

Denominator the weighted average shares of Class A common stock for the three and twelve months ended December 31, 2012 and 2011, including 117,504 and 90,833 restricted stock units that have vested and whose issuance is no longer contingent as of December 31, 2012 and 2011, respectively.

Diluted Net Income per Share

Numerator net income attributable to controlling interest for the three and twelve month periods ended December 31, 2012 and 2011 as in the basic net income per share calculation described above plus income allocated to noncontrolling interest holder upon assumed exercise of exchange rights.

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HFF, Inc.

Notes to Consolidated Financial Statements (Continued)

Denominator the weighted average shares of Class A common stock for the three and twelve months ended December 31, 2012 and 2011, including 117,504 and 90,833 restricted stock units that have vested and whose issuance is no longer contingent as of December 31 2012 and 2011, respectively, plus the dilutive effect of the unrestricted stock units, stock options, and the issuance of Class A common stock upon the exercise of the Exchange Right by HFF Holdings.

	Three Months Ended December 31, 2012	Year Ended December 31, 2012	Three Months Ended December 31, 2011	Year Ended December 31, 2011
Basic Earnings Per Share of Class A Common Stock				
Numerator:				
Net income attributable to Class A common stockholders	$ 19,647	$ 43,862	$ 12,662	$ 40,019
Denominator:				
Weighted average number of shares of Class A common stock outstanding	37,171,214	36,917,096	36,066,224	35,867,610
Basic net income per share of Class A common stock	$ 0.53	$ 1.19	$ 0.35	$ 1.12
Diluted Earnings Per Share of Class A Common Stock				
Numerator:				
Net income attributable to Class A common stockholders	$ 19,647	$ 43,862	$ 12,662	$ 40,019
Add dilutive effect of:				
Income allocated to noncontrolling interest holder upon assumed exercise of exchange right				
Denominator:				
Basic weighted average number of shares of Class A common stock	37,171,214	36,917,096	36,066,224	35,867,610
Add dilutive effect of:				
Unvested restricted stock units	343,136	217,907	251,884	239,592
Stock options	17,057	16,789	15,979	17,971
Noncontrolling interest holder exchange right				
Weighted average common shares outstanding diluted	37,531,407	37,151,792	36,334,087	36,125,173
Diluted earnings per share of Class A common stock	$ 0.52	$ 1.18	$ 0.35	$ 1.11

HFF, Inc.

Notes to Consolidated Financial Statements (Continued)

17. Concentrations

A significant portion of the Company s capital markets services revenues is derived from transactions involving commercial real estate located in specific geographic areas. During 2012, approximately 25.4%, 13.2%, 6.5%, 5.4%, 5.2%, 5.0% and 6.1% of the Company s capital markets services revenues were derived from transactions involving commercial real estate located in Texas, California, Florida, Massachusetts, New York, Illinois and the region consisting of the District of Columbia, Maryland and Virginia, respectively. During 2011, approximately 23.7%, 8.4%, 7.1%, 5.6%, 5.5% and 8.8% of the Company s capital markets services revenues was derived from transactions involving commercial real estate located in Texas, California, Florida, New York, Illinois and the region consisting of the District of Columbia, Maryland and Virginia, respectively. As a result, a significant portion of the Company s business is dependent on the economic conditions in general and the markets for commercial real estate in these areas.

18. Related Party Transactions

The Company made payments on behalf of two affiliates, HFF Holdings and Holdings Sub (the Holdings Affiliates), of $4,222 and $196,227 during the year ended December 31, 2012. The Holdings Affiliates paid $299,159 of the intercompany balance to the Company during the year ended December 31, 2012. The Company made payments on behalf of the Holdings Affiliates of $2,918 and $200,879 during the year ended December 31, 2011. These payments by the Company are primarily for professional services fees and other miscellaneous operating expenses on behalf of the Holdings Affiliates. The Company had a net receivable from the Holdings Affiliates of approximately $124,000 and $223,000 as of December 31, 2012 and 2011, respectively.

As a result of the Company s initial public offering, the Company entered into a tax receivable agreement with HFF Holdings that provides for the payment by the Company to HFF Holdings of 85% of the amount of the cash savings, if any, in U.S. federal, state and local income tax that the Company actually realizes as a result of the increase in tax basis of the assets owned by HFF LP and HFF Securities and as a result of certain other tax benefits arising from entering into the tax receivable agreement and making payments under that agreement. As members of HFF Holdings, each of John Pelusi, the Company s chief executive officer, Mark Gibson and Jody Thornton, each a member of the Company s board of directors and a transaction professional of the Operating Partnerships, and John Fowler, a current director emeritus of the Company s board of directors and a transaction professional of the Operating Partnerships, is entitled to participate in such payments, in each case on a pro rata basis based upon such person s ownership of interests in each series of tax receivable payments created by the initial public offering or subsequent exchange of Operating Partnership units. During the third quarter of 2012, Messrs. Pelusi, Fowler, Gibson and Thornton received payments of $1.4 million, $1.1 million, $1.4 million and $1.4 million in connection with the Company s payment of $17.7 million to HFF Holdings under the tax receivable agreement. During the third quarter of 2011, Messrs. Pelusi, Fowler, Gibson and Thornton received payments of $0.5 million, $0.4 million, $0.5 million and $0.5 million in connection with the Company s payment of $6.3 million to HFF Holdings under the tax receivable agreement. The Company will retain the remaining 15% of cash savings, if any, in income tax that it realizes. For purposes of the tax receivable agreement, cash savings in income tax will be computed by comparing the Company s actual income tax liability to the amount of such taxes that it would have been required to pay had there been no increase to the tax basis of the assets of HFF LP and HFF Securities allocable to the Company as a result of the initial sale and later exchanges and had the Company not entered into the tax receivable agreement. The term of the tax receivable agreement commenced upon consummation of the offering and will continue until all such tax benefits have been utilized or have expired. See Note 13 for further information regarding the tax receivable agreement and Note 19 for the amount recorded in relation to this agreement.

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HFF, Inc.

Notes to Consolidated Financial Statements (Continued)

In August 2011, certain members of HFF Holdings, including Messrs. Pelusi, Fowler, Gibson and Thornton, completed a secondary public offering of 4,047,472 shares of the Company s Class A common stock at a public offering price of $13.50 per share. The Company did not receive any proceeds from the sale of shares in the offering but did pay expenses of approximately $0.3 million in connection with the offering.

19. Commitments and Contingencies

The Company is obligated, pursuant to its tax receivable agreement with HFF Holdings, to pay to HFF Holdings 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that the Company actually realizes as a result of the increases in tax basis under Section 754 and as a result of certain other tax benefits arising from the Company entering into the tax receivable agreement and making payments under that agreement. During the year ended December 31, 2012, the Company paid HFF Holdings $17.7 million, which represents 85% of the actual cash savings realized by the Company in 2011. During the year ended December 31, 2011, the Company paid HFF Holdings $6.3 million, which represents 85% of the actual cash savings realized by the Company in 2010. The Company has recorded $154.9 million and $149.8 million for this obligation to HFF Holdings as a liability on the consolidated balance sheets as of December 31, 2012 and 2011, respectively. The Company anticipates making a payment to HFF Holdings of approximately $9.9 million in 2013.

In recent years, the Company has entered into arrangements with newly-hired producers whereby these producers would be paid additional compensation if certain performance targets are met over a defined period. These payments will be made to the producers only if they enter into an employment agreement at the end of the performance period. Payments under these arrangements, if earned, would be paid in fiscal years 2013 through 2015. Currently, the Company cannot reasonably estimate the amounts that would be payable under all of these arrangements. The Company begins to accrue for these payments when it is deemed probable that payments will be made; therefore, on a quarterly basis, the Company evaluates the probability of each of the producers achieving the performance targets and the probability of each of the producers signing an employment agreement. As of December 31, 2012, $2.9 million has been accrued for these arrangements on the consolidated balance sheet.

20. Selected Quarterly Financial Data (unaudited, in thousands except for per share data)

	Quarter Ended			
2012	**March 31**	**June 30**	**September 30**	**December 31**
Net revenue	$ 51,878	$ 66,754	$ 69,039	$ 97,303
Operating income	2,756	13,466	12,331	21,564
Interest and other income, net	2,836	5,300	4,407	7,506
Increase in payable under the tax receivable agreement	(9)		(1,204)	(16,145)
Net income	3,397	10,930	10,131	19,647
Net income attributable to controlling interest	3,276	10,855	10,084	19,647
Per share data (1)				
Basic earnings per share	$ 0.09	$ 0.29	$ 0.27	$ 0.53
Diluted earnings per share	$ 0.09	$ 0.29	$ 0.27	$ 0.52

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HFF, Inc.

Notes to Consolidated Financial Statements (Continued)

	Quarter Ended			
2011	**March 31**	**June 30**	**September 30**	**December 31**
Net revenue	$ 41,936	$ 72,897	$ 63,907	$ 75,939
Operating income	4,311	16,750	13,941	18,370
Interest and other income, net	2,867	5,361	3,036	3,704
Increase in payable under the tax receivable agreement			(3,680)	(210)
Net income	4,347	13,488	10,939	13,276
Net income attributable to controlling interest	4,049	12,857	10,451	12,662
Per share data (1)				
Basic earnings per share	$ 0.11	$ 0.36	$ 0.29	$ 0.35
Diluted earnings per share	$ 0.11	$ 0.35	$ 0.29	$ 0.35

(1) Earnings per share were computed independently for each of the periods presented; therefore, the sum of the earnings per share amounts for the quarters may not equal the total for the year.

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Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***Controls and Procedures***

Evaluation of Disclosure Controls and Procedures.

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that the Company files or furnishes under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms, and that such information is accumulated and communicated to the Company s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required financial disclosure.

Our Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial officer, respectively) have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Annual Report on Form 10-K.

Based on this evaluation, our principal executive officer and principal financial officer have concluded that, as of December 31, 2012, our current disclosure controls and procedures are effective to provide reasonable assurance that material information required to be included in our periodic SEC reports is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms.

Limitations on the Effectiveness of Controls.

The design of any system of control is based upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated objectives under all future events, no matter how remote, or that the degree of compliance with the policies or procedures may not deteriorate. Because of its inherent limitations, disclosure controls and procedures may not prevent or detect all misstatements. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Changes in Internal Control Over Financial Reporting.

There have been no changes in our internal controls over financial reporting that occurred during the three month period ended December 31, 2012 that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

The Company s report on internal control over financial reporting is included in Item 8 of this Annual Report on Form 10-K.

Item 9B. ***Other Information***

None.

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PART III

Item 10. *Directors, Executive Officers and Corporate Governance*

The information required by this Item is incorporated herein by reference from the Company s definitive proxy statement for use in connection with the 2013 Annual Meeting of Stockholders (the Proxy Statement) to be filed within 120 days after the end of the Company s fiscal year ended December 31, 2012.

The Company has adopted a code of conduct that applies to its Chief Executive Officer and Chief Financial Officer. This code of conduct as well as periodic and current reports filed with the SEC are available through the Company s web site at www.hfflp.com. If the Company makes any amendments to this code other than technical, administrative or other non-substantive amendments, or grants any waivers, including implicit waivers, from a provision of this code to the Company s Chief Executive Officer or Chief Financial Officer, the Company will disclose the nature of the amendment or waiver, its effective date and to whom it applies in a Current Report on Form 8-K filed with the SEC.

Item 11. *Executive Compensation*

The information required by this Item is incorporated herein by reference from the Proxy Statement.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

Certain information required by this Item is incorporated herein by reference from the Proxy Statement.

The following table provides information as of December 31, 2012 with respect to shares of the Company s Class A common stock that may be issued under its 2006 Omnibus Incentive Compensation Plan:

	Equity Compensation Plan Information		
Plan category	**Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)**	**Weighted average Exercise Price of Outstanding Options, Warrants and Rights (b)**	**Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding Securities Reflected in Column (a)) (c)**
Equity compensation plans approved by security holders	769,430	$ 11.07	2,309,073
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	769,430	$ 11.07	2,309,073

Item 13. *Certain Relationships, Related Transactions, and Director Independence*

The information required by this Item is incorporated herein by reference from the Proxy Statement.

Item 14. ***Principal Accountant Fees and Services***

The information required by this Item is incorporated herein by reference from the Proxy Statement.

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PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

(a)(1)(2) The financial statements and financial statement schedules filed as part of this Annual Report are set forth under Item 8. Reference is made to the index on page 49. All schedules are omitted because they are not applicable, not required or the information appears in the Company s consolidated financial statements or notes thereto.

(3) *Exhibits*

See Exhibit Index.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, on March 15, 2013.

HFF, INC.

By: /s/ John H. Pelusi, Jr.
John H. Pelusi, Jr.

Its: Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

Signature	Capacity	Date
/s/ John H. Pelusi, Jr. John H. Pelusi, Jr.	Chief Executive Officer, Director and Executive Managing Director (Principal Executive Officer)	March 15, 2013
/s/ Gregory R. Conley Gregory R. Conley	Chief Financial Officer (Principal Financial and Accounting Officer)	March 15, 2013
/s/ Mark D. Gibson Mark D. Gibson	Director	March 15, 2013
/s/ Deborah H. McAneny Deborah H. McAneny	Director	March 15, 2013
/s/ Susan P. McGalla Susan P. McGalla	Director	March 15, 2013
/s/ George L. Miles, Jr. George L. Miles, Jr.	Director	March 15, 2013
/s/ Morgan K. O Brien Morgan K. O Brien	Director	March 15, 2013
/s/ Lenore M. Sullivan Lenore M. Sullivan	Director	March 15, 2013
/s/ Joe B. Thornton, Jr.	Director	March 15, 2013

Joe B. Thornton, Jr.		
/s/ Steven E. Wheeler	Director	March 15, 2013
Steven E. Wheeler		

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Exhibit Index

2.1	Sale and Merger Agreement, dated January 30, 2007 (incorporated by reference to Exhibit 10.5 to the Registrant s Registration Statement on Form S-l (File No. 333-138579) (Form S-l) filed with the SEC on December 22, 2006)
3.1	Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 to the Form S-l filed with the SEC on December 22, 2006)
3.2	Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3.2 to the Form S-1 filed with the SEC on December 22, 2006)
10.1	Holliday Fenoglio Fowler, L.P. Partnership Agreement, dated February 5, 2007 (incorporated by reference to Exhibit 10.1 to the Registrant s Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 001-33280) filed with the SEC on March 16, 2007)
10.2	First Amendment to Amended and Restated Texas Limited Partnership Agreement of Holliday Fenoglio Fowler, L.P., dated May 6, 2011 (incorporated by reference to Exhibit 10.2 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 (File No. 001-33280) filed with the SEC on May 6, 2011)
10.3	HFF Securities L.P. Partnership Agreement, dated February 5, 2007 (incorporated by reference to Exhibit 10.2 to the Registrant s Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 001-33280) filed with the SEC on March 16, 2007)
10.4	First Amendment to Amended and Restated Limited Partnership Agreement of HFF Securities, L.P., dated May 6, 2011 (incorporated by reference to Exhibit 10.1 to the Registrant s Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 (File No. 001-33280) filed with the SEC on May 6, 2011)
10.5	Tax Receivable Agreement, dated February 5, 2007 (incorporated by reference to Exhibit 10.3 to the Form S-1 filed with the SEC on December 22, 2006)
10.6	Registration Rights Agreement, dated February 5, 2007 (incorporated by reference to Exhibit 10.4 to the Form S-1 filed with the SEC on December 22, 2006)
10.7	HFF, Inc. 2006 Omnibus Incentive Compensation Plan, dated January 30, 2007 (incorporated by reference to Exhibit 10.9 to the Form S-l filed with the SEC on January 8, 2007)
10.8	Holliday Fenoglio Fowler, L.P. Amended and Restated Profit Participation Bonus Plan (incorporated by reference to Exhibit 10.1 to the Registrant s Current Report on Form 8-K (File No. 001-33280), filed with the SEC on January 21, 2011)
10.9	HFF Securities, L.P. Amended and Restated Profit Participation Bonus Plan (incorporated by reference to Exhibit 10.2 to the Registrant s Current Report on Form 8-K (File No. 001-33280), filed with the SEC on January 21, 2011)
10.10	HFF, Inc. Firm Profit Participation Bonus Plan (incorporated by reference to Exhibit 10.3 to the Registrant s Current Report on Form 8-K (File No. 001-33280), filed with the SEC on January 21, 2011)
10.11	Employment Agreement between the Registrant and John H. Pelusi, Jr., dated January 30, 2007 (incorporated by reference to Exhibit 10.8 to the Registrant s Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 001-33280) filed with the SEC on March 16, 2007)
10.12	First Amendment to Amended and Restated Employment Agreement, by and between John H. Pelusi, Jr., and Holliday Fenoglio Fowler, L.P. dated June 30, 2010 (incorporated by reference to Exhibit 10.1 to the Registrant s Current Report on Form 8-K (File No. 001-33280) filed with the SEC on June 30, 2010)

10.13	Employment Agreement between the Registrant and Gregory R. Conley, dated January 30, 2007 (incorporated by reference to Exhibit 10.9 to the Registrant s Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 001-33280) filed with the SEC on March 16, 2007)
10.14	Employment Agreement between the Registrant and Nancy Goodson, dated January 30, 2007 (incorporated by reference to Exhibit 10.10 to the Registrant s Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 001-33280) filed with the SEC on March 16, 2007)
10.15	Form of Contribution Agreement with John H. Pelusi, Jr., John P. Fowler, Mark D. Gibson, Deborah H. McAneny, Susan P. McGalla, George L. Miles, Jr., Morgan K. O Brien, Lenore M. Sullivan, Joe B. Thornton, Jr. and Steven E. Wheeler (incorporated by reference to Exhibit 10.13 to the Registrant s Annual Report on Form 10-K for the year ended December 31, 2007 (File No. 001-33280) filed with the SEC on March 17, 2008)
21.1	Subsidiaries of the Registrant (incorporated by reference to Exhibit 21.1 to the Registrant s Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 001-33280) filed with the SEC on March 16, 2007)
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm
31.1	Certificate Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certificate Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002