EQUINIX INC
Form 10-K
February 28, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2013

OR

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

For the transition period from ______ to ______

Commission file number 000-31293

EQUINIX, INC.

(Exact name of registrant as specified in its charter)

Delaware	**77-0487526**
(State of incorporation)	**(IRS Employer Identification No.)**

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

(Address of principal executive offices, including ZIP code)

(650) 598-6000

(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.001	**The NASDAQ Stock Market LLC**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer as defined in Rule 405 of the Act. x Yes ¨ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ¨ Yes x No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

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

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates computed by reference to the price at which the common stock was last sold as of the last business day of the registrant s most recently completed second fiscal quarter was approximately $9.1 billion. As of January 31, 2014, a total of 49,403,798 shares of the registrant s common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III Portions of the registrant s definitive proxy statement to be issued in conjunction with the registrant s 2014 Annual Meeting of Stockholders, which is expected to be filed not later than 120 days after the registrant s fiscal year ended December 31, 2013. Except as expressly incorporated by reference, the registrant s proxy statement shall not be deemed to be a part of this report on Form 10-K.

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FORM 10-K

DECEMBER 31, 2013

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PART I

ITEM 1. BUSINESS

The words Equinix , we , our , ours , us and the Company refer to Equinix, Inc. All statements in this discussion that are not historical are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding Equinix s expectations , beliefs , intentions , strategies , forecasts , predictions , plans or the like. Such statements are based on management s current expectations and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Equinix cautions investors that there can be no assurance that actual results or business conditions will not differ materially from those projected or suggested in such forward-looking statements as a result of various factors, including, but not limited to, the risk factors discussed in this Annual Report on Form 10-K. Equinix expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in Equinix s expectations with regard thereto or any change in events, conditions, or circumstances on which any such statements are based.

Overview

Equinix, Inc. connects more than 4,500 companies directly to their customers and partners inside the world s most networked data centers. Today, businesses leverage the Equinix interconnection platform in 32 strategic markets across the Americas, Europe, Middle East and Africa (EMEA) and Asia-Pacific.

Platform Equinix combines a global footprint of state-of-the-art International Business Exchange® (IBX®) data centers, a variety of interconnection opportunities and unique ecosystems. Together these components accelerate business growth for Equinix s customers by safehousing their infrastructure and applications closer to users, enabling them to improve performance with cost effective and scalable interconnections, work with vendors to deploy new technologies such as cloud computing and to collaborate with the widest variety of partners and customers.

Equinix s platform offers these unique value propositions to customers:

- Global Data Centers
  - A broad footprint of 95+ IBX data centers in 15 countries on 5 continents.
  - More than $7.0 billion of capital invested in capacity, new markets and acquisitions since 1998.
  - Equinix delivered more than 99.999% of uptime across its footprint in 2013.
- Connected
  - More than 975 networks and approximately 128,000 cross connects in Equinix sites.
  - Equinix provides less than 10 milliseconds latency to over 90 percent of the population of North America and Europe, as well as key population centers throughout Latin America and Asia-Pacific.

Partners, Customers and Prospects

Equinix sites house a blue-chip customer base of 4,500+ global businesses.

These customers represent a who s who of network, digital media, financial services, cloud/IT and enterprise leaders.

Opportunity

Equinix data centers contain a dynamic marketplace for communications services, interconnecting businesses, networks, carriers and content providers to potential suppliers, customers and partners.

More than 4,500+ potential partners to deploy world-class solutions.

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Equinix has established a critical mass of customers that continues to drive new and existing customer growth and bookings. Our network-neutral business model also contributes to our success in the market. We offer customers direct interconnection to an aggregation of bandwidth providers, rather than focusing on selling a particular network. The providers in our sites include the world s top carriers, Internet Service Providers (ISPs), broadband access networks (DSL / cable) and international carriers. Neutrality also means our customers can choose to buy from, or partner with, leading companies across our five targeted verticals. These include:

- Network and Mobility Providers (AT&T, British Telecom, Comcast, Level 3 Communications, NTT, SingTel, Syniverse, Verizon Business)
- Cloud and IT Services (Accenture, Amazon Web Services, Box.net, Carpathia, NetApp, Microsoft, Salesforce.com, Voxel.net, Cisco, WebEx)
- Content Providers (eBay, DIRECTV, Facebook, Hulu, LinkedIn, Priceline, Yahoo!, Zynga)
- Enterprise (Bechtel, Booz Allen Hamilton, Deloitte, The GAP, Ingram Micro, Katten Muchin Rosenman LLP, McGraw-Hill, United Stationers Inc.)
- Financial Companies (ACTIV Financial, Bloomberg, Chicago Board Options Exchange, DirectEdge, JP Morgan Chase, Quantlab Financial, NASDAQ OMX NLX, NYSE Technologies, Thomson Reuters)

Equinix generates revenue by providing colocation and related interconnection and managed IT infrastructure offerings on a global platform of 95+ IBX data centers.

- Colocation offerings include operations space, storage space, cabinets and power for customers colocation needs.
- Interconnection offerings include cross connects, as well as switch ports on the Equinix Internet Exchange and Equinix Carrier Ethernet Exchange services. These offerings provide scalable and reliable connectivity that allows customers to exchange traffic directly with the service provider of their choice or directly with each other, creating a performance optimized business ecosystem for the exchange of data between strategic partners.
- Managed IT infrastructure services allow customers to leverage Equinix s significant telecommunications expertise, maximize the benefits of our IBX data centers and optimize their infrastructure and resources.

The market for Equinix s offerings has historically been served by large telecommunications carriers which have bundled their telecommunications and managed services with their colocation offerings. In addition, some Equinix customers, such as Microsoft, build and operate their own data centers for their large infrastructure deployments, called server farms. However, these customers rely upon Equinix IBX data centers for many of their critical interconnection relationships. The need for large, wholesale outsourced data centers is also being addressed by providers that build large data centers to meet customers needs for standalone data centers, a different customer segment than Equinix serves.

Due to the increasing cost and complexity of the power and cooling requirements of today s data center equipment, Equinix has gained many customers that have outgrown their existing data centers or that have realized the benefits of a network-neutral model and the ability to create their own optimized business ecosystems for the exchange of data. Strategically, we will continue to look at attractive opportunities to grow market share and selectively expand our footprint and offerings. We continue to leverage our global reach and depth to differentiate based upon our ability to support truly global customer requirements in all our markets.

Several factors contribute to the growth in demand for data center offerings, including:

The continuing growth of consumer Internet traffic from new bandwidth-intensive services, such as video, voice over IP (VoIP), social media, mobile data, gaming, data-rich media, Ethernet and wireless services.

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Significant increases in power and cooling requirements for today s data center equipment. New generations of servers continue to concentrate processing capability, with associated power consumption and cooling load, into smaller footprints and many legacy-built data centers are unable to accommodate these new power and cooling demands.

The adoption of cloud computing technology services, including the growth of enterprise applications delivered across communications networks, such as Software-as-a-Service (SaaS), and disaster recovery services.

The financial services market is experiencing tremendous growth due to electronic trading and the increased volume of peak messages (transactions per second), requiring optimized data exchange through business ecosystems.

The growth of proximity communities that rely on immediate physical colocation and interconnection with their strategic partners and customers, such as financial exchange ecosystems for electronic trading and settlement and ecosystems for real-time bidding and fulfillment of Internet advertising.

The high capital costs associated with building and maintaining in-sourced data centers creates an opportunity for capital savings by leveraging an outsourced colocation model.

Industry Background

The Internet is a collection of numerous independent networks interconnected to form a network of networks. Users on different networks are able to communicate with each other through interconnection between these networks. For example, when a person sends an email to someone who uses a different provider for his or her connectivity (e.g., Comcast versus Verizon), the email must pass from one network to the other in order to get to its final destination. Equinix provides a physical point at which that interconnection can occur.

In order to accommodate the rapid growth of Internet traffic, an organized approach for network interconnection was needed. The exchange of traffic between these networks became known as peering. Peering is when networks trade traffic at relatively equal amounts and set up agreements to trade traffic often at no charge to the other party. At first, government and non-profit organizations established places where these networks could exchange traffic, or peer, with each other these points were known as network access points, or NAPs. Over time, many NAPs became a natural extension of carrier services and were run by such companies as MFS (now a part of Verizon Business), Sprint, Ameritech and Pacific Bell (the last two now parts of AT&T).

Ultimately, these NAPs were unable to scale with the growth of the Internet, and the lack of neutrality by the carrier owners of these NAPs created a conflict of interest with the participants. This created a market need for network-neutral interconnection points that could accommodate the rapidly growing need to increase performance for enterprise and consumer users of the Internet, especially with the rise of important content providers such as AOL, Microsoft, Yahoo! and others. In addition, the providers, as well as a growing number of enterprises, required a more secure and reliable solution for direct connection to a variety of telecommunications networks as the importance of their Internet operations continued to grow.

To accommodate Internet traffic growth, the largest of these networks left the NAPs and began trading traffic by placing private circuits between each other. Peering, which once occurred at the NAP locations, was moved to these private circuits. Over the years, these circuits became expensive to expand and could not be built quickly enough to accommodate traffic growth. This led to a need by the large carriers to find a more efficient way to peer. Today, many customers satisfy their requirements for peering through data center providers like Equinix because it permits them to peer with the networks they require within one location, using simple direct connections. Their ability to peer within a data center or across a data center campus, instead of across a metro area, has increased the scalability of their operations while decreasing network costs.

The interconnection model has further evolved over the years to include new offerings. Starting with the peering and network communities, interconnection has since been used for new network services including carrier Ethernet, multiprotocol label switching (MPLS), virtual private networks (VPNs) and mobility services, in addition to traditional international private line and voice services. The industry continues to evolve with a set of new offerings where interconnection is often used to solve the network-to-network interconnection challenges.

In addition, the enterprise customer segment is also evolving. In the past, most enterprises opted to keep their data center requirements in house. However, current trends are leading more and more enterprise CIOs to either outsource their data center requirements, and/or extend their corporate wide area networks (WANs) into carrier-neutral colocation facilities. The combination of globalization, the proliferation of bandwidth intensive Internet-facing applications and rich media content, the need to provide access to cloud computing environments, business continuity and disaster recovery needs, plus tight corporate IT budgets mean that enterprise CIOs must do more with less. Industry analysts forecast growth in the colocation market to be approximately 10% per year over the next four years.

Equinix Value Proposition

More than 4,500 companies, including a diversified mix of cloud and IT service providers, content providers, enterprises, financial companies, and network and mobility service providers, currently operate within Equinix IBX data centers. These companies derive specific value from the following elements of the Equinix service offering:

- ***Comprehensive global solution:*** With 95+ IBX data centers in 32 markets in the Americas, EMEA and Asia-Pacific, Equinix offers a consistent global solution.

- ***Premium data centers:*** Equinix IBX data centers feature advanced design, security, power and cooling elements to provide customers with industry-leading reliability. While others in the market have business models that include additional offerings, Equinix is focused on colocation and interconnection as our core competencies.

- ***Dynamic business ecosystems:*** Equinix s network-neutral model has enabled us to attract a critical mass of networks and cloud and IT services providers and that, in turn, attracts other businesses seeking to interconnect within a single location. This ecosystem model, versus connecting to multiple partners in disparate locations, reduces costs and optimizes the performance of data exchange. As Equinix grows and attracts an even more diversified base of customers, the value of Equinix s IBX data center offering increases.

- ***Improved economics:*** Customers seeking to outsource their data center operations rather than build their own capital-intensive data centers enjoy significant capital cost savings. Customers also benefit from improved economics on account of the broad access to networks that Equinix provides. Rather than purchasing costly local loops from multiple transit providers, customers can connect directly to more than 975 networks inside Equinix s IBX data centers.

- ***Leading insight:*** With more than 15 years of industry experience, Equinix has a specialized staff of industry experts and solutions architects who helped build and shape the interconnection infrastructure of the Internet. This specialization and industry knowledge base offer customers a unique consultative value and a competitive advantage.

Our Strategy

Our objective is to expand our global leadership position as the premier network neutral data center platform for cloud and IT services providers, content providers, financial companies, enterprises and network and mobility services providers. Key components of our strategy include the following:

Improve customer performance through interconnection. We have assembled a critical mass of premier network providers and content companies and have become one of the core hubs of the information-driven world. This critical mass is a key selling point for companies that want to connect with a diverse set of networks to provide the best connectivity to their end-customers and network companies that want to sell bandwidth to companies and interconnect with other networks in the most efficient manner available. Currently, we house more than 975 unique networks, including all of the top tier networks, allowing our customers to directly interconnect with providers that best meet their unique global and regional price and performance needs. We have a growing mass of key players in cloud and IT services, such as Accenture, Amazon Web Services, AT&T, Microsoft Azure and Salesforce.com, and in the enterprise and financial sectors, such as Bechtel, Bloomberg, Chicago Board of Trade, The GAP, McGraw-Hill, and others. We expect these segments will continue to grow as they seek to leverage our critical mass of network providers and interconnect directly with each other to improve performance.

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Streamline ease of doing business globally. Data center reliability, power availability and network choice are the most important attributes considered by our customers when they are choosing a data center provider in a particular location. We have long been recognized as a leader in these areas and our performance continues to improve against these criteria. Our power infrastructure delivered 99.999% uptime globally in 2013.

In 2013, more than half of our revenue came from customers with deployments across two or more of our global regions, and as globalization continues, seamless global solutions will become an increasingly important data center selection criteria. We continue to focus on strategic acquisitions to expand our market coverage and on global product standardization, pricing and contracts harmonization initiatives to meet these global demands.

Deepen existing and grow new ecosystems. As networks, cloud and IT services providers, content providers, financial services providers and enterprises locate in our IBX data centers, it benefits their suppliers and business partners to do so as well to gain the full economic and performance benefits of direct interconnection for their business ecosystems. These partners, in turn, pull in their business partners, creating a network effect of customer adoption. Our interconnection offerings enable scalable, reliable and cost-effective interconnection and optimized traffic exchange thus lowering overall cost and increasing flexibility. The ability to directly interconnect with a wide variety of companies is a key differentiator for us in the market. We are rolling out efficient and innovative Internet and Ethernet exchange platforms to accelerate commercial growth in our sites and accelerate this network effect.

Expand vertical go-to-market plan. We plan to continue to focus our go-to-market efforts on customer segments and business applications that appreciate the Equinix value proposition of reliability, global reach and ecosystem collaboration opportunities. Today we have identified these segments as cloud services, content and digital media, financial services, enterprises and IT services and network and mobility service providers. As digital business evolves, we will continue to identify and focus our go-to-market efforts on industry segments that need our value proposition.

Accelerate global reach and scale. We continue to evaluate expansion opportunities in select markets based on customer demand. In 2013, we acquired the Kleyer 90 carrier hotel in Frankfurt to consolidate our position in one of Europe s key communications hubs. We entered the Osaka, Japan market with a new data center that provides geographic redundancy within the Japanese market. We also added capacity across our global footprint with a second data center in Seattle, an eleventh in Northern Virginia, a fifth in Zurich, a fourth in Tokyo, a second in Rio de Janeiro and a major expansion in Singapore.

Our strategy is to continue to grow in select existing markets and possibly expand to additional markets where demand and financial return potential warrant. We expect to execute this expansion strategy in a cost-effective and disciplined manner through a combination of acquiring existing data centers through lease or purchase, acquiring or investing in local data center operators and building new IBX data centers based on key criteria, such as demand and potential financial return, in each market.

Our Customers

Our customers include carriers, mobility and other bandwidth providers, cloud and IT services providers, content providers, financial companies and global enterprises. We provide each customer access to a choice of business partners and solutions based on their colocation, interconnection and managed IT service needs. As of December 31, 2013, we had more than 4,500 customers worldwide.

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Typical customers in our five key customer categories include the following:

Cloud and IT Services	Content Providers	Enterprise	Financial Companies	Network and Mobility Services
Accenture	eBay	Bechtel	ACTIV Financial	AT&T
Amazon Web Services	DIRECTV	Booz Allen Hamilton	Bloomberg	BT
Box.net	Facebook	Deloitte	Chicago Options Board Exchange	Comcast
Carpathia	Hulu	The GAP	DirectEdge	Level 3 Communications
		Ingram Micro		
Microsoft	LinkedIn	Katten Muchin Rosenman LLP	NASDAQ OMX NLX	NTT
NetApp	Priceline		NYSE Technologies	
Salesforce.com	Tencent	McGraw-Hill	JP Morgan Chase	SingTel
Voxel.net	Yahoo!	United Stationers Inc.	Quantlab Financial Thomson Reuters	Syniverse Verizon Business
Cisco WebEx	Zynga			

Customers typically sign renewable contracts of one or more years in length. No single customer accounted for 10% or more of our revenues for the years ended December 31, 2013, 2012 and 2011.

Our Offerings

Equinix provides a choice of data center offerings primarily comprised of colocation, interconnection solutions and managed IT infrastructure services.

Colocation and Related Offerings

Our IBX data centers provide our customers with secure, reliable and fault-tolerant environments that are necessary for optimum Internet commerce interconnection. Many of our IBX data centers include multiple layers of physical security, scalable cabinet space availability, on-site trained staff 24 hours per day, 365 days a year, dedicated areas for customer care and equipment staging, redundant AC/DC power systems and multiple other redundant and fault-tolerant infrastructure systems. Some specifications or offerings provided may differ based on original facility design or market.

Within our IBX data centers, customers can place their equipment and interconnect with a choice of networks or other business partners. We also provide customized solutions for customers looking to package our IBX offerings as part of their complex solutions. Our colocation offerings include:

Cabinets. Our customers have several choices for colocating their networking, server and storage equipment. They can place the equipment in one of our shared or private cages or customize their space. In certain select markets, customers can purchase their own private suite which is walled off from the rest of the data center. As customers colocation requirements increase, they can expand within their original cage (or suite) or upgrade into a cage that meets their expanded requirements. Customers buy the hardware they place in our IBX data centers directly from their chosen vendors. Cabinets (or suites) are priced with an initial installation fee and an ongoing recurring monthly charge.

Power. Power is an element of increasing importance in customers colocation decisions. We offer both AC and DC power circuits at various amperages and phases customized to a customer s individual power requirements. We also offer metered power in certain markets. Power is priced with an initial installation fee and an ongoing recurring monthly charge.

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IBXflex. IBXflex allows customers to deploy mission-critical operations personnel and equipment on-site at our IBX data centers. Because of the close proximity to their infrastructure within our IBX data centers, IBXflex customers can offer a faster response and quicker troubleshooting solution than those available in traditional colocation facilities. This space can also be used as a secure disaster recovery point for customers business and operations personnel. This service is priced with an initial installation fee and an ongoing recurring monthly charge.

Interconnection Solutions

Our interconnection solutions enable scalable, reliable and cost-effective interconnection and traffic exchange between Equinix customers. These interconnection solutions are either on a one-to-one basis with direct cross connects or one-to-many through one of our Equinix Exchange solutions. In the peering community, we provide an important industry leadership role by acting as the relationship broker between parties who would like to interconnect within our IBX data centers. Our staff holds or has held significant positions in many leading industry groups, such as the North American Network Operators Group, or NANOG, and the Internet Engineering Task Force, or IETF. Members of our staff have published industry-recognized white papers and strategy documents in the areas of peering and interconnection, many of which are used by other institutions worldwide in furthering the education and promotion of this important set of solutions. We expect to continue to develop additional solutions in the area of traffic exchange that will allow our customers to leverage the critical mass of networks, cloud services providers, and many important financial services and e-commerce industry leaders now available in our IBX data centers. Our current exchange solutions are comprised of the following:

Physical Cross Connect/Direct Interconnections. Customers needing to directly and privately connect to another IBX data center customer can do so through single or multi-mode fiber. These cross connections are the physical link between customers and can be implemented within 24 hours of request. Cross connect offerings are priced with an initial installation fee and an ongoing monthly recurring charge.

Equinix Internet Exchange. Customers may choose to connect to and peer through the central switching fabric of our Equinix Internet Exchange rather than purchase a direct physical cross connection. With a connection to this switch, a customer can aggregate multiple interconnects over one physical connection with up to multiple, linked 10 gigabit ports of capacity instead of purchasing individual physical cross connects. The offering is priced per IBX data center with an initial installation fee and an ongoing monthly recurring charge. Individual IBX data center prices increase as the number of participants on the exchange service grows.

Equinix Metro Connect. Customers who are located in one IBX data center may need to interconnect with networks or other customers located in an adjacent or nearby IBX data center in the same metro area. Metro Connect allows customers to seamlessly interconnect between IBX data centers at capacities up to an OC-192, or 10 gigabits per second level. Metro Connect offerings are priced with an initial installation fee and an ongoing monthly recurring charge dependent on the capacity the customer purchases.

Internet Connectivity Services. Customers who are installing equipment in our IBX data centers generally require IP connectivity or bandwidth services. Although many large customers prefer to contract directly with carriers, we offer customers the ability to contract for these services through us from any of the major bandwidth providers in that data center. This service, which is provided in our Asia-Pacific and EMEA regions, is targeted to customers who require a single bill and a single point of support for their entire contract through Equinix for their bandwidth needs. Internet connectivity services are priced with an initial installation fee and an ongoing monthly recurring charge based on the amount of bandwidth committed.

Ethernet Exchange Services. The Ethernet Exchange offering is similar to the Equinix Internet Exchange, and we offer it in 17 markets so that customers can connect via a central switching fabric to interconnect between multiple Carrier Ethernet Providers rather than creating individual Network to Network interfaces (NNIs) between individual carriers. The offering builds on the benefits of the Internet community and extends the ability to interconnect to the high growth Ethernet industry. The offering is priced per IBX data center with an initial fee and a monthly recurring charge.

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Managed IT Infrastructure Services

With the continued growth in Internet traffic, networks, cloud providers, service providers, enterprises and content providers are challenged to deliver fast and reliable service, while lowering costs. With more than 975 Internet Service Providers (ISPs), fixed and mobile carriers located in our IBX data centers, we leverage the value of network choice with our set of multi-network management and other outsourced IT services, including:

Professional Services. Our IBX data centers are staffed with Internet and telecommunications specialists who are on-site and/or available 24 hours a day, 365 days a year. These professionals are trained to perform installations of customer equipment and cabling. Professional services are custom-priced depending on customer requirements.

Smart Hands Services. Our customers can take advantage of our professional Smart Hands service, which gives customers access to our IBX data center staff for a variety of tasks, when their own staff is not on site. These tasks may include equipment rebooting and power cycling, card swapping and performing emergency equipment replacement. Services are available on-demand or by customer contract and are priced on an hourly basis.

Sales and Marketing

Sales. We use a direct sales force and channel marketing program to market our offerings to global enterprises, content providers, financial companies and mobility and network service providers. We organize our sales force by customer type as well as by establishing a sales presence in diverse geographic regions, which enables efficient servicing of the customer base from a network of regional offices. In addition to our worldwide headquarters located in Silicon Valley, we have established an Asia-Pacific regional headquarters in Hong Kong, and a European regional headquarters in Amsterdam. Our Americas sales offices are located in Boston, Chicago, Los Angeles, New York, Reston, Virginia and Silicon Valley, and sales offices in Brazil operate out of data centers in Sao Paulo and Rio de Janeiro. Our EMEA sales offices are located in Amsterdam, Dubai, Dusseldorf, Enschede, Frankfurt, Geneva, London, Munich, Paris, Zurich, and Zwolle. Our Asia-Pacific sales offices are located in Beijing, Hong Kong, Jakarta, Shanghai, Singapore, Sydney and Tokyo.

Our sales team works closely with each customer to foster the natural network effect of our IBX model, resulting in access to a wider potential customer base via our existing customers. As a result of the IBX interconnection model, IBX data center participants often encourage their customers, suppliers and business partners to also locate in our IBX data centers. These customers, suppliers and business partners, in turn, encourage their business partners to locate in our IBX data centers resulting in additional customer growth. This network effect significantly reduces our new customer acquisition costs. In addition, large network providers or managed service providers may refer customers to Equinix as a part of their total customer solution. Equinix also focuses vertical sales specialists selling to support specific industry requirements for network, mobility and content providers, financial services, cloud computing and systems integrators and enterprise customer segments.

Marketing. To support our sales efforts and to actively promote our brand in the Americas, Asia-Pacific and EMEA, we conduct comprehensive marketing programs. Our marketing strategies include active public relations and ongoing customer communications programs. Our marketing efforts are focused on major business and trade publications, online media outlets, industry events and sponsored activities. Our staff holds leadership positions in key networking organizations, and we participate in a variety of Internet, Carrier Ethernet, computer and financial industry conferences, placing our officers and employees in keynote speaking engagements at these conferences. We also regularly measure customer satisfaction levels and host key customer forums to ensure customer needs are understood and incorporated in product and service planning efforts. From a brand perspective, we build recognition through our website, sponsoring or leading industry technical forums, participating in Internet industry standard-setting bodies and through advertising and online campaigns. We continue to develop and host industry educational forums focused on peering technologies and practices for ISPs and content providers.

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Our Competition

While a large number of enterprises own their own data centers, many others outsource some or all of their requirements to multi-tenant Internet data center facilities, such as those operated by Equinix. We believe that the outsourcing trend is likely to not only continue but also to grow in the coming years. It is estimated that Equinix is one of over 650 companies that provide Internet data center offerings around the world, ranging in size from firms with a single data center in a single market to firms in over 20 markets. Equinix competes with these firms, which vary in terms of their data center offerings, including:

Colocation Providers

Colocation data centers are a type of Internet data center that can also be referred to as retail data center space. Typically, colocation data center space is offered on the basis of individual racks/cabinets or cages ranging from 500 to 10,000 square feet in size. Typical customers of colocation providers include:

- Large enterprises with significant IT expertise and requirements
- Small and medium businesses looking to outsource data center requirements
- Internet application providers
- Major Internet content, entertainment and social networking providers
- Shared, dedicated and managed hosting providers
- Mobility and network service providers
- Content delivery networks

Full facility maintenance and systems, including fire suppression, security, power backup and HVAC, are routinely included in managed colocation offerings. A variety of additional services are typically available in colocation facilities, including remote hands technician services and network monitoring services.

In addition to Equinix, providers that offer colocation both globally and locally include firms such as AT&T, CenturyLink, COLT, CyrusOne, Level 3 Communications, NTT and Verizon Business.

Carrier-Neutral Colocation Providers

In addition to data center space and power, colocation providers also offer interconnection. Certain of these providers, known as network or carrier-neutral colocation providers, can offer customers the choice of hundreds of network service providers, or ISPs, to choose from. Typically, customers use interconnection to buy Internet connectivity, connect VoIP telephone networks, perform financial exchange and settlement functions or perform business-to-business e-commerce. Carrier-neutral data centers are often located in key network hubs around the world like New York; Ashburn, Virginia; London; Amsterdam; Singapore and Hong Kong. Two types of data center facilities offering carrier-neutral colocation are used for many network-to-network interconnections:

A Meet Me Room (MMR) is typically a smaller space, generally 5,000 square feet or less, located in a major carrier hotel and often found in a wholesale data center facility.

A carrier-neutral data center is generally larger than an MMR and may be a stand-alone building separate from existing carrier hotels.

In addition to Equinix, other providers that we believe could be defined as offering carrier-neutral colocation include CoreSite, Global Switch, Interxion, Telecity Group, Telehouse and Telx.

Wholesale Data Center Providers

Wholesale data center providers lease data center space that is typically offered in cells or pods (i.e., individual white-space rooms) ranging in size from 10,000 to 20,000 square feet, or larger. Wholesale data center offerings are targeted to both enterprises and to colocation providers. These data centers primarily provide space and power without additional services like technicians, remote hands services or network monitoring (although other tenants might offer such services).

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Sample wholesale data center providers include Digital Realty Trust, DuPont Fabros Technology, e-Shelter and Sentrum.

Managed Hosters

Managed hosting services are provided by several firms that also provide data center colocation services. Typically, managed hosting providers can manage server hardware that is owned by either the hosting provider or the customer. They can also provide a combination of comprehensive systems administration, database administration and sometimes application management services. Frequently, this results in managed hosting providers running the customer s servers, although such administration is frequently shared. The provider may manage such functions as operating systems, databases, security and patch management, while the customer will maintain management of the applications riding on top of those systems.

The full list of potential services that can be offered as part of managed hosting is substantial and includes services such as remote management, custom applications, helpdesk, messaging, databases, disaster recovery, managed storage, managed virtualization, managed security, managed networks and systems monitoring. Managed hosting services are typically used for:

- Application hosting by organizations of any size, including large enterprises
- Hosted or managed messaging, including Microsoft Exchange and other complex messaging applications
- Complex or highly scalable web hosting or e-commerce websites
- Managed storage solutions (including large drive arrays or backup robots)
- Server disaster recovery and business continuity, including clustering and global server load balancing
- Database servers, applications and services

Examples of managed hosters include AT&T, CenturyLink, NaviSite, Rackspace, SunGard, Verizon Business and Verizon Terremark.

Unlike other providers whose core businesses are bandwidth or managed services, we focus on neutral interconnection hubs for cloud and IT service providers, content providers, financial companies, enterprises and network service providers. As a result, we do not have the limited choices found commonly at other hosting/colocation companies. We compete based on the quality of our IBX data centers, our ability to provide a one-stop global solution in our Americas, EMEA and Asia-Pacific locations, the performance and diversity of our network-neutral strategy, and the economic benefits of the aggregation of top network and business ecosystems under one roof. We expect to continue to benefit from several industry trends including the need for contracting with multiple networks due to the uncertainty in the telecommunications market, customers increasing power requirements, enterprise customers increased use of virtualization and outsourcing, the continued growth of broadband and significant growth in Ethernet as a network alternative, and the growth in mobile applications.

Our Business Segment Financial Information

We currently operate in three reportable segments, comprised of our Americas, EMEA and Asia-Pacific geographic regions. Information attributable to each of our reportable segments is set forth in Note 17 of Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K.

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Employees

As of December 31, 2013, we had 3,500 employees. We had 1,984 employees based in the Americas, 899 employees based in EMEA and 617 employees based in Asia-Pacific. Of those employees, 1,579 were in engineering and operations, 717 were in sales and marketing and 1,204 were in management, finance and administration.

Potential Real Estate Investment Trust (REIT) Conversion

In September 2012, we announced that our board of directors approved a plan for Equinix to pursue conversion to a REIT. We have begun implementation of the REIT conversion, and we plan to make a tax election for REIT status for the taxable year beginning January 1, 2015. Any REIT election made by us must be effective as of the beginning of a taxable year; therefore, as a calendar year taxpayer, if we are unable to convert to a REIT by January 1, 2015, the next possible conversion date would be January 1, 2016.

If we are able to convert to and qualify as a REIT, we will generally be permitted to deduct from federal income taxes the dividends we pay to our stockholders. The income represented by such dividends would not be subject to federal taxation at the entity level but would be taxed, if at all, at the stockholder level. Nevertheless, the income of our domestic taxable REIT subsidiaries, or TRS, which will hold our U.S. operations that may not be REIT-compliant, will be subject, as applicable, to federal and state corporate income tax. Likewise, our foreign subsidiaries will continue to be subject to foreign income taxes in jurisdictions in which they hold assets or conduct operations, regardless of whether held or conducted through TRS or through qualified REIT subsidiaries, or QRS. We will also be subject to a separate corporate income tax on any gains recognized during a specified period (generally 10 years) following the REIT conversion that are attributable to built-in gains with respect to the assets that we own on the date we convert to a REIT. Our ability to qualify as a REIT will depend upon our continuing compliance following our REIT conversion with various requirements, including requirements related to the nature of our assets, the sources of our income and the distributions to our stockholders. If we fail to qualify as a REIT, we will be subject to federal income tax at regular corporate rates. Even if we qualify for taxation as a REIT, we may be subject to some federal, state, local and foreign taxes on our income and property in addition to taxes owed with respect to our TRS operations. In particular, while state income tax regimes often parallel the federal income tax regime for REITs described above, many states do not completely follow federal rules and some may not follow them at all.

The REIT conversion implementation currently includes seeking a private letter ruling, or PLR, from the U.S. Internal Revenue Service, or IRS. Our PLR request has multiple components, and our timely conversion to a REIT will require favorable rulings from the IRS on certain technical tax issues. We submitted the PLR request to the IRS in the fourth quarter of 2012. In June 2013, we disclosed that we had been informed that the IRS had convened an internal working group to study what constitutes real estate for purposes of the REIT provisions of the U.S. Internal Revenue Code of 1986, as amended (the Code) and that, pending the completion of the study, the IRS was unlikely to respond definitively to our pending PLR request. In November 2013, the IRS informed us that it was actively resuming work on our PLR request and would respond in due course. We do not expect that this delay will affect the timing of our plan to elect REIT status for the taxable year beginning January 1, 2015. The Company currently expects to receive a favorable PLR from the IRS during 2014 and combined with Board approval and completion of other necessary conversion actions, we would committ to a final REIT conversion plan sometime during 2014. Once the Company reaches this commitment, the financial statements for 2014 will reflect the necessary accounting adjustments including an adjustment to eliminate the U.S. deferred tax assets and liabilities balances discussed below and any tax consequences for the shareholder distributions also discussed below.

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We currently estimate that we will incur approximately $75.0 to $85.0 million in costs to support the REIT conversion, in addition to related tax liabilities associated with a change in our methods of depreciating and amortizing various data center assets for tax purposes from our prior methods to current methods that are more consistent with the characterization of such assets as real property for REIT purposes. The total recapture of depreciation and amortization expenses across all relevant assets is expected to result in federal and state tax liability of approximately $360.0 to $380.0 million, which amount became and is generally payable over a four-year period starting in 2012 even if we abandon the REIT conversion for any reason, including failure to obtain a favorable PLR response. Prior to the decision to convert to a REIT, our balance sheet reflected our income tax liability as a non-current deferred tax liability. As a result of the decision to convert to a REIT, our non-current tax liability has been and will continue to be gradually and proportionally reclassified from non-current to current over the four-year period, which started in the third quarter of 2012. The current liability reflects the tax liability that relates to additional taxable income expected to be recognized within the twelve-month period from the date of the balance sheet. If the REIT conversion is successful, we also expect to incur an additional $5.0 to $10.0 million in annual compliance costs in future years. We expect to pay between $145.0 to $200.0 million in cash taxes during 2014 which includes taxes on our operations and any tax impacts required by our plan to convert to a REIT.

In accordance with tax rules applicable to REIT conversions, we expect to issue special distributions to our stockholders of undistributed accumulated earnings and profits of approximately $700.0 million to $1.1 billion (the E&P distribution), which we expect to pay out in a combination of up to 20% in cash and at least 80% in the form of our common stock. The estimated E&P distribution may change due to potential changes in certain factors impacting the calculations, such as finalization of the 2013 E&P amounts and the actual financial year 2014 performance of the entities to be included in the REIT structure. We expect to make the E&P distribution only after receiving a favorable PLR from the IRS, obtaining Board approval and completion of other necessary REIT conversion actions. The Company anticipates making an E&P distribution before 2015 with the balance distributed in 2015. In addition, following the completion of the REIT conversion, we intend to declare regular distributions to our stockholders.

In connection with our contemplated REIT conversion, we expect to reassess the deferred tax assets and liabilities of our U.S. operations to be included in the REIT structure during 2014 at the point in time when it is determined that all significant actions to effect the REIT conversion have occurred and we are committed to that course of action. The reevaluation will result in de-recognizing the deferred tax assets and liabilities of our REIT s U.S. operations excluding the deferred tax liabilities associated with the depreciation and amortization recapture. The depreciation and amortization recapture is necessary as part of our REIT conversion efforts. The de-recognition of the deferred tax assets and liabilities of our REIT s U.S. operations will occur because the expected recovery or settlement of the related assets and liabilities will not result in deductible or taxable amounts in any post-REIT conversion periods. As a result of the de-recognition of the aforementioned deferred tax assets and liabilities of our REIT s U.S. operations and the continuing recognition of deferred tax liabilities associated with the depreciation and amortization recapture to be taxed in 2014 and 2015, we expect to record a significant tax provision expense in 2014. As of December 31, 2013, we had a net deferred tax asset of approximately $147.1 million for our U.S. operations, which includes approximately $176.0 million of deferred tax liabilities associated with the depreciation and amortization recapture.

Available Information

We were incorporated in Delaware in June 1998. We are required to file reports under the Securities Exchange Act of 1934, as amended, with the Securities and Exchange Commission. You may read and copy our materials on file with the SEC at the SEC s Public Reference Room at 100 F Street, NE, Washington, DC 20549. You may obtain information regarding the SEC s Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet website at http://www.sec.gov that contains reports, proxy and information statements and other information.

You may also obtain copies of our annual reports on Form 10-K, our quarterly reports on Form 10-Q and our current reports on Form 8-K, and any amendments to such reports, free of charge by visiting the Investor Relations page on our website, www.equinix.com. These reports are available as soon as reasonably practical after we file them with the SEC. Information contained on our website is not part of this Annual Report on Form 10-K.

ITEM 1A. RISK FACTORS

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

Risks Related to REIT Conversion

Although we have chosen to pursue conversion to a REIT, we may not be successful in converting to a REIT effective January 1, 2015, or at all.

In September 2012, our board of directors approved a plan for us to convert to a REIT. There are significant implementation and operational complexities to address before we can timely convert to a REIT, including obtaining a favorable PLR from the IRS, completing internal reorganizations, modifying accounting, information technology and real estate systems, receiving stockholder approvals and making required stockholder payouts. Even if we are able to satisfy the existing REIT requirements or any future REIT requirements, the tax laws, regulations and interpretations governing REITs may change at any time in ways that could be disadvantageous to us.

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Additionally, several conditions must be met in order to complete the conversion to a REIT, and the timing and outcome of many of these conditions are beyond our control. For example, we cannot provide assurance that the IRS will ultimately provide us with a favorable PLR or that any favorable PLR will be received in a timely manner for us to convert successfully to a REIT as of January 1, 2015. Even if the transactions necessary to implement REIT conversion are effected, our board of directors may decide not to elect REIT status, or to delay such election, if it determines in its sole discretion that it is not in the best interests of us or our stockholders. We can provide no assurance if or when conversion to a REIT will be successful. Furthermore, the effective date of the REIT conversion could be delayed beyond January 1, 2015, in which event we could not elect REIT status until the taxable year beginning January 1, 2016, at the earliest. Failure to timely convert to a REIT or maintain REIT status could result in dissatisfaction in our stockholder base.

We may not realize the anticipated benefits to stockholders, including the achievement of significant tax savings for us and regular distributions to our stockholders.

Even if we convert to a REIT and elect REIT status, we cannot provide assurance that our stockholders will experience benefits attributable to our qualification and taxation as a REIT, including our ability to reduce our corporate level U.S. federal income tax through distributions to stockholders and to make regular distributions to stockholders. The realization of the anticipated benefits to stockholders will depend on numerous factors, many of which are outside our control. In addition, future cash distributions to stockholders will depend on our cash flows, as well as the impact of alternative, more attractive investments as compared to dividends.

We may not qualify or remain qualified as a REIT.

Although we plan to operate in a manner consistent with the REIT qualification rules if we convert to a REIT, we cannot provide assurance that we will, in fact, qualify as a REIT or remain so qualified. REIT qualification involves the application of highly technical and complex provisions of the Code to our operations as well as various factual determinations concerning matters and circumstances not entirely within our control. There are limited judicial or administrative interpretations of these provisions.

If we fail to qualify as a REIT, we still will have incurred substantial costs to support our REIT conversion and may still be subject to federal and state tax liability of approximately $360.0 to $380.0 million resulting from the recapture of depreciation and amortization expenses. If we fail to qualify as a REIT in any taxable year after the REIT conversion, we will be subject to U.S. federal income tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates with respect to each such taxable year for which the statute of limitations remains open. In addition, we will be subject to monetary penalties for the failure. This treatment would significantly reduce our net earnings and cash flow because of our additional tax liability and the penalties for the years involved, which could significantly impact our financial condition.

Legislative, administrative, regulatory or other actions affecting REITs, including positions taken by the IRS, could have a negative effect on us.

The rules dealing with U.S. federal income taxation are continually under review by persons involved in the legislative process and by the IRS and the U.S. Department of the Treasury (the Treasury). New legislation, Treasury regulations, administrative interpretations or court decisions could, with retroactive effect, significantly and negatively affect our ability to qualify to be taxed as a REIT. Further, such actions could, with retroactive effect, also significantly and negatively affect the U.S. federal income tax consequences to our stockholders and us.

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Complying with REIT qualification requirements may limit our flexibility or cause us to forego otherwise attractive opportunities.

To qualify as a REIT for U.S. federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our common stock. For example, under the Code, no more than 25% of the value of the assets of a REIT may be represented by securities of our TRS, and other nonqualifying assets. This limitation may affect our ability to make large investments in other non-REIT qualifying operations or assets. In addition, in order to maintain qualification as a REIT, annually we will be required to distribute at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gains. Even if we maintain our qualification as a REIT, we will be subject to U.S. federal income tax at regular corporate rates for our undistributed REIT taxable income, determined without regard to the dividends paid deduction and including any net capital gains, as well as U.S. federal income tax at regular corporate rates for income recognized by our TRS. Because of these distribution requirements, we will likely not be able to fund future capital needs and investments from operating cash flow. As such, compliance with REIT tests may hinder our ability to make certain attractive investments, including the purchase of significant nonqualifying assets and the material expansion of non-real estate activities.

There are uncertainties relating to our estimate of our undistributed accumulated earnings and profits (E&P) distribution, as well as the timing of such E&P distribution and the percentage of common stock and cash we may distribute.

We have provided an estimated range of the E&P distribution. We are in the process of conducting a study of our pre-REIT accumulated earnings and profits as of the close of our 2012 taxable year using our historic tax returns and other available information. This is a very involved and complex study, which is not yet complete, and the actual results of the study relating to our pre-REIT accumulated earnings and profits as of the close of our 2012 taxable year may be materially different from our current estimates. In addition, the estimated range of our E&P distribution is based on our estimated and projected taxable income for our 2013 and 2014 taxable years and our current business plans and performance, but our actual earnings and profits (and the actual E&P distribution) will vary depending on, among other items, the timing of certain transactions, our actual taxable income and performance for 2013 and 2014 and possible changes in legislation or tax rules and IRS revenue procedures relating to distributions of earnings and profits. For these reasons and others, our actual E&P distribution may be materially different from our estimated range.

We anticipate distributing a significant portion of the E&P distribution in 2014, with the balance distributed in 2015, but the timing of the planned E&P distribution, which may or may not occur, may be affected by potential tax law changes, the completion of various phases of the REIT conversion process and other factors beyond our control.

We also anticipate paying up to 20% of the E&P distribution in the form of cash and at least 80% in the form of common stock. We may in fact decide, based on our cash flows and strategic plans, IRS revenue procedures relating to distributions of earnings and profits, leverage and other factors, to pay these amounts in a different mix of cash and common stock.

We may restructure or issue debt or raise equity to satisfy our E&P distribution and other conversion costs.

Depending on the ultimate size and timing of the E&P distribution and the cash outlays associated with our conversion to a REIT, we may restructure or issue debt and/or issue equity to fund these disbursements, even if the then-prevailing market conditions are not favorable for these transactions. Whether we issue debt or equity, at what price and amount and other terms of any such issuances will depend on many factors, including alternative sources of capital, our then existing leverage, our need for additional capital, market conditions and other factors beyond our control. If we raise additional funds through the issuance of equity securities or debt convertible into equity securities, the percentage of stock ownership by our existing stockholders may be reduced. In addition, new equity securities or convertible debt securities could have rights, preferences, and privileges senior to those of our current stockholders, which could substantially decrease the value of our securities owned by them. Depending on the share price we are able to obtain, we may have to sell a significant number of shares in order to raise the capital we deem necessary to execute our long-term strategy, and our stockholders may experience dilution in the value of their shares as a result. Furthermore, satisfying our E&P distribution and other conversion costs may increase the financing we need to fund capital expenditures, future growth and expansion initiatives. As a result, our indebtedness could increase. See Other Risks for further information regarding our substantial indebtedness.

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There are uncertainties relating to the costs associated with implementing the REIT conversion.

We have provided an estimated range of our tax and other costs to convert to a REIT, including estimated tax liabilities associated with a change in our methods of depreciating and amortizing various assets and annual compliance costs. Our estimate of these taxes and other costs, however, may not be accurate, and such costs may actually be higher than our estimates due to unanticipated outcomes in the process of obtaining a PLR, changes in our business support functions and support costs, the unsuccessful execution of internal planning, including restructurings and cost reduction initiatives, or other factors.

Restrictive loan covenants could prevent us from satisfying REIT distribution requirements.

If we are successful in converting to a REIT, restrictions in our credit facility and our indentures may prevent us from satisfying our REIT distribution requirements, and we could fail to qualify for taxation as a REIT. If these limits do not jeopardize our qualification for taxation as a REIT but nevertheless prevent us from distributing 100% of our REIT taxable income, we would be subject to federal corporate income tax, and potentially a nondeductible excise tax, on the retained amounts. See Other Risks for further information on our restrictive loan covenants.

We have no experience operating as a REIT, which may adversely affect our business, financial condition or results of operations if we successfully convert to a REIT.

We have no experience operating as a REIT, and our senior management has no experience operating a REIT. Our pre-REIT operating experience may not be sufficient to prepare us to operate successfully as a REIT. Our inability to operate successfully as a REIT, including the failure to maintain REIT status, could adversely affect our business, financial condition or results of operations.

Other Risks

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

Over the last several years, we have completed several acquisitions, including that of Switch & Data Facilities Company, Inc. (Switch and Data) in 2010, ALOG Data Centers do Brasil S.A. in 2011, Asia Tone Limited and ancotel GmbH in 2012, an acquisition of a Dubai IBX data center in 2012 and an acquisition of a carrier hotel in Frankfurt in 2013. We may make additional acquisitions in the future, which may include (i) acquisitions of businesses, products, services or technologies that we believe to be complementary, (ii) acquisitions of new IBX data centers or real estate for development of new IBX data centers or (iii) acquisitions through investments in local data center operators. We may pay for future acquisitions by using our existing cash resources (which may limit other potential uses of our cash), incurring additional debt (which may increase our interest expense, leverage and debt service requirements) and/or issuing shares (which may dilute our existing stockholders and have a negative effect on our earnings per share). Acquisitions expose us to potential risks, including:

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

- our potential inability to successfully pursue or realize some or all of the anticipated revenue opportunities associated with an acquisition or investment;

- the possibility that we may not be able to successfully integrate acquired businesses, or businesses in which we invest, or achieve anticipated operating efficiencies or cost savings;

- the possibility that announced acquisitions may not be completed, due to failure to satisfy the conditions to closing or for other reasons;

the dilution of our existing stockholders as a result of our issuing stock in transactions, such as our acquisition of Switch and Data, where 80% of the consideration payable to Switch and Data s stockholders consisted of shares of our common stock;

the possibility of customer dissatisfaction if we are unable to achieve levels of quality and stability on par with past practices;

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- the possibility that our customers may not accept either the existing equipment infrastructure or the look-and-feel of a new or different IBX data center;
- the possibility that additional capital expenditures may be required or that transaction expenses associated with acquisitions may be higher than anticipated;
- the possibility that required financing to fund an acquisition may not be available on acceptable terms or at all;
- the possibility that we may be unable to obtain required approvals from governmental authorities under antitrust and competition laws on a timely basis or at all, which could, among other things, delay or prevent us from completing an acquisition, limit our ability to realize the expected financial or strategic benefits of an acquisition or have other adverse effects on our current business and operations;
- the possible loss or reduction in value of acquired businesses;
- the possibility that future acquisitions may present new complexities in deal structure, related complex accounting and coordination with new partners;
- the possibility that future acquisitions may be in geographies and regulatory environments, to which we are unaccustomed;
- the possibility that carriers may find it cost-prohibitive or impractical to bring fiber and networks into a new IBX data center;
- the possibility of litigation or other claims in connection with, or as a result of, an acquisition, including claims from terminated employees, customers, former stockholders or other third parties; and
- the possibility of pre-existing undisclosed liabilities, including, but not limited to, lease or landlord related liability, environmental liability or asbestos liability, for which insurance coverage may be insufficient or unavailable.

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

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

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

We have a significant amount of debt and may need to incur additional debt to support our growth. Additional debt may also be incurred to fund future acquisitions, the E&P distribution or the other cash outlays associated with conversion to a REIT. As of December 31, 2013, our total indebtedness was approximately $4.2 billion, our stockholders equity was $2.5 billion and our cash and investments totaled $1.0 billion. In addition, as of December 31, 2013, we had approximately $516.8 million of additional liquidity available to us from our $550.0 million revolving credit facility as part of a $750.0 million credit facility agreement entered into with a group of lenders in the U.S. as more fully described in Note 10 to Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K. Some of our debt contains covenants which may limit our operating flexibility. In addition to our substantial debt, we lease a majority of our IBX data centers and certain equipment under non-cancellable lease agreements, the majority of which are accounted for as operating leases. As of December 31, 2013, our total minimum operating lease commitments under those lease agreements, excluding potential lease renewals, was approximately $954.2

million, which represents off-balance sheet commitments.

Our substantial amount of debt and related covenants, and our off-balance sheet commitments, could have important consequences. For example, they could:

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

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

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

Global economic uncertainty and debt issues could adversely impact our business and financial condition.

The varying pace of global economic recovery continues to create uncertainty and unpredictability and add risk to our future outlook. If an agreement on expanding the U.S. national debt ceiling is not reached in a timely manner in early 2014, the U.S. could default on its obligations which would impact the U.S. and other economies. An uncertain global economy could also result in churn in our customer base, reductions in revenues from our offerings, longer sales cycles, slower adoption of new technologies and increased price competition, adversely affecting our liquidity. The uncertain economic environment could also have an impact on our foreign exchange forward contracts if our counterparties credit deteriorates further or they are otherwise unable to perform their obligations. Finally, our ability to access the capital markets may be severely restricted at a time when we would like, or need, to do so which could have an impact on our flexibility to pursue additional expansion opportunities and maintain our desired level of revenue growth in the future.

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

Since January 1, 2012, the closing sale price of our common stock on the NASDAQ Global Select Market has ranged from $100.90 to $229.67 per share. The market price of the shares of our common stock has been and may continue to be highly volatile. General economic and market conditions, and market conditions for telecommunications stocks in general, may affect the market price of our common stock.

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

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

The stock market has from time to time experienced extreme price and volume fluctuations, which have particularly affected the market prices for 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. In addition, if we are unsuccessful in our planned conversion to a REIT, the market price of our common stock may decrease, and the decrease may be material. Furthermore, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and/or damages, and divert management s attention from other business concerns, which could seriously harm our business.

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

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

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

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

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Although we currently undertake, and may decide in the future to further undertake, foreign exchange hedging transactions to reduce foreign currency transaction exposure, we do not currently intend to eliminate all foreign currency transaction exposure. Therefore, any weakness of the U.S. dollar may have a positive impact on our consolidated results of operations because the currencies in the foreign countries in which we operate may translate into more U.S. dollars. However, if the U.S. dollar strengthens relative to the currencies of the foreign countries in which we operate, our consolidated financial position and results of operations may be negatively impacted as amounts in foreign currencies will generally translate into fewer U.S. dollars. For additional information on foreign currency risk, refer to our discussion of foreign currency risk in Quantitative and Qualitative Disclosures About Market Risk included in Item 7A of this Annual Report on Form 10-K.

Changes in U.S. or foreign tax laws, regulations, or interpretations thereof, including changes to tax rates, may adversely affect our financial statements and cash taxes.

We are a U.S. company with global subsidiaries and are subject to income taxes in the U.S. and many foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. Although we believe that we have adequately assessed and accounted for our potential tax liabilities, and that our tax estimates are reasonable, there can be no certainty that additional taxes will not be due upon audit of our tax returns or as a result of changes to the tax laws and interpretations thereof. The U.S. Congress as well as the governments of many of the countries in which we operate are actively discussing changes to the corporate recognition and taxation of worldwide income. The nature and timing of any changes to each jurisdiction s tax laws and the impact on our future tax liabilities cannot be predicted with any accuracy but could materially and adversely impact our results of operations and financial position including cash flows.

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

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

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

A customer s decision to purchase our service offerings typically involves a significant commitment of resources. In addition, some customers will be reluctant to commit to locating in our IBX data centers until they are confident that the IBX data center has adequate carrier connections. As a result, we have a long sales cycle. Furthermore, we may devote significant time and resources in pursuing a particular sale or customer that does not result in revenue. We have also significantly expanded our sales force in the past year, and it will take time for these new hires to become fully productive.

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

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

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

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

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

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

We are currently making significant investments in our back office information technology systems, including those surrounding the customer experience from initial quote to customer billing, and upgrading our worldwide financial application suite. Difficulties,

distractions or disruptions to these efforts may interrupt our normal operations and adversely affect our business and operating results.

Commencing in 2012, we began a significant project to overhaul our back office systems that support the customer experience from initial quote to customer billing. Additionally, commencing in 2013, we began to devote significant resources to the upgrade of our worldwide financial application suite from Oracle s version 11i to R12. Both projects have continued into 2014. Oracle has already begun to discontinue its support for our current business application suite. As a result of that discontinued support and our continued work on these projects, we may experience difficulties with our systems, management distraction, and significant business disruptions. Difficulties with our systems may interrupt our ability to accept and deliver customer orders and impact our overall financial operations, including our accounts payable, accounts receivables, general ledger, close processes, internal financial controls, and our ability to otherwise run and track our business. We may need to expend significant attention, time and resources to correct problems or find alternative sources for performing these functions. Such significant investments in our back office systems may take longer to complete and cost more than originally planned. In addition, we may not realize the full benefits we hoped to achieve and there is a risk of an impairment charge if we decide that portions of these projects will not ultimately benefit the company or are de-scoped. Any such difficulty or disruption may adversely affect our business and operating results.

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The insurance coverage that we purchase may prove to be inadequate.

We carry liability, property, business interruption and other insurance policies to cover insurable risks to our company. We select the types of insurance, the limits and the deductibles based on our specific risk profile, the cost of the insurance coverage versus its perceived benefit and general industry standards. Our insurance policies contain industry standard exclusions for events such as war and nuclear reaction. We purchase minimal levels of earthquake insurance for certain of our IBX data centers, but for most of our data centers, including many in California, we have elected to self-insure. The earthquake and flood insurance that we do purchase would be subject to high deductibles and any of the limits of insurance that we purchase could prove to be inadequate, which could materially and adversely impact our business, financial condition and results of operations.

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

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

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

Environmental regulations may impose upon us new or unexpected costs.

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

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

Fossil fuel combustion creates greenhouse gas (GHG) emissions that are linked to global climate change. Regulations to limit GHG emissions are in force in the European Union in an effort to prevent or reduce climate change. In the U.S., the U.S. Environmental Protection Agency (EPA) regulates GHG emissions from major stationary sources under the Clean Air Act. Current regulations apply to large sources of GHGs, such as, for example, fossil-fueled electricity generating facilities, the construction of new facilities that emit 100,000 tons per year or more of carbon dioxide equivalent (CO2e , a unit of measurement for GHGs) and the modification of any existing facility that results in an increase of GHG emissions by 75,000 tons per year of CO2e. A small source exception applies to our existing and anticipated facilities, which exempts sources emitting below 50,000 tons per year of CO2e or any modification resulting in an increase of less than 50,000 tons per year of CO2e, from permitting requirements until at least April 30, 2016. The EPA may develop permitting requirements for smaller sources of GHGs after April 30, 2016, which could potentially affect our facilities. We will continue to monitor the developments of this regulatory program to evaluate its impact on our facilities and business.

Several states within the U.S. have adopted laws intended to limit fossil fuel consumption and/or encourage renewable energy development for the same purpose. For example, California enacted AB-32, the Global Warming Solutions Act of 2006, prescribing a statewide cap on global warming pollution with a goal of reaching 1990 GHG emission levels by 2020, and established a mandatory emissions reporting program. Regulations adopted by the California Air Resources Board, require allowances to be surrendered for emissions of GHGs. This first phase of the cap-and-trade program commenced on January 1, 2013, and could increase our electricity costs. The effect on the price we pay for electricity cannot yet be determined, but the increase could exceed 5% of our costs of electricity at our California locations. In 2015, a second phase of the program will begin, imposing allowance obligations upon suppliers of most forms of fossil fuels, which will increase the costs of our petroleum fuels used for transportation and emergency generators.

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

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

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

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

We must be able to differentiate our IBX data centers and product offerings from those of our competitors. In addition to competing with other neutral colocation providers, we compete with traditional colocation providers, including telecommunications companies, carriers, internet service providers, managed services providers and large REITs who also operate in our market and may enjoy a cost advantage in providing offerings similar to those provided by our IBX data centers. We may experience competition from our landlords which could also reduce the amount of space available to us for expansion in the future. 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, blurring the line between retail and wholesale space. We may also face competition from existing competitors or new entrants to the market seeking to replicate our global IBX data center concept by building or acquiring data centers, offering colocation on neutral terms or by replicating our strategy and messaging. Finally, customers may also decide it is cost-effective for them to build out their own data centers. Once customers have an established data center footprint, either through a relationship with one of our competitors or through in-sourcing, it may be extremely difficult to convince them to relocate to our IBX data centers.

Some of our competitors may adopt aggressive pricing policies, especially if they are not highly leveraged or have lower return thresholds than we do. As a result, we may suffer from pricing pressure that would adversely affect our ability to generate revenues. Some of these competitors may also provide our target customers with additional benefits, including bundled communication services or cloud services, and may do so in a manner that is more attractive to our potential customers than obtaining space in our IBX data centers. Similarly, with growing acceptance of cloud-based technologies, Equinix is at risk losing customers that may decide to fully leverage cloud infrastructure offerings instead of managing their own. Competitors could also operate more successfully or form alliances to acquire significant market share.

Failure to compete successfully may materially adversely affect our financial condition, cash flows and results of operations.

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

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

Power outages, such as those relating to the earthquake and tsunami in Japan in 2011 or Superstorm Sandy, which hit the U.S. East Coast in 2012, could harm our customers and our business. We attempt to limit our 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. Some of our IBXs are located in leased buildings where, depending upon the lease requirements and number of tenants involved, we may or may not control some or all of the infrastructure including generators and fuel tanks. As a result, in the event of a power outage, we may be dependent upon the landlord, as well as the utility company, to restore the power.

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

In each of our markets, we rely on third parties to provide a sufficient amount of power for current and future customers. At the same time, power and cooling requirements are growing on a per unit basis. As a result, some customers are consuming an increasing amount of power per cabinet. We generally do not control the amount of power our customers draw from their installed circuits. This means that we could face power limitations in our IBX data 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.

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

If our internal controls are found to be ineffective, our financial results or our stock price may be adversely affected.

Our most recent evaluation of our controls resulted in our conclusion that, as of December 31, 2013, in compliance with Section 404 of the Sarbanes-Oxley Act of 2002, our internal controls over financial reporting were effective. Our ability to manage our operations and growth, and to successfully implement our proposed REIT conversion and other systems upgrades designed to support our growth, will require us to develop our controls and reporting systems and implement or amend new controls and reporting systems. If, in the future, our internal control over financial reporting is found to be ineffective, or if a material weakness is identified in our controls over financial reporting, our financial results may be adversely affected. Investors may also lose confidence in the reliability of our financial statements which could adversely affect our stock price.

In addition, in May 2013, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) issued a new version of its internal control framework, which will be deemed by COSO to supersede the 1992 version of the framework effective December 15, 2014. We have not developed our plan for transition to application of the 2013 edition of the framework to our assessment of our internal control over financial reporting. It is possible that during the course of the transition to the new framework and its application to our assessment of our internal controls, we may determine that deficiencies exist in our internal controls, possibly rising to the level of material weakness. Such an occurrence, or a failure to effectively remedy such a deficiency, could harm investor confidence in the accuracy and timeliness of our financial reports and negatively impact the market price of our common stock.

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, 2013, 2012 and 2011, we recognized approximately 46%, 44% and 41%, respectively, of our revenues outside the U.S. We currently operate outside of the U.S. in Canada, Brazil, EMEA and Asia-Pacific.

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

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

- the costs of customizing IBX data centers for foreign countries;
- protectionist laws and business practices favoring local competition;
- greater difficulty or delay in accounts receivable collection;
- difficulties in staffing and managing foreign operations, including negotiating with foreign labor unions or workers councils;
- difficulties in managing across cultures and in foreign languages;

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- political and economic instability;
- fluctuations in currency exchange rates;
- difficulties in repatriating funds from certain countries;
- our ability to obtain, transfer, or maintain licenses required by governmental entities with respect to our business;
- unexpected changes in regulatory, tax and political environments;
- our ability to secure and maintain the necessary physical and telecommunications infrastructure;
- compliance with the Foreign Corrupt Practices Act;
- compliance with economic and trade sanctions enforced by the Office of Foreign Assets Control of the U.S. Department of Treasury; and
- compliance with evolving governmental regulation with which we have little experience.

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

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

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

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

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

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We expect our operating results to fluctuate.

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

- fluctuations of foreign currencies in the markets in which we operate;
- the timing and magnitude of depreciation and interest expense or other expenses related to the acquisition, purchase or construction of additional IBX data centers or the upgrade of existing IBX data centers;
- demand for space, power and services at our IBX data centers;
- changes in general economic conditions, such as an economic downturn, or specific market conditions in the telecommunications and Internet industries, both of which may have an impact on our customer base;
- charges to earnings resulting from past acquisitions due to, among other things, impairment of goodwill or intangible assets, reduction in the useful lives of intangible assets acquired, identification of additional assumed contingent liabilities or revised estimates to restructure an acquired company s operations;
- the duration of the sales cycle for our offerings and our ability to ramp our newly-hired sales persons to full productivity within the time period we have forecasted;
- restructuring charges or reversals of existing restructuring charges, which may be necessary due to revised sublease assumptions, changes in strategy or otherwise;
- acquisitions or dispositions we may make;
- the financial condition and credit risk of our customers;
- the provision of customer discounts and credits;
- the mix of current and proposed products and offerings and the gross margins associated with our products and offerings;
- the timing required for new and future IBX data centers to open or become fully utilized;
- competition in the markets in which we operate;

conditions related to international operations;

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

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

changes in rent expense as we amend our IBX data center leases in connection with extending their lease terms when their initial lease term expiration dates approach or changes in shared operating costs in connection with our leases, which are commonly referred to as common area maintenance expenses;

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- the timing and magnitude of other operating expenses, including taxes, expenses related to the expansion of sales, marketing, operations and acquisitions, if any, of complementary businesses and assets;
- the cost and availability of adequate public utilities, including power;
- changes in employee stock-based compensation;
- overall inflation;
- increasing interest expense due to any increases in interest rates and/or potential additional debt financings;
- our proposed REIT conversion, including the timing of expenditures and other cash outlays associated with the REIT conversion;
- changes in our tax planning strategies or failure to realize anticipated benefits from such strategies;
- changes in income tax benefit or expense; and
- changes in or new generally accepted accounting principles (GAAP) in the U.S. as periodically released by the Financial Accounting Standards Board (FASB).

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

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

As of December 31, 2013, our accumulated deficit was $36.4 million. Although we have generated net income for each fiscal year since 2008, which was our first full year of net income since our inception, we are also currently investing heavily in our future growth through the build out of multiple additional IBX data centers and IBX data center expansions as well as acquisitions of complementary businesses. As a result, we will incur higher depreciation and other operating expenses, as well as acquisition costs and interest expense, that may negatively impact our ability to sustain profitability in future periods unless and until these new IBX data centers generate enough revenue to exceed their operating costs and cover our additional overhead needed to scale our business for this anticipated growth. The current global financial uncertainty may also impact our ability to sustain profitability if we cannot generate sufficient revenue to offset the increased costs of our recently-opened IBX data centers or IBX data centers currently under construction. In addition, costs associated with the acquisition and integration of any acquired companies, as well as the additional interest expense associated with debt financing we have undertaken to fund our growth initiatives, may also negatively impact our ability to sustain profitability. Finally, given the competitive and evolving nature of the industry in which we operate, we may not be able to sustain or increase profitability on a quarterly or annual basis.

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

While we own certain of our IBX data centers, others are leased under long-term arrangements with lease terms expiring at various dates through 2053. These leased centers have all been subject to significant development by us in order to convert them from, in most cases, vacant buildings or warehouses into IBX data centers. Most of our IBX data center leases have renewal options available to us. However, many of these renewal options provide for the rent to be 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, or we may decide against renewing the lease. In the event that an IBX data center lease does not have a renewal option, we may not be successful in negotiating a renewal of the lease with the landlord. A failure to renew a lease could force us to exit a building prematurely, which could be disruptive to our business, harm our customer relationships, expose us to liability under our customer contracts, cause us to take impairment charges and negatively affect our operating results.

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

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

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

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

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

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

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

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

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

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

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

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

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

We may be subject to securities class action or other litigation. For example, securities class action litigation has often been brought against a company following periods of volatility in the market price of its securities. Litigation can be lengthy, expensive, and divert management s attention and resources. Results cannot be predicted with certainty and an adverse outcome in litigation could result in monetary damages or injunctive relief that could seriously harm our business, results of operations, financial condition or cash flows.

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

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

Government regulation may adversely affect our business.

Various laws and governmental regulations, both in the U.S. and abroad, governing Internet related services, related communications services and information technologies remain largely unsettled, even in areas where there has been some legislative action. For example, the Federal Communications Commission is considering proposed Internet rules and regulation of broadband that may result in material changes in the regulations and contribution regime affecting us and our customers. Likewise, as part of a review of the current equity market structure, the Securities and Exchange Commission and the Commodity Futures Trading Commission have both sought comments regarding the regulation of independent data centers, such as us, which provide colocation for financial markets and exchanges. The CFTC is also considering regulation of companies that use automated and high-frequency trading systems. Any such regulation may ultimately affect our provision of offerings.

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

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

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

If customers combine businesses, they may require less colocation space, which could lead to churn in our customer base. Regional competitors may also consolidate to become a global competitor. Consolidation of our customers and/or our competitors may present a risk to our business model and have a negative impact on our revenues.

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

The continued threat of terrorist activity and other acts of war or hostility contribute to a climate of political and economic uncertainty. Due to existing or developing circumstances, we may need to incur additional costs in the future to provide enhanced security, including cybersecurity, which would have a material adverse effect on our business and results of operations. These circumstances may also adversely affect our ability to attract and retain customers, our ability to raise capital and the operation and maintenance of our IBX data centers.

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

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

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

There is no disclosure to report pursuant to Item 1B.

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ITEM 2. PROPERTIES

Our executive offices are located in Redwood City, California, and we also have sales offices in several cities throughout the U.S. Our Asia-Pacific headquarters office is located in Hong Kong and we also have office space in Shanghai, China; Singapore; Tokyo, Japan; and Sydney, Australia, which is contained in one of our IBX data centers there. Our EMEA headquarters office is located in Amsterdam, the Netherlands and our regional sales offices in EMEA are based in our IBX data centers in EMEA. We have entered into leases for certain of our IBX data centers in Atlanta, Georgia; New York, New York; Dallas, Texas; Chicago, Illinois; Englewood, Colorado; Los Angeles, Palo Alto, San Jose, Santa Clara and Sunnyvale, California; Miami, Florida; Newark, North Bergen and Secaucus, New Jersey; Philadelphia, Pennsylvania; Reston and Vienna, Virginia; Seattle, Washington; Toronto, Canada; Waltham, Massachusetts and Rio De Janeiro and Sao Paolo, Brazil in the Americas region; Shanghai, China; Hong Kong; Singapore; Sydney, Australia and Osaka and Tokyo, Japan in the Asia-Pacific region; Dubai, U.A.E.; London, United Kingdom; Paris, France; Frankfurt, Munich and Dusseldorf, Germany; Zurich and Geneva, Switzerland and Enschede and Zwolle, the Netherlands in the EMEA region. We own certain of our IBX data centers in Ashburn, Virginia; Chicago, Illinois; Los Angeles and San Jose, California; New York, New York; Paris, France; Frankfurt, Germany and Amsterdam, the Netherlands. We own campuses in Ashburn, Virginia, Silicon Valley and Frankfurt, Germany that house some of our IBX data centers mentioned in the preceding sentence.

ITEM 3. LEGAL PROCEEDINGS

None

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

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PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

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 during the last two years.

	Low	High
Fiscal 2013:		
Fourth Fiscal Quarter	$ 155.18	$ 181.92
Third Fiscal Quarter	165.99	202.98
Second Fiscal Quarter	176.13	229.67
First Fiscal Quarter	206.31	226.00
Fiscal 2012:		
Fourth Fiscal Quarter	$ 172.90	$ 206.20
Third Fiscal Quarter	161.37	206.05
Second Fiscal Quarter	147.70	175.65
First Fiscal Quarter	100.90	157.45

As of January 31, 2014, we had 49,403,798 shares of our common stock outstanding held by approximately 201 registered holders.

We have never declared or paid any cash dividends on our common stock. However, if we are successful in pursuing our planned REIT conversion, we expect to become a dividend-paying company in the future. Until such time that we complete all significant actions necessary to qualify as a REIT, we intend to retain our earnings, if any, for future growth.

During the year ended December 31, 2013, we did not issue or sell any securities on an unregistered basis.

Purchases of Equity Securities by Issuer

The following table sets forth a summary of our stock repurchases under our share repurchase program for the three months ended December 31, 2013:

	Number of shares purchased	Average price per share	Number of shares purchased under publicly announced programs	Approximate dollar value that may yet be purchased under the programs (in thousands)
Beginning balance available under the share repurchase program as of December 1, 2013 **(1)**		$		$ 500,000
Shares repurchased:				
December 2013	288,739	169.01	288,739	(48,799)
Ending balance available under the share repurchase program as of December 31, 2013				$ 451,201

(1) On December 4, 2013, we announced a share repurchase program to repurchase up to $500.0 million in value of our common stock in open market transactions through December 31, 2014, which is referred to as the share repurchase program (see Share Repurchase Program in Note 12 of our Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K).

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Stock Performance Graph

The graph set forth below compares the cumulative total stockholder return on Equinix s common stock between December 31, 2008 and December 31, 2013 with the cumulative total return of (i) The NASDAQ Composite Index and (ii) The NASDAQ Telecommunications Index. This graph assumes the investment of $100.00 on December 31, 2008 in Equinix s common stock, in The NASDAQ Composite Index, and in The NASDAQ Telecommunications Index, and assumes the reinvestment of dividends, if any.

Equinix cautions that the stock price performance shown in the graph below is not indicative of, nor intended to forecast, the potential future performance of Equinix s common stock.

Notwithstanding anything to the contrary set forth in any of Equinix s previous or future filings under the Securities Act of 1933, as amended, or Securities Exchange Act of 1934, as amended, that might incorporate this Annual Report on Form 10-K or future filings made by Equinix under those statutes, the stock performance graph shall not be deemed filed with the Securities and Exchange Commission and shall not be deemed incorporated by reference into any of those prior filings or into any future filings made by Equinix under those statutes.

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ITEM 6. SELECTED FINANCIAL DATA

The following consolidated statement of operations data for the five years ended December 31, 2013 and the consolidated balance sheet data as of December 31, 2013, 2012, 2011, 2010 and 2009 have been derived from our audited consolidated financial statements and the related notes. Our historical results are not necessarily indicative of the results to be expected for future periods. The following selected consolidated financial data for the three years ended December 31, 2013 and as of December 31, 2013 and 2012, should be read in conjunction with our audited consolidated financial statements and the related notes in Item 8 of this Annual Report on Form 10-K and Management s Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of this Annual Report on Form 10-K. In addition, we completed acquisitions of Frankfurt Kleyer 90 carrier hotel in October 2013, a Dubai IBX data center in November 2012, acquisitions of Asia Tone Limited and ancotel GmbH in July 2012, an acquisition of an indirect controlling interest in ALOG Data Centers do Brasil S.A. in April 2011 and an acquisition of Switch and Data Facilities Company, Inc. in April 2010. We also sold 16 of our IBX data centers located throughout the U.S. in November 2012. For further information on these acquisitions and our discontinued operations, refer to Notes 3 and 5, respectively, of our Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K. We also revised our previously-issued consolidated financial statements to reflect error corrections as fully described in Note 2 of our Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K.

	Years ended December 31,				
	2013	2012 (as revised)	2011 (as revised)	2010 (as revised)	2009 (as revised)
	(dollars in thousands, except per share data)				
Consolidated Statement of Operations Data:					
Revenues	$ 2,152,766	$ 1,887,376	$ 1,565,625	$ 1,188,652	$ 877,570
Costs and operating expenses:					
Cost of revenues	1,064,403	944,617	829,024	652,445	483,709
Sales and marketing	246,623	202,914	158,347	110,765	63,584
General and administrative	374,790	328,266	265,554	220,618	155,324
Restructuring charges	(4,837)		3,481	6,734	(6,053)
Impairment charges		9,861			
Acquisition costs	10,855	8,822	3,297	12,337	5,155
Total costs and operating expenses	1,691,834	1,494,480	1,259,703	1,002,899	701,719
Income from continuing operations	460,932	392,896	305,922	185,753	175,851
Interest income	3,387	3,466	2,280	1,515	2,384
Interest expense	(248,792)	(200,328)	(181,303)	(140,475)	(74,232)
Other-than-temporary impairment (loss) recovery on investments				3,626	(2,590)
Other income (loss)	5,253	(2,208)	2,821	692	2,387
Loss on debt extinguishment and interest rate swaps, net	(108,501)	(5,204)		(10,187)	
Income from continuing operations before income taxes	112,279	188,622	129,720	40,924	103,800
Income tax expense	(16,156)	(58,564)	(37,347)	(10,813)	(38,135)
Net income from continuing operations	96,123	130,058	92,373	30,111	65,665
Net income from discontinued operations, net of tax		13,086	1,009	668	
Net income	96,123	143,144	93,382	30,779	65,665
Net (income) loss attributable to redeemable non-controlling interests	(1,438)	(3,116)	1,394		
Net income attributable to Equinix	$ 94,685	$ 140,028	$ 94,776	$ 30,779	$ 65,665
Earnings per share (EPS) attributable to Equinix:					
Basic EPS from continuing operations	$ 1.92	$ 2.65	$ 1.75	$ 0.69	$ 1.71
Basic EPS from discontinued operations		0.27	0.02	0.01	

Basic EPS	$	1.92	$	2.92	$	1.77	$	0.70	$	1.71
Weighted average shares basic		49,438		48,004		46,956		43,742		38,488
Diluted EPS from continuing operations	$	1.89	$	2.58	$	1.72	$	0.67	$	1.66
Diluted EPS from discontinued operations				0.25		0.02		0.02		
Diluted EPS	$	1.89	$	2.83	$	1.74	$	0.69	$	1.66
Weighted average shares diluted		50,116		51,816		47,898		44,810		39,676

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	Years ended December 31,				
	2013	2012 (as revised)	2011 (as revised)	2010 (as revised)	2009 (as revised)
	(dollars in thousands)				
Other Financial Data (1):					
Net cash provided by operating activities	$ 604,608	$ 632,026	$ 587,320	$ 392,583	$ 355,492
Net cash used in investing activities	(1,169,313)	(442,873)	(1,499,155)	(600,680)	(558,178)
Net cash provided by (used in) financing activities	574,907	(222,721)	748,728	309,686	323,598

(1) For a discussion of our primary non-GAAP financial metric, adjusted EBITDA, see our non-GAAP financial measures discussion in Management s Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of this Annual Report on Form 10-K.

	As of December 31,				
	2013	2012 (as revised)	2011 (as revised)	2010 (as revised)	2009 (as revised)
	(dollars in thousands)				
Consolidated Balance Sheet Data:					
Cash, cash equivalents and short-term and long-term investments	$ 1,030,092	$ 546,524	$ 1,076,345	$ 592,839	$ 604,367
Accounts receivable, net	184,840	163,840	139,057	116,358	64,767
Property, plant and equipment, net	4,591,650	3,915,738	3,223,841	2,649,171	1,806,622
Total assets	7,492,359	6,135,797	5,787,284	4,449,030	3,038,499
Capital lease and other financing obligations, excluding current portion	914,032	545,853	390,269	253,945	154,577
Mortgage and loans payable, excluding current portion	199,700	188,802	168,795	100,337	371,322
Senior notes	2,250,000	1,500,000	1,500,000	750,000	
Convertible debt, excluding current portion	724,202	708,726	694,769	916,337	893,706
Redeemable non-controlling interests	123,902	84,178	67,601		
Total stockholders equity	2,459,064	2,313,441	1,936,151	1,863,682	1,171,752

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

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

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

In December 2013, as more fully described in Note 12 of Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K, we announced a share repurchase program to repurchase up to $500.0 million of our common stock in open market transactions through December 31, 2014, which is referred to as the share repurchase program.

In October 2013, as more fully described in Note 3 of Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K, we acquired a property located in Frankfurt, Germany for cash consideration of approximately $50.1 million, which is referred to as the Frankfurt Kleyer 90 carrier hotel acquisition. A portion of the building was leased to us and was being used by us as our Frankfurt 5 IBX data center. The remainder of the building was leased by other parties, who became our tenants upon closing. The Frankfurt Kleyer 90 carrier hotel constitutes a business under the accounting standard for business combinations and as a result, the Frankfurt Kleyer 90 carrier hotel acquisition was accounted for as a business acquisition using the acquisition method of accounting.

In July 2013, as more fully described in Note 6 of Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K, we completed the purchase of a property located in the New York metro area for a net cash consideration of $73.4 million, which is referred to as the New York 2 IBX data center purchase. A majority of the building was leased to us and was being used by us as our New York 2 IBX data center. The remainder of the building was leased by another party, who became our tenant upon closing. The New York 2 IBX data center did not constitute a business under the accounting standard for business combinations and as a result, the New York 2 IBX data center purchase was accounted for as an asset acquisition and the purchase price was allocated to the assets acquired based on their relative fair values.

In April 2013, as more fully described in Note 10 of Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K, we redeemed all of our $750.0 million 8.125% senior notes, plus accrued interest, with $836.5 million in cash, which includes the applicable premium paid of $80.9 million. During the three months ended June 30, 2013, we recognized a loss on debt extinguishment of $93.6 million, which included the applicable premium paid, the write-off of unamortized debt issuance costs of $8.9 million and $3.8 million of other transaction-related fees related to the redemption of the 8.125% senior notes.

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In March 2013, as more fully described in Note 10 of Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K, we issued $1.5 billion aggregate principal amount of senior notes, which is referred to as the senior notes offering, consisting of $500.0 million aggregate principal amount of 4.875% senior notes due April 1, 2020, which are referred to as the 4.875% senior notes, and $1.0 billion aggregate principal amount of 5.375% senior notes due April 1, 2023, which are referred to as the 5.375% senior notes. We used a portion of the net proceeds from the senior notes offering for the redemption of our 8.125% senior notes and intend to use the remaining net proceeds for general corporate purposes, including the funding of our expansion activities and distributions to our stockholders in connection with our proposed conversion to a real estate investment trust, which is referred to as a REIT.

Overview

Equinix provides global data center offerings that protect and connect the world s most valued information assets. Global enterprises, financial services companies, and content and network service providers rely upon Equinix s leading insight and data centers in 32 markets around the world for the safehousing of their critical IT equipment and the ability to directly connect to the networks that enable today s information-driven economy. Equinix offers the following solutions: (i) premium data center colocation, (ii) interconnection and (iii) exchange and outsourced IT infrastructure services. As of December 31 2013, we operated or had partner IBX data centers in the Atlanta, Boston, Chicago, Dallas, Denver, Los Angeles, Miami, New York, Philadelphia, Rio De Janeiro, Sao Paulo, Seattle, Silicon Valley, Toronto and Washington, D.C. metro areas in the Americas region; France, Germany, Italy, the Netherlands, Switzerland, the United Arab Emirates and the United Kingdom in the EMEA region; and Australia, China, Hong Kong, Indonesia, Japan and Singapore in the Asia-Pacific region.

We leverage our global data centers in 32 markets around the world as a global platform which allows our customers to increase information and application delivery performance while significantly reducing costs. Based on our global platform and the quality of our IBX data centers, we believe we have established a critical mass of customers. As more customers locate in our IBX data centers, it benefits their suppliers and business partners to colocate as well in order to gain the full economic and performance benefits of our offerings. These partners, in turn, pull in their business partners, creating a marketplace for their services. Our global platform enables scalable, reliable and cost-effective colocation, interconnection and traffic exchange thus lowering overall cost and increasing flexibility. Our focused business model is based on our critical mass of customers and the resulting marketplace effect. This global platform, combined with our strong financial position, continues to drive new customer growth and bookings as we drive scale into our global business.

Historically, our market has been served by large telecommunications carriers who have bundled their telecommunications products and services with their colocation offerings. The data center market landscape has evolved to include cloud computing/utility providers, application hosting providers and systems integrators, managed infrastructure hosting providers and colocation providers with over 350 companies providing data center solutions in the U.S. alone. Each of these data center solutions providers can bundle various colocation, interconnection and network offerings, and outsourced IT infrastructure services. We are able to offer our customers a global platform that supports global reach to 16 countries, proven operational reliability, improved application performance and network choice, and a highly scalable set of offerings.

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Excluding the impact of the acquisition of the Dubai IBX data center, our customer count increased to approximately 5,954 as of December 31, 2013 versus approximately 5,110 as of December 31, 2012, an increase of 17%. This increase was due to organic growth in our business. Our utilization rate represents the percentage of our cabinet space billing versus net sellable cabinet space available, taking into account power limitations. Our utilization rate was approximately 76% as of December 31, 2013 and December 31, 2012; however, excluding the impact of our IBX data center expansion projects that have opened during the last 12 months, our utilization rate would have increased to approximately 82% as of December 31, 2013. Our utilization rate varies from market to market among our IBX data centers across the Americas, EMEA and Asia-Pacific regions. We continue to monitor the available capacity in each of our selected markets. To the extent we have limited capacity available in a given market it may limit our ability for growth in that market. We perform demand studies on an ongoing basis to determine if future expansion is warranted in a market. In addition, power and cooling requirements for most customers are growing on a per unit basis. As a result, customers are consuming an increasing amount of power per cabinet. Although we generally do not control the amount of power our customers draw from installed circuits, we have negotiated power consumption limitations with certain of our high power demand customers. This increased power consumption has driven the requirement to build out our new IBX data centers to support power and cooling needs twice that of previous IBX data centers. We could face power limitations in our IBX data centers even though we may have additional physical cabinet capacity available within a specific IBX data center. This could have a negative impact on the available utilization capacity of a given center, which could have a negative impact on our ability to grow revenues, affecting our financial performance, operating results and cash flows.

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

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

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

Our Americas revenues are derived primarily from colocation and related interconnection offerings, and our EMEA and Asia-Pacific revenues are derived primarily from colocation and managed infrastructure offerings.

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

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

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

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

Potential REIT Conversion

In September 2012, we announced that our board of directors approved a plan for Equinix to pursue conversion to a REIT. We have begun implementation of the REIT conversion, and we plan to make a tax election for REIT status for the taxable year beginning January 1, 2015. Any REIT election made by us must be effective as of the beginning of a taxable year; therefore, as a calendar year taxpayer, if we are unable to convert to a REIT by January 1, 2015, the next possible conversion date would be January 1, 2016.

If we are able to convert to and qualify as a REIT, we will generally be permitted to deduct from federal income taxes the dividends we pay to our stockholders. The income represented by such dividends would not be subject to federal taxation at the entity level but would be taxed, if at all, at the stockholder level. Nevertheless, the income of our domestic taxable REIT subsidiaries, or TRS, which will hold our U.S. operations that may not be REIT-compliant, will be subject, as applicable, to federal and state corporate income tax. Likewise, our foreign subsidiaries will continue to be subject to foreign income taxes in jurisdictions in which they hold assets or conduct operations, regardless of whether held or conducted through TRS or through qualified REIT subsidiaries, or QRS. We will also be subject to a separate corporate income tax on any gains recognized during a specified period (generally 10 years) following the REIT conversion that are attributable to built-in gains with respect to the assets that we own on the date we convert to a REIT. Our ability to qualify as a REIT will depend upon our continuing compliance following our REIT conversion with various requirements, including requirements related to the nature of our assets, the sources of our income and the distributions to our stockholders. If we fail to qualify as a REIT, we will be subject to federal income tax at regular corporate rates. Even if we qualify for taxation as a REIT, we may be subject to some federal, state, local and foreign taxes on our income and property in addition to taxes owed with respect to our TRS operations. In particular, while state income tax regimes often parallel the federal income tax regime for REITs described above, many states do not completely follow federal rules and some may not follow them at all.

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The REIT conversion implementation currently includes seeking a private letter ruling, or PLR, from the U.S. Internal Revenue Service, or IRS. Our PLR request has multiple components, and our timely conversion to a REIT will require favorable rulings from the IRS on certain technical tax issues. We submitted the PLR request to the IRS in the fourth quarter of 2012. In June 2013, we disclosed that we had been informed that the IRS had convened an internal working group to study what constitutes real estate for purposes of the REIT provisions of the U.S. Internal Revenue Code of 1986, as amended (the Code) and that, pending the completion of the study, the IRS was unlikely to respond definitively to our pending PLR request. In November 2013, the IRS informed us that it was actively resuming work on our PLR request and would respond in due course. We do not expect that this delay will affect the timing of our plan to elect REIT status for the taxable year beginning January 1, 2015. The Company currently expects to receive a favorable PLR from the IRS during 2014 and combined with Board approval and completion of other necessary conversion actions, we would commit to a final REIT conversion plan sometime during 2014. Once the Company reaches this commitment, the financial statements for 2014 will reflect the necessary accounting adjustments including an adjustment to eliminate the U.S. deferred tax assets and liabilities balances discussed below and any tax consequences for the shareholder distributions also discussed below.

We currently estimate that we will incur approximately $75.0 to $85.0 million in costs to support the REIT conversion, in addition to related tax liabilities associated with a change in our methods of depreciating and amortizing various data center assets for tax purposes from our prior methods to current methods that are more consistent with the characterization of such assets as real property for REIT purposes. The total recapture of depreciation and amortization expenses across all relevant assets is expected to result in federal and state tax liability of approximately $360.0 to $380.0 million, which amount became and is generally payable over a four-year period starting in 2012 even if we abandon the REIT conversion for any reason, including failure to obtain a favorable PLR response. Prior to the decision to convert to a REIT, our balance sheet reflected our income tax liability as a non-current deferred tax liability. As a result of the decision to convert to a REIT, our non-current tax liability has been and will continue to be gradually and proportionally reclassified from non-current to current over the four-year period, which started in the third quarter of 2012. The current liability reflects the tax liability that relates to additional taxable income expected to be recognized within the twelve-month period from the date of the balance sheet. If the REIT conversion is successful, we also expect to incur an additional $5.0 to $10.0 million in annual compliance costs in future years. We expect to pay between $145.0 to $200.0 million in cash taxes during 2014 which includes taxes on our operations and any tax impacts required by our plan to convert to a REIT.

In accordance with tax rules applicable to REIT conversions, we expect to issue special distributions to our stockholders of undistributed accumulated earnings and profits of approximately $700.0 million to $1.1 billion (the E&P distribution), which we expect to pay out in a combination of up to 20% in cash and at least 80% in the form of our common stock. The estimated E&P distribution may change due to potential changes in certain factors impacting the calculations, such as finalization of the 2013 E&P amounts and the actual financial year 2014 performance of the entities to be included in the REIT structure. We expect to make the E&P distribution only after receiving a favorable PLR from the IRS, obtaining Board approval and completion of other necessary REIT conversion actions. The Company anticipates making an E&P distribution before 2015 with the balance distributed in 2015. In addition, following the completion of the REIT conversion, we intend to declare regular distributions to our stockholders.

In connection with our contemplated REIT conversion, we expect to reassess the deferred tax assets and liabilities of our U.S. operations to be included in the REIT structure during 2014 at the point in time when it is determined that all significant actions to effect the REIT conversion have occurred and we are committed to that course of action. The reevaluation will result in de-recognizing the deferred tax assets and liabilities of our REIT s U.S. operations excluding the deferred tax liabilities associated with the depreciation and amortization recapture. The depreciation and amortization recapture is necessary as part of our REIT conversion efforts. The de-recognition of the deferred tax assets and liabilities of our REIT s U.S. operations will occur because the expected recovery or settlement of the related assets and liabilities will not result in deductible or taxable amounts in any post-REIT conversion periods. As a result of the de-recognition of the aforementioned deferred tax assets and liabilities of our REIT s U.S. operations and the continuing recognition of deferred tax liabilities associated with the depreciation and amortization recapture to be taxed in 2014 and 2015, we expect to record a significant tax provision expense in 2014. As of December 31, 2013, we had a net deferred tax asset of approximately $147.1 million for our U.S. operations, which includes approximately $176.0 million of deferred tax liabilities associated with the depreciation and amortization recapture.

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Results of Operations

Our results of operations for the year ended December 31, 2013 include the operations of the Frankfurt Kleyer 90 carrier hotel acquisition from October 1, 2013. Our results of operations for the year ended December 31, 2012 include the operations of the Dubai IBX data center acquisition from November 9, 2012, Asia Tone from July 4, 2012 and ancotel from July 3, 2012. Our results of operations for the year ended December 31, 2011 include the operations of ALOG from April 25, 2011.

Revision of Previously-Issued Financial Statements

During the three months ended June 30, 2013, we reassessed the estimated period over which revenue related to non-recurring installation fees is recognized as a result of observed trends in customer contract lives. Non-recurring installation fees, although generally paid in a lump sum upon installation, are deferred and recognized ratably over the expected life of the installation. We undertook this review due to our determination that our customers were generally benefitting from their installations longer than originally anticipated and, therefore, the estimated period that revenue related to non-recurring installation fees is recognized was extended. This change was originally incorrectly accounted for as a change in accounting estimate on a prospective basis effective April 1, 2013. During the three months ended September 30, 2013, we determined that these longer lives should have been identified and utilized for revenue recognition purposes beginning in 2006. As a result, our installation revenues, and therefore adjusted EBITDA, were overstated by $6.2 million and $3.5 million for the years ended December 31, 2012 and 2011, respectively. This error did not impact our reported total cash flows from operating activities.

We assessed the effect of the above errors, as well as that of the previously-identified immaterial errors described below, individually and in the aggregate on prior periods financial statements in accordance with the SEC s Staff Accounting Bulletins No. 99 and 108 and, based on an analysis of quantitative and qualitative factors, determined that the errors were not material to any of our prior interim and annual financial statements and, therefore, the previously-issued financial statements could continue to be relied upon and that the amendment of previously filed reports with the SEC was not required. We also determined that correction of the cumulative effect of errors of $27.2 million as of December 31, 2012 would be material to the projected 2013 consolidated financial statements and as such we revised our previously-issued consolidated financial statements. Refer to Note 2 of Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K for additional details.

We have completed the revision with this Annual Report on Form 10-K. As part of the revision we also corrected certain previously-identified immaterial errors that were either uncorrected or corrected in a period subsequent to the period in which the error originated including (i) certain recoverable taxes in Brazil that were incorrectly recorded in our statements of operations, which had the effect of overstating both revenues and cost of revenues; (ii) errors related to certain foreign currency embedded derivatives in Asia-Pacific, which have an effect on revenue; (iii) an error in our statement of cash flows related to the acquisition of Asia Tone that affects both cash flows from operating and investing activities; and (iv) errors in depreciation, stock-based compensation and property tax accruals in the U.S.

Discontinued Operations

We present the results of operations associated with 16 of our IBX centers that we sold in November 2012 as net income from discontinued operations in our consolidated statements of operations. Our results of operations have been reclassified to reflect our discontinued operations for all applicable periods presented. Unless otherwise stated, the results of operations discussed herein refer to our continuing operations.

Constant Currency Presentation

Our revenues and certain operating expenses (cost of revenues, sales and marketing and general and administrative expenses) from our international operations have represented and will continue to represent a significant portion of our total revenues and certain operating expenses. As a result, our revenues and certain operating expenses have been and will continue to be affected by changes in the U.S. dollar against major international currencies such as the Brazilian reais, British pound, Canadian dollar, Euro, Swiss franc, Australian dollar, Chinese Yuan, Hong Kong dollar, Japanese yen and Singapore dollar. In order to provide a framework for assessing how each of our business segments performed excluding the impact of foreign currency fluctuations, we present period-over-period percentage changes in our revenues and certain operating expenses on a constant currency basis in addition to the historical amounts as reported. Presenting constant currency results of operations is a non-GAAP financial measure and is not meant to be considered in isolation or as an alternative to GAAP results of operations. However, we have presented this non-GAAP financial measure to provide investors with an additional tool to evaluate our operating results. To present this information, our current and comparative prior period revenues and certain operating expenses from entities reporting in currencies other than the U.S. dollar are converted into U.S. dollars at constant exchange rates rather than the actual exchange rates in effect during the respective periods (i.e. average rates in effect for the year ended December 31, 2012 are used as exchange rates for the year ended December 31, 2013 when comparing the year ended December 31, 2013 with the year ended December 31, 2012, and average rates in effect for the year ended December 31, 2011 are used as exchange rates for the year ended December 31, 2012 when comparing the year ended December 31, 2012 with the year ended December 31, 2011).

Years Ended December 31, 2013 and 2012

Revenues. Our revenues for the years ended December 31, 2013 and 2012 were generated from the following revenue classifications and geographic regions (dollars in thousands):

	Years ended December 31,				% change	
	2013	**%**	**2012**	**%**	**Actual**	**Constant currency**
Americas:						
Recurring revenues	$ 1,214,301	56%	$ 1,111,755	59%	9%	10%
Non-recurring revenues	50,473	3%	40,162	2%	26%	26%
	1,264,774	59%	1,151,917	61%	10%	11%
EMEA:						
Recurring revenues	492,361	23%	400,002	21%	23%	22%
Non-recurring revenues	32,657	1%	32,918	2%	(1%)	(11%)
	525,018	24%	432,920	23%	21%	19%
Asia-Pacific:						
Recurring revenues	343,300	16%	285,311	15%	20%	26%
Non-recurring revenues	19,674	1%	17,228	1%	14%	17%
	362,974	17%	302,539	16%	20%	26%
Total:						
Recurring revenues	2,049,962	95%	1,797,068	95%	14%	15%
Non-recurring revenues	102,804	5%	90,308	5%	14%	11%
	$ 2,152,766	100%	$ 1,887,376	100%	14%	15%

Americas Revenues. Growth in Americas revenues was primarily due to (i) $58.6 million of revenue generated from our recently-opened IBX data centers and IBX data center expansions in the Chicago, Rio de Janeiro, Seattle, Silicon Valley and Washington, D.C. metro areas and (ii) an increase in orders from both our existing customers and new customers during the period as reflected in the growth in our customer count and utilization rate, as discussed above. During the year ended December 31, 2013, currency fluctuations resulted in approximately $9.7 million of unfavorable foreign currency impact on our Americas revenues primarily due to the generally stronger U.S. dollar relative to the Brazilian reais and Canadian dollar during the year ended December 31, 2013 compared to the year ended December 31, 2012. We expect that our Americas revenues will continue to grow in future periods as a result of continued growth in the recently-opened IBX data centers and additional IBX data center expansions currently taking place in the Dallas, Philadelphia, New York, Toronto and Sao Paolo metro areas, which are expected to open during 2014 and first half of 2015. Our estimates of future revenue growth also take into account expected changes in recurring revenues attributed to customer bookings, customer churn or changes or amendments to customers contracts.

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EMEA Revenues. During the years ended December 31, 2013 and 2012, our revenues from the United Kingdom, the largest revenue contributor in the EMEA region for the period, represented approximately 36% and 38%, respectively, of the regional revenues. Our EMEA revenue growth was due to (i) $18.5 million of incremental revenue resulting from acquisitions, (ii) $52.3 million of revenue from our recently-opened IBX data center expansions in the Frankfurt, London and Zurich metro areas and (iii) an increase in orders from both our existing customers and new customers during the period as reflected in the growth in our customer count and utilization rate, as discussed above, in both our new and existing IBX data centers. During the year ended December 31, 2013, currency fluctuations resulted in approximately $8.5 million of favorable foreign currency impact on our EMEA revenues primarily due to the generally weaker U.S. dollar relative to the Euro and Swiss franc during the year ended December 31, 2013 compared to the year ended December 31, 2012. We expect that our EMEA revenues will continue to grow in future periods as a result of the Frankfurt Kleyer 90 carrier hotel acquisition and continued growth in recently-opened IBX data centers and an additional IBX data center expansion currently taking place in the London metro area, which is expected to open during 2015. Our estimates of future revenue growth also take into account expected changes in recurring revenues attributed to customer bookings, customer churn or changes or amendments to customers contracts. In addition, we anticipate that a cash flow hedging program we commenced in October 2013 for our EMEA region should reduce some of our foreign currency volatility prospectively.

Asia-Pacific Revenues. Our revenues from Singapore, the largest revenue contributor in the Asia-Pacific region, represented approximately 36% and 37%, respectively, of the regional revenues for the years ended December 31, 2013 and 2012. Our Asia-Pacific revenue growth was due to $30.0 million of incremental revenue resulting from the Asia Tone acquisition and (ii) an increase in orders from both our existing customers and new customers during the period as reflected in the growth in our customer count and utilization rate, as discussed above, in both our new and existing IBX data centers. During the year ended December 31, 2013, currency fluctuations resulted in approximately $17.6 million of net unfavorable foreign currency impact on our Asia-Pacific revenues primarily due to the generally stronger U.S. dollar relative to the Australian dollar, Japanese yen and Singapore dollar during the year ended December 31, 2013 compared to the year ended December 31, 2012. We expect that our Asia-Pacific revenues will continue to grow in future periods as a result of continued growth in these recently-opened IBX data center expansions and additional expansions currently taking place in the Hong Kong, Melbourne, Shanghai, Singapore and Sydney metro areas, which are expected to open during 2014 and 2015. Our estimates of future revenue growth also take into account expected changes in recurring revenues attributed to customer bookings, customer churn or changes or amendments to customers contracts.

Cost of Revenues. Our cost of revenues for the years ended December 31, 2013 and 2012 were split among the following geographic regions (dollars in thousands):

	Years ended December 31,				% change	
	2013	**%**	**2012**	**%**	**Actual**	**Constant currency**
Americas	$ 576,869	54%	$ 533,313	57%	8%	9%
EMEA	271,965	26%	230,239	24%	18%	17%
Asia-Pacific	215,569	20%	181,065	19%	19%	26%
Total	$ 1,064,403	100%	$ 944,617	100%	13%	14%

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	Years ended December 31,	
	2013	2012
Cost of revenues as a percentage of revenues:		
Americas	46%	46%
EMEA	52%	53%
Asia-Pacific	59%	60%
Total	49%	50%

Americas Cost of Revenues. Our Americas cost of revenues for the years ended December 31, 2013 and 2012 included $216.6 million and $197.3 million, respectively, of depreciation expense. Growth in depreciation expense was primarily due to our organic IBX data center expansion activity. Excluding depreciation expense, the increase in our Americas cost of revenues was primarily due to (i) $9.1 million of higher utilities and repair and maintenance expense, (ii) $7.3 million of higher costs associated with certain custom services provided to our customers, (iii) $6.7 million of higher compensation costs, including general salaries, bonuses, stock-based compensation and headcount growth (894 Americas cost of revenues employees as of December 31, 2013 versus 828 as of December 31, 2012), (iv) $4.7 million of higher taxes, including property taxes, and (v) $2.6 million of higher costs related to office expansion, partially offset by $9.2 million of lower rent and facility costs and a $4.8 million reversal of asset retirement obligations associated with certain leases that were amended during the year ended December 31, 2013. During the year ended December 31, 2013, currency fluctuations resulted in approximately $6.4 million of favorable foreign currency impact on our Americas cost of revenues primarily due to the generally stronger U.S. dollar relative to the Brazilian reais and Canadian dollar during the year ended December 31, 2013 compared to the year ended December 31, 2012. We expect Americas cost of revenues to increase as we continue to grow our business.

EMEA Cost of Revenues. EMEA cost of revenues for the years ended December 31, 2013 and 2012 included $77.9 million and $69.4 million, respectively, of depreciation expense. Growth in depreciation expense was primarily due to our IBX data center expansion activity and acquisitions. Excluding depreciation expense, the increase in our EMEA cost of revenues was primarily due to (i) the impact of acquisitions, which resulted in $6.6 million of incremental cost of revenues for the year ended December 31, 2013, (ii) $10.3 million of higher utility costs, (iii) $5.8 million of costs associated with certain custom services provided to our customers, (iv) $5.3 million of higher compensation expense and (v) $2.2 million of higher professional fees to support our growth. During the year ended December 31, 2013, the impact of foreign currency fluctuations on our EMEA cost of revenues was not significant when compared to average exchange rates of the year ended December 31, 2012. We expect that our EMEA cost of revenues will increase as a result of the Frankfurt Kleyer 90 carrier hotel acquisition. Overall, we expect EMEA cost of revenues to increase as we continue to grow our business.

Asia-Pacific Cost of Revenues. Asia-Pacific cost of revenues for the years ended December 31, 2013 and 2012 included $82.6 million and $71.8 million, respectively, of depreciation expense. Growth in depreciation expense was primarily due to both our organic IBX data center expansion activity and the Asia Tone acquisition. Excluding depreciation expense, the increase in Asia-Pacific cost of revenues was primarily due to (i) $13.9 million of incremental cost of revenues resulting from the Asia Tone acquisition, (ii) $4.3 million in higher utility costs and (iii) $2.3 million of higher compensation costs, including general salaries, bonuses, stock-based compensation and headcount growth (excluding the impact of the Asia Tone acquisition, 240 Asia-Pacific cost of revenues employees as of December 31, 2013 versus 192 as of December 31, 2012). During the year ended December 31, 2013, currency fluctuations resulted in approximately $11.9 million of net favorable foreign currency impact on our Asia-Pacific cost of revenues primarily due to the generally stronger U.S. dollar relative to the Australian dollar, Japanese yen and Singapore dollar during the year ended December 31, 2013 compared to the year ended December 31, 2012. We expect Asia-Pacific cost of revenues to increase as we continue to grow our business.

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Sales and Marketing Expenses. Our sales and marketing expenses for the years ended December 31, 2013 and 2012 were split among the following geographic regions (dollars in thousands):

	Years ended December 31,				% change	
	2013	**%**	**2012**	**%**	**Actual**	**Constant currency**
Americas	$ 144,178	58%	$ 122,970	61%	17%	18%
EMEA	68,925	28%	52,595	26%	31%	30%
Asia-Pacific	33,520	14%	27,349	13%	23%	28%
Total	$ 246,623	100%	$ 202,914	100%	22%	23%

	Years ended December 31,	
	2013	**2012**
Sales and marketing expenses as a percentage of revenues:		
Americas	11%	11%
EMEA	13%	12%
Asia-Pacific	9%	9%
Total	11%	11%

Americas Sales and Marketing Expenses. The increase in our Americas sales and marketing expenses was primarily due to (i) $17.6 million of higher compensation costs, including sales compensation, general salaries, bonuses, stock-based compensation and headcount growth (395 Americas sales and marketing employees as of December 31, 2013 versus 256 as of December 31, 2012) and (ii) $3.0 million of higher advertising and promotion costs. During the year ended December 31, 2013, the impact of foreign currency fluctuations on our Americas sales and marketing expenses was not significant when compared to average exchange rates of the year ended December 31, 2012. Over the past several years, we have been investing in our Americas sales and marketing initiatives to further increase our revenue. These investments have included the hiring of additional headcount and new product innovation efforts. Although we anticipate that we will continue to invest in Americas sales and marketing initiatives, we believe our Americas sales and marketing expenses as a percentage of revenues will remain at approximately current levels over the next year or two but should ultimately decrease as we continue to grow our business.

EMEA Sales and Marketing Expenses. The increase in our EMEA sales and marketing expenses was primarily due to (i) $5.7 million of additional sales and marketing expenses resulting from acquisitions and (ii) $8.8 million of higher compensation costs, including sales compensation, general salaries, bonuses and stock-based compensation expense and headcount growth (excluding the impact of acquisitions, 179 EMEA sales and marketing employees as of December 31, 2013 versus 148 as of December 31, 2012). For the year ended December 31, 2013, the impact of foreign currency fluctuations on our EMEA sales and marketing expenses was not significant when compared to average exchange rates of the year ended December 31, 2012. Over the past several years, we have been investing in our EMEA sales and marketing initiatives to further increase our revenue. These investments have included the hiring of additional headcount and new product innovation efforts and, as a result, our EMEA sales and marketing expenses as a percentage of revenues have increased. Although we anticipate that we will continue to invest in EMEA sales and marketing initiatives, we believe our EMEA sales and marketing expenses as a percentage of revenues will remain at approximately current levels over the next year or two but should ultimately decrease as we continue to grow our business.

Asia-Pacific Sales and Marketing Expenses. The increase in our Asia-Pacific sales and marketing expenses was primarily due to $2.8 million of incremental sales and marketing expenses from the impact of the Asia Tone acquisition. For the year ended December 31, 2013, the impact of foreign currency fluctuations to our Asia-Pacific sales and marketing expenses was not significant when compared to average exchange rates of the year ended December 31, 2012. Over the past several years, we have been investing in our Asia-Pacific sales and marketing initiatives to further increase our revenue. These investments have included the hiring of additional headcount and new product innovation efforts and, as a result, our Asia-Pacific sales and marketing expenses have increased. Although we anticipate that we will continue to invest in Asia-Pacific sales and marketing initiatives, we believe our Asia-Pacific sales and marketing expenses as a percentage of revenues will remain at approximately current levels over the next year or two but should ultimately decrease as we continue to grow our business.

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General and Administrative Expenses. Our general and administrative expenses for the years ended December 31, 2013 and 2012 were split among the following geographic regions (dollars in thousands):

	Years ended December 31,				% change	
	2013	**%**	**2012**	**%**	**Actual**	**Constant currency**
Americas	$ 263,145	70%	$ 238,178	73%	10%	11%
EMEA	72,867	19%	57,093	17%	28%	28%
Asia-Pacific	38,778	11%	32,995	10%	18%	20%
Total	$ 374,790	100%	$ 328,266	100%	14%	15%

	Years ended December 31,	
	2013	**2012**
General and administrative expenses as a percentage of revenues:		
Americas	21%	21%
EMEA	14%	13%
Asia-Pacific	11%	11%
Total	17%	17%

Americas General and Administrative Expenses. The increase in our Americas general and administrative expenses was primarily due to (i) $14.4 million of higher compensation costs, including general salaries, bonuses, stock-based compensation and headcount growth (695 Americas general and administrative employees as of December 31, 2013 versus 661 as of December 31, 2012), (ii) $4.1 million of higher office expansion and travel expenses and (iii) $4.0 million of higher professional fees to support our growth. During the year ended December 31, 2013, the impact of foreign currency fluctuations on our Americas general and administrative expenses was not significant when compared to average exchange rates of the year ended December 31, 2012. Over the course of the past year, we have been investing in our Americas general and administrative functions to scale this region effectively for growth, which has included additional investments into improving our back office systems. We expect our current efforts to improve our back office systems will continue over the next several years. We are also incurring costs to support our REIT conversion process. Collectively, these investments in our back office systems and our REIT conversion process have resulted in increased professional fees. Going forward, although we are carefully monitoring our spending, we expect Americas general and administrative expenses to increase as we continue to further scale our operations to support our growth, including these investments in our back office systems and the REIT conversion process.

EMEA General and Administrative Expenses. The increase in our EMEA general and administrative expenses was primarily due to (i) $2.0 million of incremental general and administrative expenses resulting from acquisitions, (ii) $6.4 million of higher compensation costs, including general salaries, bonuses and headcount growth (excluding the impact of acquisitions, 276 EMEA general and administrative employees as of December 31, 2013 versus 196 as of December 31, 2012) and (iii) $5.8 million of higher professional fees to support our growth. For the year ended December 31, 2013, the impact of foreign currency fluctuations on our EMEA general and administrative expenses was not significant when compared to average exchange rates of the year ended December 31, 2012. Over the course of the past year, we have been investing in our EMEA general and administrative functions as a result of our ongoing efforts to scale this region effectively for growth including certain corporate reorganization activities, which has resulted in an increased level of professional fees. Going forward, although we are carefully monitoring our spending, we expect our EMEA general and administrative expenses to increase in future periods as we continue to scale our operations to support our growth; however, as a percentage of revenues, we generally expect them to decrease.

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Asia-Pacific General and Administrative Expenses. Excluding the Asia Tone acquisition, the increase in our Asia-Pacific general and administrative expenses was primarily due to $3.5 million of higher compensation costs, including general salaries, bonuses and headcount growth (208 Asia-Pacific general and administrative employees as of December 31, 2013 versus 166 as of December 31, 2012). For the year ended December 31, 2013, the impact of foreign currency fluctuations on our Asia-Pacific general and administrative expenses was not significant when compared to average exchange rates of the year ended December 31, 2012. Going forward, although we are carefully monitoring our spending, we expect Asia-Pacific general and administrative expenses to increase as we continue to scale our operations to support our growth; however, as a percentage of revenues, we generally expect them to decrease.

Restructuring Charges. During the year ended December 31, 2013, we recorded a $4.8 million reversal of the restructuring charge accrual for our excess space in the New York 2 IBX data center as a result of our decision to purchase this property and utilize the space. During the year ended December 31, 2012, we did not record any restructuring charges. For additional information, see Restructuring Charges in Note 18 of Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K.

Impairment Charges. During the year ended December 31, 2013, we did not record any impairment charges. During the year ended December 31, 2012, we recorded impairment charges totaling $9.9 million as a result of the fair values of certain long-lived assets being lower than their carrying values due to our decision to abandon two properties in the Americas and Asia-Pacific regions. For additional information, see Impairment of Long-Lived Assets in Note 1 of Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K.

Acquisition Costs. During the year ended December 31, 2013, we recorded acquisition costs totaling $10.9 million primarily attributed to our Americas and EMEA regions. During the year ended December 31, 2012, we recorded acquisition costs totaling $8.8 million primarily attributed to the ancotel and Asia Tone acquisitions.

Interest Income. Interest income was $3.4 million and $3.5 million for the years ended December 31, 2013 and 2012, respectively. The average yield for the year ended December 31, 2013 was 0.32% versus 0.43% for the year ended December 31, 2012. We expect our interest income to remain at these low levels for the foreseeable future due to the impact of a continued low interest rate environment and a portfolio more weighted towards short-term securities.

Interest Expense. Interest expense increased to $248.8 million for the year ended December 31, 2013 from $200.3 million for the year ended December 31, 2012. This increase in interest expense was primarily due to the impact of our $1.5 billion senior notes offering in March 2013, $15.6 million of higher interest expense from various capital lease and other financing obligations to support our expansion projects and less capitalized interest expense, which was partially offset by the redemption of our 8.125% senior notes in April 2013. During the years ended December 31, 2013 and 2012, we capitalized $10.6 million and $30.6 million, respectively, of interest expense to construction in progress. Going forward, we expect to incur higher interest expense as we recognize the full impact of our $1.5 billion senior notes offering, partially offset by the redemption of our 8.125% senior notes, which will contribute approximately $17.7 million in incremental interest expense annually. We may also incur additional indebtedness to support our growth, resulting in higher interest expense.

Other Income (Expense). For the year ended December 31, 2013, we recorded $5.3 million of other income and $2.2 million of other expense for the year ended December 31, 2012, primarily due to foreign currency exchange gains (losses) during the periods.

Loss on debt extinguishment. During the year ended December 31, 2013, we recorded a $108.5 million loss on debt extinguishment, of which $93.6 million was attributable to the redemption of our $750.0 million 8.125% senior notes, $13.2 million was attributable to the extinguishment of the financing liabilities for our London 4 and 5 IBX data centers and $1.7 million was attributable to an amendment of our New York 5 and 6 IBX lease. During the year ended December 31, 2012, we recorded $5.2 million of loss on debt extinguishment due to the repayment and termination of our multi-currency credit facility in the Asia-Pacific region. For additional information, see Loss on Debt Extinguishment in Note 10 of Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K.

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Income Taxes. During the year ended December 31, 2013, we recorded $16.2 million of income tax expense. The income tax expense recorded during the year ended December 31, 2013 was primarily attributable to our foreign operations, as we incurred losses in our domestic operations during the period as a result of the $93.6 million of loss on debt extinguishment from the redemption of our $750.0 million 8.125% senior notes. During the year ended December 31, 2012, we recorded $58.6 million of income tax expense. The income tax expense recorded during the year ended December 31, 2012 was primarily a result of applying the effective statutory tax rates to our operating income adjusted for permanent tax adjustments for the period and the assessments of valuation allowances of $5.5 million against the net deferred tax assets with certain foreign operating entities. Our effective tax rates were 14.4% and 31.0%, respectively, for the years ended December 31, 2013 and 2012. The decrease in our effective tax rate was primarily due to tax benefits from losses incurred in our domestic operations as mentioned above and the new organizational structure in EMEA which became effective on July 1, 2013. The cash taxes for 2013 were primarily for U.S. income taxes and foreign income taxes in certain European jurisdictions and the cash taxes for 2012 were primarily for state and foreign income taxes.

To better align our EMEA corporate structure and intercompany relationship with the nature of our business activities and regional centralization, we commenced certain reorganization activities during the fourth quarter of 2012 in the EMEA region. The new organizational structure centralized the majority of our EMEA business management activities in the Netherlands effective July 1, 2013. In December 2013, our Dutch subsidiaries that were created to carry-out EMEA s centralized management activities received favorable rulings from the Dutch Tax Authorities effective July 1, 2013. The rulings acknowledge the reorganization and agree to a lower level of earnings by our Dutch subsidiaries subject to tax in the Netherlands. The rulings also require both the Dutch Tax Authorities and our Dutch subsidiaries to revisit and renew the agreement in five years from the effective date. As a result, we expect our overall effective tax rate will be lower in subsequent periods as the new structure begins to take full effect. Assuming a successful conversion to a REIT, and no material changes to tax rules and regulations, we expect our effective long-term worldwide cash tax rate to ultimately decrease to a range of 10% to 15%.

In connection with our contemplated REIT conversion, we expect to reassess the deferred tax assets and liabilities of our U.S. operations to be included in the REIT structure during 2014 at the point in time when it is determined that all significant actions to effect the REIT conversion have occurred and we are committed to that course of action. The reevaluation will result in de-recognizing the deferred tax assets and liabilities of our REIT s U.S. operations excluding the deferred tax liabilities associated with the depreciation and amortization recapture. The depreciation and amortization recapture is necessary as part of our REIT conversion efforts. The de-recognition of the deferred tax assets and liabilities of our REIT s U.S. operations will occur because the expected recovery or settlement of the related assets and liabilities will not result in deductible or taxable amounts in any post-REIT conversion periods. As a result of the de-recognition of the aforementioned deferred tax assets and liabilities of our REIT s U.S. operations and the continuing recognition of deferred tax liabilities associated with the depreciation and amortization recapture to be taxed in 2014 and 2015, we expect to record a significant tax provision expense in 2014. As of December 31, 2013, we had a net deferred tax asset of approximately $147.1 million for our U.S. operations, which includes approximately $176.0 million of deferred tax liabilities associated with the depreciation and amortization recapture.

During the year ended December 31, 2013, we utilized all of our federal net operating losses free of Section 382 limitations in the U.S. for which a deferred tax asset had been previously recognized and all of our windfall tax losses in the U.S. for which a deferred tax asset had not been previously recognized. We recorded excess income tax benefits of $25.6 million during the year ended December 31, 2013 in our consolidated balance sheet.

Net Income from Discontinued Operations. During the year ended December 31, 2013, we did not have any discontinued operations. For the year ended December 31, 2012, our net income from discontinued operations was $13.1 million, consisting of $11.9 million from the gain on sale of discontinued operations, net of income tax, and $1.2 million of net income from discontinued operations. For additional information, see Discontinued Operations in Note 5 of Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K.

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Adjusted EBITDA. Adjusted EBITDA is a key factor in how we assess the performance of our segments, measure the operational cash generating abilities of our segments and develop regional growth strategies such as IBX data center expansion decisions. Adjusted EBITDA is the result of our revenues less our adjusted operating expenses. Our adjusted operating expenses exclude depreciation expense, amortization expense, accretion expense, stock-based compensation, restructuring charge, impairment charges and acquisition costs. Periodically, we enter into new lease agreements or amend existing lease agreements. To the extent we conclude that a lease is an operating lease, the rent expense may decrease our adjusted EBITDA whereas to the extent we conclude that a lease is a capital or financing lease, and this lease was previously reported as an operating lease, this outcome may increase our adjusted EBITDA. Our adjusted EBITDA for the years ended December 31, 2013 and 2012 was split among the following geographic regions (dollars in thousands):

	Years ended December 31,				% change	
	2013	%	2012	%	Actual	Constant currency
Americas	$ 608,718	61%	$ 557,800	63%	9%	10%
EMEA	216,186	22%	183,612	21%	18%	13%
Asia-Pacific	175,994	17%	146,445	16%	20%	26%
Total	$ 1,000,898	100%	$ 887,857	100%	13%	13%

Americas Adjusted EBITDA. The increase in our Americas adjusted EBITDA was due to higher revenues as result of our IBX data center expansion activity and organic growth as described above. During the year ended December 31, 2013, currency fluctuations resulted in approximately $3.5 million of unfavorable foreign currency impact on our Americas adjusted EBITDA primarily due to the generally stronger U.S. dollar relative to the Brazilian reais and Canadian dollar during the year ended December 31, 2013 compared to the year ended December 31, 2012.

EMEA Adjusted EBITDA. The increase in our EMEA adjusted EBITDA was primarily due to (i) additional adjusted EBITDA from the impact of acquisitions, which generated $15.2 million of incremental adjusted EBITDA and (ii) our IBX data center expansion activity and organic growth, partially offset by higher adjusted operating expenses as a percentage of revenues primarily attributable to higher compensation expense and higher professional fees to support our growth. During the year ended December 31, 2013, currency fluctuations resulted in approximately $8.0 million of net favorable foreign currency impact on our EMEA adjusted EBITDA primarily due to the generally weaker U.S. dollar relative to the Euro and Swiss franc during the year ended December 31, 2013 compared to the year ended December 31, 2012.

Asia-Pacific Adjusted EBITDA. The increase in our Asia-Pacific adjusted EBITDA was primarily due to (i) additional adjusted EBITDA from the impact of the Asia Tone acquisition, which generated $14.3 million of incremental adjusted EBITDA and (ii) higher revenues as a result of our IBX data center expansion activity and organic growth. During the year ended December 31, 2013, currency fluctuations resulted in approximately $7.8 million of net unfavorable foreign currency impact on our Asia-Pacific adjusted EBITDA primarily due to the generally stronger U.S. dollar relative to the Australian dollar, Japanese yen and Singapore dollar during the year ended December 31, 2013 compared to the year ended December 31, 2012.

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Years Ended December 31, 2012 and 2011

Revenues. Our revenues for the years ended December 31, 2012 and 2011 were generated from the following revenue classifications and geographic regions (dollars in thousands):

	Years ended December 31,				% change	
	2012	%	2011	%	Actual	Constant currency
Americas:						
Recurring revenues	$ 1,111,755	59%	$ 957,047	61%	16%	16%
Non-recurring revenues	40,162	2%	32,415	2%	24%	26%
	1,151,917	61%	989,462	63%	16%	16%
EMEA:						
Recurring revenues	400,002	21%	328,355	21%	22%	28%
Non-recurring revenues	32,918	2%	29,814	2%	10%	17%
	432,920	23%	358,169	23%	21%	27%
Asia-Pacific:						
Recurring revenues	285,311	15%	206,313	13%	38%	38%
Non-recurring revenues	17,228	1%	11,681	1%	47%	47%
	302,539	16%	217,994	14%	39%	38%
Total:						
Recurring revenues	1,797,068	95%	1,491,715	95%	20%	22%
Non-recurring revenues	90,308	5%	73,910	5%	22%	26%
	$ 1,887,376	100%	$ 1,565,625	100%	21%	22%

Americas Revenues. Growth in Americas revenues was primarily due to (i) $27.2 million of incremental revenue from ALOG ($71.2 million of full-year revenue contributions from ALOG during the year ended December 31, 2012 as compared to $44.0 million of partial-year revenue contributions during the year ended December 31, 2011), (ii) $26.5 million of revenue generated from our recently-opened IBX data centers and IBX data center expansions in the Dallas, Miami, New York and Washington, D.C. metro areas and (iii) an increase in orders from both our existing customers and new customers during the period as reflected in the growth in our customer count and utilization rate, as discussed above. During the year ended December 31, 2012, the impact of foreign currency fluctuations on our Americas revenues was not significant when compared to average exchange rates of the year ended December 31, 2011.

EMEA Revenues. During the years ended December 31, 2012 and 2011, our revenues from the United Kingdom, the largest revenue contributor in the EMEA region for the period, represented approximately 38% and 35%, respectively, of the regional revenues. Our EMEA revenue growth was due to (i) $11.5 million of additional revenue resulting from the ancotel acquisition, (ii) $31.8 million of revenue from our recently-opened IBX data center expansions in the Amsterdam, Frankfurt, London and Paris metro areas and (iii) an increase in orders from both our existing customers and new customers during the period as reflected in the growth in our customer count and utilization rate, as discussed above, in both our new and existing IBX data centers. During the year ended December 31, 2012, currency fluctuations resulted in approximately $22.8 million of net unfavorable foreign currency impact on our EMEA revenues primarily due to the generally stronger U.S. dollar relative to the British pound, Euro and Swiss Franc during the year ended December 31, 2012 compared to the year ended December 31, 2011.

Asia-Pacific Revenues. Our revenues from Singapore, the largest revenue contributor in the Asia-Pacific region, represented approximately 37% and 40%, respectively, of the regional revenues for the years ended December 31, 2012 and 2011. Our Asia-Pacific revenue growth was due to (i) $23.1 million of additional revenue resulting from the Asia Tone acquisition, (ii) $9.5 million of revenue generated from our recently-opened IBX center expansions in the Hong Kong, Shanghai, Singapore and Sydney metro areas and (iii) an increase in orders from both our existing customers and new customers during the period as reflected in the growth in our customer count and utilization rate, as discussed above, in both our new and existing IBX data centers. For the year ended December 31, 2012, the impact of foreign currency fluctuations on our Asia-Pacific revenues was not significant when compared to average exchange rates of the year ended December 31, 2011.

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Cost of Revenues. Our cost of revenues for the years ended December 31, 2012 and 2011 were split among the following geographic regions (dollars in thousands):

	Years ended December 31,				% change	
	2012	%	2011	%	Actual	Constant currency
Americas	$ 533,313	57%	$ 486,633	59%	10%	10%
EMEA	230,239	24%	212,967	26%	8%	15%
Asia-Pacific	181,065	19%	129,424	15%	40%	40%
Total	$ 944,617	100%	$ 829,024	100%	14%	16%

	Years ended December 31,	
	2012	2011
Cost of revenues as a percentage of revenues:		
Americas	46%	49%
EMEA	53%	59%
Asia-Pacific	60%	59%
Total	50%	53%

Americas Cost of Revenues. Our Americas cost of revenues for the years ended December 31, 2012 and 2011 included $197.3 million and $178.9 million, respectively, of depreciation expense. Growth in depreciation expense was primarily due to both our organic IBX data center expansion activity and acquisitions. Excluding depreciation expense, the increase in our Americas cost of revenues was primarily due to (i) $9.4 million of incremental Americas cost of revenues resulting from the ALOG acquisition, (ii) $7.0 million of higher compensation costs, including general salaries, bonuses and stock-based compensation cost, (iii) $5.9 million of higher costs associated with certain revenues from offerings provided to customers and (iv) $4.6 million of higher property taxes. During the year ended December 31, 2012, the impact of foreign currency fluctuations on our Americas cost of revenues was not significant when compared to average exchange rates of the year ended December 31, 2011.

EMEA Cost of Revenues. EMEA cost of revenues for the years ended December 31, 2012 and 2011 included $69.4 million and $67.0 million, respectively, of depreciation expense. Growth in depreciation expense was primarily due to both our organic IBX data center expansion activity and acquisitions. Excluding depreciation expense, the increase in EMEA cost of revenues was primarily due to (i) $4.4 million of additional cost of revenues resulting from the ancotel acquisition, (ii) an increase of $6.5 million in utility costs arising from increased customer installations and revenues attributed to customer growth and (iii) $3.2 million of higher costs associated with costs of equipment sales. During the year ended December 31, 2012, currency fluctuations resulted in approximately $13.7 million of net favorable foreign currency impact on our EMEA cost of revenues primarily due to the generally stronger U.S. dollar relative to the British pound, Euro and Swiss franc during the year ended December 31, 2012 compared to the year ended December 31, 2011.

Asia-Pacific Cost of Revenues. Asia-Pacific cost of revenues for the years ended December 31, 2012 and 2011 included $71.8 million and $46.7 million, respectively, of depreciation expense. Growth in depreciation expense was primarily due to both our organic IBX data center expansion activity and the Asia Tone acquisition. Excluding depreciation expense, the increase in Asia-Pacific cost of revenues was primarily due to (i) $10.1 million of additional cost of revenues resulting from the Asia Tone acquisition, (ii) $10.7 million in higher utility costs and (iii) $2.9 million of higher compensation expense, including general salaries, bonuses and headcount growth (excluding the impact of the Asia Tone acquisition, 192 Asia-Pacific employees as of December 31, 2012 versus 153 as of December 31, 2011). For the year ended December 31, 2012, the impact of foreign currency fluctuations on our Asia-Pacific cost of revenues was not significant when compared to average exchange rates of the year ended December 31, 2011.

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Sales and Marketing Expenses. Our sales and marketing expenses for the years ended December 31, 2012 and 2011 were split among the following geographic regions (dollars in thousands):

	Years ended December 31,				% change	
	2012	%	2011	%	Actual	Constant currency
Americas	$ 122,970	61%	$ 103,435	65%	19%	19%
EMEA	52,595	26%	36,528	23%	44%	49%
Asia-Pacific	27,349	13%	18,384	12%	49%	48%
Total	$ 202,914	100%	$ 158,347	100%	28%	29%

	Years ended December 31,	
	2012	2011
Sales and marketing expenses as a percentage of revenues:		
Americas	11%	10%
EMEA	12%	10%
Asia-Pacific	9%	8%
Total	11%	10%

Americas Sales and Marketing Expenses. The increase in our Americas sales and marketing expenses was due to (i) $3.8 million of incremental sales and marketing expenses resulting from the ALOG acquisition, (ii) $11.4 million of higher compensation costs, including sales compensation, general salaries, bonuses, stock-based compensation and headcount growth (excluding the impact of the ALOG acquisition, 256 Americas sales and marketing employees as of December 31, 2012 versus 241 as of December 31, 2011) and (iii) $3.4 million of professional fees to support our growth. During the year ended December 31, 2012, the impact of foreign currency fluctuations on our Americas sales and marketing expenses was not significant when compared to average exchange rates of the year ended December 31, 2011.

EMEA Sales and Marketing Expenses. The increase in our EMEA sales and marketing expenses was primarily due to (i) $4.6 million of additional sales and marketing expenses resulting from the ancotel acquisition and (ii) $7.7 million of higher compensation costs, including sales compensation, general salaries, bonuses and stock-based compensation expense and headcount growth (excluding the impact of the ancotel acquisition, 148 EMEA sales and marketing employees as of December 31, 2012 versus 117 as of December 31, 2011). For the year ended December 31, 2012, the impact of foreign currency fluctuations on our EMEA sales and marketing expenses was not significant when compared to average exchange rates of the year ended December 31, 2011.

Asia-Pacific Sales and Marketing Expenses. The increase in our Asia-Pacific sales and marketing expenses was primarily due to (i) $1.9 million of additional sales and marketing expenses resulting from the Asia Tone acquisition and (ii) $6.3 million of higher compensation costs, including sales compensation, general salaries, bonuses and headcount growth (excluding the impact of the Asia Tone acquisition, 95 Asia-Pacific sales and marketing employees as of December 31, 2012 versus 70 as of December 31, 2011). For the year ended December 31, 2012, the impact of foreign currency fluctuations on our Asia-Pacific sales and marketing expenses was not significant when compared to average exchange rates of the year ended December 31, 2011.

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General and Administrative Expenses. Our general and administrative expenses for the years ended December 31, 2012 and 2011 were split among the following geographic regions (dollars in thousands):

	Years ended December 31,				% change	
	2012	%	2011	%	Actual	Constant currency
Americas	$ 238,178	73%	$ 191,439	72%	24%	24%
EMEA	57,093	17%	48,936	18%	17%	20%
Asia-Pacific	32,995	10%	25,179	10%	31%	30%
Total	$ 328,266	100%	$ 265,554	100%	24%	24%

	Years ended December 31,	
	2012	2011
General and administrative expenses as a percentage of revenues:		
Americas	21%	19%
EMEA	13%	14%
Asia-Pacific	11%	12%
Total	17%	17%

Americas General and Administrative Expenses. Our Americas general and administrative expenses, which include general corporate expenses, included $1.6 million of additional general and administrative expenses resulting from the ALOG acquisition. Excluding the ALOG acquisition, the increase in our Americas general and administrative expenses was primarily due to (i) $21.2 million of higher compensation costs, including general salaries, bonuses, stock-based compensation and headcount growth (excluding the impact of the ALOG acquisition, 605 Americas general and administrative employees as of December 31, 2012 versus 577 as of December 31, 2011), (ii) $15.4 million of higher professional fees to support our growth and our REIT conversion process and (iii) $4.8 million of higher depreciation expense as a result of our ongoing efforts to support our growth, such as investments in systems. During the year ended December 31, 2012, the impact of foreign currency fluctuations on our Americas general and administrative expenses was not significant when compared to average exchange rates of the year ended December 31, 2011.

EMEA General and Administrative Expenses. The increase in our EMEA general and administrative expenses was primarily due to $3.2 million of additional general and administrative expenses resulting from the ancotel acquisition and (ii) $5.9 million of higher compensation costs, including general salaries, bonuses and headcount growth (excluding the impact of the ancotel acquisition, 196 EMEA general and administrative employees as of December 31, 2012 versus 180 as of December 31, 2011), partially offset by $3.7 million of lower professional fees. For the year ended December 31, 2012, the impact of foreign currency fluctuations on our EMEA general and administrative expenses was not significant when compared to average exchange rates of the year ended December 31, 2011.

Asia-Pacific General and Administrative Expenses. The increase in our Asia-Pacific general and administrative expenses was primarily due to $5.4 million of higher compensation costs, including general salaries, bonuses and headcount growth (excluding the impact of the Asia Tone acquisition, 166 Asia-Pacific general and administrative employees as of December 31, 2012 versus 153 as of December 31, 2011). For the year ended December 31, 2012, the impact of foreign currency fluctuations on our Asia-Pacific general and administrative expenses was not significant when compared to average exchange rates of the year ended December 31, 2011.

Restructuring Charges. During the year ended December 31, 2012, we did not record any restructuring charges. During the year ended December 31, 2011, we recorded restructuring charges totaling $3.5 million primarily related to revised sublease assumptions on our excess leased space in the New York metro area. For additional information, see Restructuring Charges in Note 18 of Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K.

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Impairment Charges. During the year ended December 31, 2012, we recorded impairment charges totaling $9.9 million as a result of the fair values of certain long-lived assets being lower than their carrying values due to our decision to abandon two properties in the Americas and Asia-Pacific regions. For additional information, see Impairment of Long-Lived Assets in Note 1 of Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K. During the year ended December 31, 2011, no impairment charges were recorded.

Acquisition Costs. During the year ended December 31, 2012, we recorded acquisition costs totaling $8.8 million primarily attributed to the ancotel and Asia Tone acquisitions. During the year ended December 31, 2011, we recorded acquisition costs totaling $3.3 million primarily related to the ALOG acquisition.

Interest Income. Interest income increased to $3.5 million for the year ended December 31, 2012 from $2.3 million for the year ended December 31, 2011. Interest income increased primarily due to higher yields on invested balances. The average yield for the year ended December 31, 2012 was 0.43% versus 0.33% for the year ended December 31, 2011. We expect our interest income to remain at these low levels for the foreseeable future due to the impact of a continued low interest rate environment and a portfolio more weighted towards short-term securities.

Interest Expense. During the years ended December 31, 2012 and 2011, we recorded interest expense of $200.3 million and $181.3 million, respectively. This increase was primarily due to the impact of our $750.0 million 7.00% senior notes offering in July 2011, which resulted in an approximately $28.6 million increase in interest expense, and additional financings such as various capital lease and other financing obligations to support our expansion projects. This increase was partially offset by our settlement of the $250.0 million 2.50% convertible subordinated notes in April 2012, which resulted in an approximately $13.7 million decrease in interest expense. During the years ended December 31, 2012 and 2011, we capitalized $30.6 million and $13.6 million, respectively, of interest expense to construction in progress.

Other Income (Expense). For the year ended December 31, 2012, we recorded $2.2 million of other expense compared to $2.8 million of other income for the year ended December 31, 2011, primarily due to foreign currency exchange gains (losses) during the periods.

Loss on debt extinguishment. During the year ended December 31, 2012, we recorded $5.2 million of loss on debt extinguishment due to the repayment and termination of our multi-currency credit facility in the Asia-Pacific region. During the year ended December 31, 2011, no loss on debt extinguishment was recorded.

Income Taxes. During the year ended December 31, 2012, we recorded $58.6 million of income tax expense. The income tax expense recorded during the year ended December 31, 2012 was primarily a result of applying the effective statutory tax rates to our operating income adjusted for permanent tax adjustments for the period and the assessments of valuation allowances of $5.5 million against the net deferred tax assets with certain foreign operating entities. During the year ended December 31, 2011, we recorded $37.3 million of income tax expense. The income tax expense recorded during the year ended December 31, 2011 was primarily a result of applying the effective statutory tax rates to our operating income adjusted for permanent tax adjustments for the period, partially offset by an income tax benefit due to the release of a valuation allowance of $2.5 million associated with certain foreign operating entities. Our effective tax rates were 31.0% and 28.8%, respectively, for the years ended December 31, 2012 and 2011. The cash taxes for 2012 and 2011 were primarily for state and foreign income taxes.

In connection with the planned REIT Conversion, we changed our methods of depreciating and amortizing various data center assets for tax purposes to methods more consistent with the characterization of such assets as real property for REIT purposes. As a result of this decision, we reclassified $89.2 million of non-current deferred tax liabilities to current deferred tax liabilities as of December 31, 2012 associated with taxes that were expected to be paid in the next 12 months. The change in depreciation and amortization method also increased our taxable income for 2012, resulting in an acceleration of the usage of our operating and windfall employee equity award net operating loss carryforwards. As a result of the tax depreciation method change, the taxable gain recognized in the divestiture and the level of operating profits, we utilized most of our net operating losses in the U.S. for which a deferred tax asset had been previously recognized and all of our windfall tax losses in the U.S. for which a deferred tax asset had not been previously recognized. We recorded excess income tax benefits of $84.7 million for the year ended December 31, 2012 in our consolidated balance sheet.

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Net Income from Discontinued Operations. For the year ended December 31, 2012, our net income from discontinued operations was $13.1 million, consisting of $11.9 million from the gain on sale of discontinued operations, net of income tax, and $1.2 million of net income from discontinued operations. For the year ended December 31, 2011, our net income from discontinued operations was $1.0 million. For additional information, see Discontinued Operations in Note 5 of Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K.

Adjusted EBITDA. Adjusted EBITDA is a key factor in how we assess the performance of our segments, measure the operational cash generating abilities of our segments and develop regional growth strategies such as IBX data center expansion decisions. Adjusted EBITDA is the result of our revenues less our adjusted operating expenses. Our adjusted operating expenses exclude depreciation expense, amortization expense, accretion expense, stock-based compensation, restructuring charge, impairment charges and acquisition costs. Periodically, we enter into new lease agreements or amend existing lease agreements. To the extent we conclude that a lease is an operating lease, the rent expense may decrease our adjusted EBITDA whereas to the extent we conclude that a lease is a capital or financing lease, and this lease was previously reported as an operating lease, this outcome may increase our adjusted EBITDA. Our adjusted EBITDA for the years ended December 31, 2012 and 2011 was split among the following geographic regions (dollars in thousands):

	Years ended December 31,				% change	
	2012	**%**	**2011**	**%**	**Actual**	**Constant currency**
Americas	$ 557,800	62%	$ 477,527	66%	17%	17%
EMEA	183,612	21%	143,093	20%	28%	35%
Asia-Pacific	146,445	17%	100,884	14%	45%	45%
Total	$ 887,857	100%	$ 721,504	100%	23%	24%

Americas Adjusted EBITDA. The increase in our Americas adjusted EBITDA was primarily due to (i) incremental adjusted EBITDA from the impact of the ALOG acquisition, which generated $13.0 million of adjusted EBITDA, and (ii) higher revenues as result of our IBX data center expansion activity and organic growth as described above. During the year ended December 31, 2012, the impact of foreign currency fluctuations to our Americas adjusted EBITDA was not significant when compared to average exchange rates of the year ended December 31, 2011.

EMEA Adjusted EBITDA. The increase in our EMEA adjusted EBITDA was primarily due to (i) additional adjusted EBITDA from the impact of the ancotel acquisition, which generated $2.4 million of adjusted EBITDA, (ii) higher revenues as result of our IBX data center expansion activity and organic growth as described above and (iii) lower adjusted operating expenses as a percentage of revenues primarily attributable to lower rent and facility costs and utility costs. During the year ended December 31, 2012, currency fluctuations resulted in approximately $10.2 million of net unfavorable foreign currency impact on our EMEA adjusted EBITDA primarily due to generally stronger U.S. dollar relative to the British pound, Euro and Swiss franc during the year ended December 31, 2012 compared to the year ended December 31, 2011.

Asia-Pacific Adjusted EBITDA. The increase in our Asia-Pacific adjusted EBITDA was primarily due to (i) additional adjusted EBITDA from the impact of the Asia Tone acquisition, which generated $12.0 million of adjusted EBITDA, (ii) higher revenues as result of our IBX data center expansion activity and organic growth as described above and (iii) lower adjusted operating expenses as a percentage of revenues primarily attributable to lower rent and facility costs. During the year ended December 31, 2012, the impact of foreign currency fluctuations to our Asia-Pacific adjusted EBITDA was not significant when compared to average exchange rates of the year ended December 31, 2011.

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Non-GAAP Financial Measures

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

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

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

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

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

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

	Years ended December 31,		
	2013	2012	2011
Income from continuing operations	$ 460,932	$ 392,896	$ 305,922
Depreciation, amortization and accretion expense	431,008	393,543	337,667
Stock-based compensation expense	102,940	82,735	71,137
Restructuring charges	(4,837)		3,481
Impairment charges		9,861	
Acquisition costs	10,855	8,822	3,297
Adjusted EBITDA	$ 1,000,898	$ 887,857	$ 721,504

Our adjusted EBITDA results have improved each year and in each region in total dollars due to the improved operating results discussed earlier in Results of Operations , as well as the nature of our business model consisting of a recurring revenue stream and a cost structure which has a large base that is fixed in nature also discussed earlier in Overview . Although we have also been investing in our future growth as described above (e.g. through additional IBX data center expansions, acquisitions and increased investments in sales and marketing), we believe that our adjusted EBITDA results will continue to improve in future periods as we continue to grow our business.

Liquidity and Capital Resources

As of December 31, 2013, our total indebtedness was comprised of (i) convertible debt principal totaling $769.7 million from our 3.00% convertible subordinated notes and our 4.75% convertible subordinated notes (gross of discount) and (ii) non-convertible debt and financing obligations totaling $3.4 billion consisting of (a) $2.3 billion of principal from our 7.00%, 5.375% and 4.875% senior notes, (b) $253.2 million of principal from our mortgage and loans payable and (c) $931.2 million from our capital lease and other financing obligations.

We believe we have sufficient cash, coupled with anticipated cash generated from operating activities, to meet our operating requirements, including repayment of the current portion of our debt as it becomes due, payment of tax liabilities related to the decision to convert to a REIT (see below) and completion of our publicly-announced expansion projects. As of December 31, 2013, we had $1.0 billion of cash, cash equivalents and short-term and long-term investments, of which approximately $833.8 million was held in the U.S. We believe that our current expansion activities in the U.S. can be funded with our U.S.-based cash and cash equivalents and investments. Besides our investment portfolio, additional liquidity available to us from the $550.0 million revolving credit facility that forms part of our $750.0 million credit facility, referred to as the U.S. financing, any further financing activities we may pursue, and customer collections are our primary source of cash. While we believe we have a strong customer base and have continued to experience relatively strong collections, if the current market conditions were to deteriorate, some of our customers may have difficulty paying us and we may experience increased churn in our customer base, including reductions in their commitments to us, all of which could have a material adverse effect on our liquidity.

As of December 31, 2013, we had 17 irrevocable letters of credit totaling $33.2 million issued and outstanding under the U.S. revolving credit line; as a result, we had a total of approximately $516.8 million of additional liquidity available to us under the U.S. revolving credit line. While we believe we have sufficient liquidity and capital resources to meet our current operating requirements and to complete our publicly-announced IBX data center expansion plans, we may pursue additional expansion opportunities, primarily the build out of new IBX data centers, in certain of our existing markets which are at or near capacity within the next year, as well as potential acquisitions, and have also announced our planned conversion to a REIT (see below). While we expect to fund these plans with our existing resources, additional financing, either debt or equity, may be required to pursue certain new or unannounced additional plans, including acquisitions. However, if current market conditions were to deteriorate, we may be unable to secure additional financing or any such additional financing may only be available to us on unfavorable terms. An inability to pursue additional expansion opportunities will have a material adverse effect on our ability to maintain our desired level of revenue growth in future periods.

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In October 2013, we initiated a program to hedge our exposure to foreign currency exchange rate fluctuations for forecasted revenues and expenses in our EMEA region in order to manage our exposure to foreign currency exchange rate fluctuations between the U.S. dollar and the British Pound, Euro and Swiss Franc. The foreign currency forward contracts that we use to hedge this exposure are designated as cash flow hedges. For additional information, see Derivatives and Hedging Instruments in Note 7 of Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K.

Impact of REIT Conversion

We currently estimate that we will incur approximately $75.0 to $85.0 million in costs to support the REIT conversion, in addition to related tax liabilities associated with a change in our methods of depreciating and amortizing various data center assets for tax purposes from our prior methods to current methods that are more consistent with the characterization of such assets as real property for REIT purposes. The total recapture of depreciation and amortization expenses across all relevant assets is expected to result in federal and state tax liability of approximately $360.0 to $380.0 million, which amount became and is generally payable over a four-year period starting in 2012 even if we abandon the REIT conversion for any reason, including failure to obtain a favorable PLR response. Prior to the decision to convert to a REIT, our balance sheet reflected our income tax liability as a non-current deferred tax liability. As a result of the decision to convert to a REIT, our non-current tax liability has been and will continue to be gradually and proportionally reclassified from non-current to current over the four-year period, which started in the third quarter of 2012. The current liability reflects the tax liability that relates to additional taxable income expected to be recognized within the twelve-month period from the date of the balance sheet. If the REIT conversion is successful, we also expect to incur an additional $5.0 to $10.0 million in annual compliance costs in future years. We expect to pay between $145.0 to $200.0 million in cash taxes during 2014 which includes taxes on our operations and any tax impacts required by our plan to convert to a REIT.

In accordance with tax rules applicable to REIT conversions, we expect to issue special distributions to our stockholders of undistributed accumulated earnings and profits of approximately $700.0 million to $1.1 billion (the E&P distribution), which we expect to pay out in a combination of up to 20% in cash and at least 80% in the form of our common stock. The estimated E&P distribution may change due to potential changes in certain factors impacting the calculations, such as finalization of the 2013 E&P amounts and the actual financial year 2014 performance of the entities to be included in the REIT structure. We expect to make the E&P distribution only after receiving a favorable PLR from the IRS, obtaining Board approval and completion of other necessary REIT conversion actions. The Company anticipates making an E&P distribution before 2015 with the balance distributed in 2015. In addition, following the completion of the REIT conversion, we intend to declare regular distributions to our stockholders.

Sources and Uses of Cash

	Years ended December 31,		
	2013	2012	2011
		(in thousands)	
Net cash provided by operating activities	$ 604,608	$ 632,026	$ 587,320
Net cash used in investing activities	(1,169,313)	(442,873)	(1,499,155)
Net cash provided (used in) by financing activities	574,907	(222,721)	748,728

Operating Activities

The decrease in net cash provided by operating activities during 2013 compared to 2012 was primarily attributed to unfavorable working capital activities, such as $87.0 million and $25.3 million, respectively, of higher payments of income taxes and interest expense in 2013, partially offset by improved operating results. The increase in net cash provided by operating activities during 2012 compared to 2011 was primarily due to improved operating results, partially offset by unfavorable working capital activities, such as increased payments of income taxes. Although our collections remain strong, it is possible for some large customer receivables that were anticipated to be collected in one quarter to slip to the next quarter. For example, some large customer receivables that were anticipated to be collected in December 2013 were instead collected in January 2014, which negatively impacted cash flows from operating activities for the year ended December 31, 2013. We expect that we will continue to generate cash from our operating activities throughout 2014 and beyond; however, we expect to pay an increased amount of income taxes until such time that we become a REIT, which will negatively impact the cash we generate from operating activities.

Investing Activities

The increase in net cash used in investing activities during 2013 compared to 2012 was primarily due to $526.1 million of higher purchases of investments and $452.3 million of lower sales and maturities of investments, partially offset by $192.1 million of lower capital expenditures as a result of less expansion activity and $260.2 million of lower business acquisition spending. The decrease in net cash used in investing activities during 2012 compared to 2011 was primarily due to $825.7 million of lower purchases of investments, $320.6 million of higher sales and maturities of investments and $76.5 million of proceeds from the sale of discontinued operations, partially offset by $267.5 million of higher business acquisition spending and $79.1 million of higher capital expenditures. During 2014, we expect that our IBX expansion construction activity will be similar to our 2013 levels. However, if the opportunity to expand is greater than planned and we have sufficient funding to pursue such expansion opportunities, we may increase the level of capital expenditures to support this growth as well as pursue additional business acquisitions, property acquisitions or joint ventures.

Financing Activities

The net cash provided by financing activities for 2013 was primarily due to $1.5 billion of proceeds from the senior notes offering in March 2013, partially offset by $834.7 million for the redemption of the $750.0 million 8.125% senior notes, repayments of various debt and purchases of treasury stock. The net cash used in financing activities for 2012 was primarily due to the repayment of our multi-currency credit facility in the Asia-Pacific region and the settlement of the $250.0 million 2.50% convertible subordinated notes, partially offset by proceeds from the U.S. financing and the ALOG financings. The net cash provided by financing activities for 2011 was primarily due to our $750.0 million 7.00% senior notes offering in July 2011, partially offset by purchases of treasury stock and repayments of various debt. Going forward, we expect that our financing activities will consist primarily of repayment of our debt and additional financings needed to support expansion opportunities, additional acquisitions or joint ventures, or our conversion to a REIT.

Debt Obligations   Convertible Debt

4.75% Convertible Subordinated Notes. In June 2009, we issued $373.8 million aggregate principal amount of 4.75% convertible subordinated notes due June 15, 2016. Interest is payable semi-annually on June 15 and December 15 of each year and commenced on December 15, 2009. The initial conversion rate is 11.8599 shares of common stock per $1,000 principal amount of 4.75% convertible subordinated notes, subject to adjustment. This represents an initial conversion price of approximately $84.32 per share of common stock. Upon conversion, holders will receive, at our election, cash, shares of our common stock or a combination of cash and shares of our common stock.

Holders of the 4.75% convertible subordinated notes were eligible to convert their notes during the year ended December 31, 2013 and are eligible to convert their notes during the three months ending March 31, 2014, since the stock price condition conversion clause was met during the applicable periods. As of December 31, 2013, had the holders of the 4.75% convertible subordinated notes converted their notes, the 4.75% convertible subordinated notes would have been convertible into a maximum of 4.4 million shares of our common stock.

Upon conversion, if we elected to pay a sufficiently large portion of the conversion obligation in cash, additional consideration beyond the $373.8 million of gross proceeds received would be required. However, to minimize the impact of potential dilution upon conversion of the 4.75% convertible subordinated notes, we entered into capped call transactions, which are referred to as the capped call, separate from the issuance of the 4.75% convertible subordinated notes, for which we paid a premium of $49.7 million. The capped call covers a total of approximately 4.4 million shares of our common stock, subject to adjustment. Under the capped call, we effectively raised the conversion price of the 4.75% convertible subordinated notes from $84.32 to $114.82. Depending upon our stock price at the time the 4.75% convertible subordinated notes are converted, the capped call will return up to 1.2 million shares of our common stock to us; however, we will receive no benefit from the capped call if our stock price is $84.32 or lower at the time of conversion and will receive less shares for share prices in excess of $114.82 at the time of conversion than we would have received at a share price of $114.82 (our benefit from the capped call is capped at $114.82, and no additional benefit is received beyond this price).

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We do not have the right to redeem the 4.75% convertible subordinated notes at our option.

We separately accounted for the liability and equity components of our 4.75% convertible subordinated notes in accordance with the accounting standard for convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement). For additional information, see 4.75% Convertible Subordinated Notes in Note 10 of Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K.

3.00% Convertible Subordinated Notes. In September 2007, we issued $396.0 million aggregate principal amount of 3.00% Convertible Subordinated Notes due October 15, 2014. Interest is payable semi-annually on April 15 and October 15 of each year and commenced in April 2008.

Holders of the 3.00% convertible subordinated notes may convert their notes at their option on any day up to and including the business day immediately preceding the maturity date into shares of our common stock. We do not have the right to redeem the 3.00% convertible subordinated notes at our option. The base conversion rate is 7.436 shares of common stock per $1,000 principal amount of 3.00% convertible subordinated notes, subject to adjustment. This represents a base conversion price of approximately $134.48 per share of common stock. 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 3.00% convertible subordinated notes, subject to adjustment. However, in no event would the total number of shares issuable upon conversion of the 3.00% convertible subordinated notes exceed 11.8976 per $1,000 principal amount of 3.00% convertible subordinated notes, subject to anti-dilution adjustments, or the equivalent of $84.05 per share of our common stock or a total of 4.7 million shares of our common stock. As of December 31, 2013, we expect the holders of the 3.00% convertible subordinated notes to convert their notes into shares of our common stock prior to the notes maturity date and the 3.00% convertible subordinated notes were convertible into 3.4 million shares of our common stock.

Debt Obligations Non-Convertible Debt

Senior Notes

4.875% Senior Notes and 5.375% Senior Notes. In March 2013, we issued $1.5 billion aggregate principal amount of senior notes, which consist of $500.0 million aggregate principal amount of 4.875% senior notes due April 1, 2020 and $1.0 billion aggregate principal amount of 5.375% senior notes due April 1, 2023. Interest on both the 4.875% senior notes and the 5.375% senior notes is payable semi-annually on April 1 and October 1 of each year and commenced on October 1, 2013.

The 4.875% senior notes and the 5.375% senior notes are governed by separate indentures dated March 5, 2013, which are referred to as the senior notes indentures, between us, as issuer, and U.S. Bank National Association, as trustee (the Senior Notes Indentures). The senior notes indentures contain covenants that limit our ability and the ability of our subsidiaries to, among other things:

- incur additional debt;
- pay dividends or make other restricted payments;
- purchase, redeem or retire capital stock or subordinated debt;
- make asset sales;
- enter into transactions with affiliates;
- incur liens;

enter into sale-leaseback transactions;

provide subsidiary guarantees;

make investments; and

merge or consolidate with any other person.

Each of these restrictions has a number of important qualifications and exceptions. The 4.875% senior notes and the 5.375% senior notes are unsecured and rank equal in right of payment with our existing or future senior debt and senior in right of payment to our existing and future subordinated debt. The 4.875% senior notes and the 5.375% senior notes are effectively junior to our secured indebtedness and indebtedness of our subsidiaries.

At any time prior to April 1, 2016, we may on any one or more occasions redeem up to 35% of the aggregate principal amount of the 4.875% senior notes outstanding at a redemption price equal to 104.875% of the principal amount of the 4.875% senior notes to be redeemed, plus accrued and unpaid interest to, but not including, the redemption date, with the net cash proceeds of one or more equity offerings; provided that (i) at least 65% of the aggregate principal amount of the 4.875% senior notes issued under the 4.875% senior notes indenture remains outstanding immediately after the occurrence of such redemption (excluding the 4.875% senior notes held by us and our subsidiaries); and (ii) the redemption must occur within 90 days of the date of the closing of such equity offering.

On or after April 1, 2017, we may redeem all or a part of the 4.875% senior notes, on any one or more occasions, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest thereon, if any, to, but not including, the applicable redemption date, if redeemed during the twelve-month period beginning on April 1 of the years indicated below:

	Redemption price of the 4.875% Senior Notes
2017	102.438%
2018	101.219%
2019 and thereafter	100.000%

At any time prior to April 1, 2017, we may also redeem all or a part of the 4.875% senior notes at a redemption price equal to 100% of the principal amount of the 4.875% senior notes redeemed plus an applicable premium, which is referred to as the 4.875% senior notes applicable premium, and accrued and unpaid interest, if any, to, but not including, the date of redemption, which is referred to as the 4.875% senior notes redemption date. The 4.875% senior notes applicable premium means the greater of:

1.0% of the principal amount of the 4.875% senior notes; and

the excess of: (a) the present value at such redemption date of (i) the redemption price of the 4.875% senior notes at April 1, 2017 as shown in the above table, plus (ii) all required interest payments due on the 4.875% senior notes through April 1, 2017 (excluding accrued but unpaid interest, if any, to, but not including the 4.875% senior notes redemption date), computed using a discount rate equal to the yield to maturity of the U.S. Treasury securities with a constant maturity most nearly equal to the period from the 4.875% senior notes redemption date to April 1, 2017, plus 0.50%; over (b) the principal amount of the 4.875% senior notes.

At any time prior to April 1, 2016, we may on any one or more occasions redeem up to 35% of the aggregate principal amount of the 5.375% senior notes outstanding at a redemption price equal to 105.375% of the principal amount of the 5.375% senior notes to be redeemed, plus accrued and unpaid interest to, but not including, the redemption date, with the net cash proceeds of one or more equity offerings; provided that (i) at least 65% of the aggregate principal amount of the 5.375% senior notes issued under the 5.375% senior notes indenture remains outstanding immediately after the occurrence of such redemption (excluding the 5.375% senior notes held by us and our subsidiaries); and (ii) the redemption must occur within 90 days of the date of the closing of such equity offering.

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On or after April 1, 2018, we may redeem all or a part of the 5.375% senior notes, on any one or more occasions, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest thereon, if any, to, but not including, the applicable redemption date, if redeemed during the twelve-month period beginning on April 1 of the years indicated below:

	Redemption price of the 5.375% Senior Notes
2018	102.688%
2019	101.792%
2020	100.896%
2021 and thereafter	100.000%

At any time prior to April 1, 2018, we may also redeem all or a part of the 5.375% senior notes at a redemption price equal to 100% of the principal amount of the 5.375% senior notes redeemed plus an applicable premium, which is referred to as the 5.375% senior notes applicable premium, and accrued and unpaid interest, if any, to, but not including, the date of redemption, which is referred to as the 5.375% senior notes redemption date. The 5.375% senior notes applicable premium means the greater of:

- 1.0% of the principal amount of the 5.375% senior notes; and

- the excess of: (a) the present value at such redemption date of (i) the redemption price of the 5.375% senior notes at April 1, 2018 as shown in the above table, plus (ii) all required interest payments due on the 5.375% senior notes through April 1, 2018 (excluding accrued but unpaid interest, if any, to, but not including the 5.375% senior notes redemption date), computed using a discount rate equal to the yield to maturity of the U.S. Treasury securities with a constant maturity most nearly equal to the period from the 5.375% senior notes redemption date to April 1, 2018, plus 0.50%; over (b) the principal amount of the 5.375% senior notes.

Debt issuance costs related to the 4.875% senior notes and 5.375% senior notes, net of amortization, were $18.5 million as of December 31, 2013.

7.00% Senior Notes. In July 2011, we issued $750.0 million aggregate principal amount of 7.00% senior notes due July 15, 2021, which are referred to as the 7.00% senior notes. Interest is payable semi-annually in arrears on January 15 and July 15 of each year and commenced on January 15, 2012.

The 7.00% senior notes are unsecured and rank equal in right of payment to our existing or future senior debt and senior in right of payment to our existing and future subordinated debt. The 7.00% senior notes are effectively junior to any of our existing and future secured indebtedness and any indebtedness of our subsidiaries. The 7.00% senior notes are also structurally subordinated to all debt and other liabilities (including trade payables) of our subsidiaries and will continue to be subordinated to the extent that these subsidiaries do not guarantee the 7.00% senior notes in the future.

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

- incur additional debt;

- pay dividends or make other restricted payments;

- purchase, redeem or retire capital stock or subordinated debt;

- make asset sales;

enter into transactions with affiliates;

incur liens;

enter into sale-leaseback transactions;

provide subsidiary guarantees;

make investments; and

merge or consolidate with any other person.

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

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

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

1.0% of the principal amount of the 7.00% senior notes to be redeemed; and

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

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

Debt issuance costs related to the 7.00% senior notes, net of amortization, were $10.7 million as of December 31, 2013.

8.125% Senior Notes. In February 2010, we issued $750.0 million aggregate principal amount of 8.125% senior notes due March 1, 2018. The indenture governing the 8.125% senior notes permitted us to redeem the 8.125% senior notes at the redemption prices set forth in the 8.125% senior notes indenture plus accrued and unpaid interest to, but not including the redemption date.

In April 2013, we redeemed all of the 8.125% senior notes and incurred a loss on debt extinguishment. See Note 10 of Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K.

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Loans Payable

U.S. Financing. In June 2012, we entered into a credit agreement with a group of lenders for a $750.0 million credit facility, referred to as the U.S. financing, comprised of a $200.0 million term loan facility, referred to as the U.S. term loan, and a $550.0 million multicurrency revolving credit facility, referred to as the U.S. revolving credit line. The U.S. financing contains several financial covenants with which we must comply on a quarterly basis, including a maximum senior leverage ratio covenant, a minimum fixed charge coverage ratio covenant and a minimum tangible net worth covenant. The U.S. financing is guaranteed by certain of our domestic subsidiaries and is secured by our and the guarantors accounts receivable as well as pledges of the equity interests of certain of our direct and indirect subsidiaries. The U.S. term loan and U.S. revolving credit line both have a five-year term, subject to the satisfaction of certain conditions with respect to our outstanding convertible subordinated notes. We are required to repay the principal balance of the U.S. term loan in equal quarterly installments over the term. The U.S. term loan bears interest at a rate based on LIBOR or, at our option, the base rate, which is defined as the highest of (a) the Federal Funds Rate plus 1/2 of 1%, (b) the Bank of America prime rate and (c) one-month LIBOR plus 1.00%, plus, in either case, a margin that varies as a function of our senior leverage ratio in the range of 1.25%-2.00% per annum if we elect to use the LIBOR index and in the range of 0.25%-1.00% per annum if we elect to use the base rate index. In July 2012, we fully utilized the U.S. term loan and used the funds to prepay the outstanding balance of and terminate a multi-currency credit facility in our Asia-Pacific region. The U.S. revolving credit line allows us to borrow, repay and reborrow over the term. The U.S. revolving credit line provides a sublimit for the issuance of letters of credit of up to $150.0 million at any one time. We may use the U.S. revolving credit line for working capital, capital expenditures, issuance of letters of credit, and other general corporate purposes. Borrowings under the U.S. revolving credit line bear interest at a rate based on LIBOR or, at our option, the base rate, as defined above, plus, in either case, a margin that varies as a function of our senior leverage ratio in the range of 0.95%-1.60% per annum if we elect to use the LIBOR index and in the range of 0.00%-0.60% per annum if we elect to use the base rate index. We are required to pay a quarterly letter of credit fee on the face amount of each letter of credit, which fee is based on the same margin that applies from time to time to LIBOR-indexed borrowings under the U.S. revolving credit line. We are also required to pay a quarterly facility fee ranging from 0.30%-0.40% per annum of the U.S. revolving credit line, regardless of the amount utilized, which fee also varies as a function of our senior leverage ratio.

In February 2013, the U.S. financing was amended to modify certain definitions of items used in the calculation of the financial covenants with which we must comply on a quarterly basis to exclude the write-off of any unamortized debt issuance costs that were incurred in connection with the issuance of the 8.125% senior notes; to exclude one-time transaction costs, fees, premiums and expenses incurred by us in connection with the issuance of the 4.875% senior notes and 5.375% senior notes and the redemption of the 8.125% senior notes; and to exclude the 8.125% senior notes from the calculation of total leverage for the period ended March 31, 2013, provided that certain conditions in connection with the redemption of the 8.125% senior notes were satisfied. The amendment also postponed the step-down of the maximum senior leverage ratio covenant from the three months ended March 31, 2013 to the three months ended September 30, 2013.

In September 2013, the U.S. financing was further amended. Among other changes, the amendment (i) modified certain covenants to accommodate our planned conversion to a REIT, and related matters; (ii) replaced the maximum senior leverage ratio covenant with a maximum senior net leverage ratio covenant and modified the minimum fixed charge coverage ratio and tangible net worth covenants; (iii) modified certain defined terms used in the calculation of the financial covenants to exclude certain expenses incurred by us in connection with our planned REIT conversion; and (iv) permits us to request an increase to the U.S. revolving credit line of up to an additional $250.0 million, subject to various conditions including the receipt of lender commitments.

As of December 31, 2013, we had $140.0 million outstanding under the U.S. term loan with an effective interest rate of 2.17% per annum. As of December 31, 2013, we had 17 irrevocable letters of credit totaling $33.2 million issued and outstanding under the U.S. Revolving Credit Line. As a result, the amount available to us to borrow under the U.S. revolving credit line was $516.8 million as of December 31, 2013. As of December 31, 2013, we were in compliance with all covenants of the U.S. financing. Debt issuance costs related to the U.S. financing, net of amortization, were $8.0 million as of December 31, 2013.

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ALOG Financings. In June 2012, ALOG completed a 100.0 million Brazilian real borrowing agreement, or approximately $48.8 million, referred to as the 2012 ALOG financing. The 2012 ALOG financing has a five-year term with semi-annual principal payments beginning in the third year of its term and quarterly interest payments during the entire term. The 2012 ALOG financing bears an interest rate of 2.75% above the local borrowing rate. The 2012 ALOG financing contains financial covenants, which ALOG must comply with annually, consisting of a leverage ratio and a fixed charge coverage ratio. As of December 31, 2013, we were in compliance with all financial covenants under the 2012 ALOG financing. The 2012 ALOG financing is not guaranteed by ALOG or us. The 2012 ALOG financing is not secured by ALOG s or our assets. The 2012 ALOG financing has a final maturity date of June 2017. In September 2012, ALOG fully utilized the 2012 ALOG financing and used a portion of the funds to prepay and terminate ALOG loans payable outstanding. As of December 31, 2013, the effective interest rate under the 2012 ALOG financing was 12.52% per annum.

In November 2013, ALOG completed a 60.3 million Brazilian real borrowing agreement, or approximately $25.5 million, referred to as the 2013 ALOG financing. The 2013 ALOG financing has a five-year term with semi-annual principal payments beginning in the third year of its term and semi-annual interest payments during the entire term. The 2013 ALOG Financing bears an interest rate of 2.25% above the local borrowing rate. The 2013 ALOG Financing contains financial covenants, which ALOG must comply with annually, consisting of a leverage ratio and a fixed charge coverage ratio. As of December 31, 2013, we were in compliance with all financial covenants under the 2013 ALOG financing. The 2013 ALOG financing is not guaranteed by ALOG or us. The 2013 ALOG financing is not secured by ALOG s or our assets. The 2013 ALOG financing has a final maturity date of November 2018. During the three months ended December 31, 2013, ALOG fully utilized the 2013 ALOG financing. As of December 31, 2013, the effective interest rate under the 2013 ALOG financing was 12.24% per annum.

Capital Lease and Other Financing Obligations

We have numerous capital lease and other financing obligations with maturity dates ranging from 2015 to 2053 under which a total principal balance of $931.2 million remained outstanding as of December 31, 2013 with a weighted average effective interest rate of 7.89%. For further information on our capital leases and other financing obligations, see Capital Leases and Other Financing Obligations in Note 9 of Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K.

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Contractual Obligations and Off-Balance-Sheet Arrangements

We lease a majority of our IBX data centers and certain equipment under non-cancelable lease agreements expiring through 2053. The following represents our debt maturities, financings, leases and other contractual commitments as of December 31, 2013 (in thousands):

	2014	2015	2016	2017	2018	Thereafter	Total
Convertible debt**(1)**	$ 395,986	$	$ 373,724	$	$	$	$ 769,710
Senior notes**(2)**						2,250,000	2,250,000
U.S. term loan**(2)**	40,000	40,000	40,000	20,000			140,000
ALOG financings**(2)**	12,096	15,742	19,389	13,346	7,309		67,882
ALOG loans payable**(2)**		342	411	411	410	68	1,642
Mortgage payable**(2)**	1,221	1,274	1,330	1,387	1,447	36,838	43,497
Other loan payable**(2)**	65						65
Paris 4 IBX financing**(3)**	122						122
Interest**(4)**	169,032	157,479	145,945	134,313	132,838	441,351	1,180,958
Capital lease and other financing obligations**(5)**	85,386	94,865	99,663	100,681	105,009	1,187,512	1,673,116
Operating leases**(6)**	91,658	81,848	79,806	75,692	72,817	552,357	954,178
Other contractual commitments**(7)**	299,079	39,133	1,141	1,000	285	4,346	344,984
Asset retirement obligations**(8)**	4,339	1,984	540	7,714	3,241	41,730	59,548
ALOG acquisition contingent consideration**(9)**	1,757	2,021	2,926				6,704
Redeemable non-controlling interests	123,902						123,902
	$ 1,224,643	$ 434,688	$ 764,875	$ 354,544	$ 323,356	$ 4,514,202	$ 7,616,308

(1) Represents principal only. As of December 31, 2013, had the holders of the 3.00% convertible subordinated notes due 2014 converted their notes, the 3.00% convertible subordinated notes would have been convertible into approximately 3.4 million shares of our common stock, which would have a total value of $598.1 million based on the closing price of our common stock on December 31, 2013. As of December 31, 2013, had the holders of the 4.75% convertible subordinated notes due 2016 converted their notes, the 4.75% convertible subordinated notes would have been convertible into approximately 4.4 million shares of our common stock, which would have a total value of $786.5 million based on the closing price of our common stock on December 31, 2013.

(2) Represents principal only.

(3) Represents total payments to be made under two agreements to purchase and develop the Paris 4 IBX center.

(4) Represents interest on ALOG financings, convertible debt, mortgage payable, senior notes and U.S. term loan based on their approximate interest rates as of December 31, 2013.

(5) Represents principal and interest.

(6) Represents minimum operating lease payments, excluding potential lease renewals.

(7) Represents unaccrued contractual commitments. Other contractual commitments are described below.

(8) Represents liability, net of future accretion expense.

(9) Represents unaccrued ALOG acquisition contingent consideration, subject to reduction for any post-closing balance sheet adjustments and any claims for indemnification, and includes the portion of the contingent consideration that will be funded by Riverwood Capital L.P., who has an indirect, non-controlling equity interest in ALOG. As of December 31, 2013, we accrued approximately $419 of ALOG acquisition contingent consideration.

In connection with certain of our leases and other contracts requiring deposits, we entered into 17 irrevocable letters of credit totaling $33.2 million under the senior revolving credit line. These letters of credit were provided in lieu of cash deposits under the senior revolving credit line. If the landlords for these IBX leases decide to draw down on these letters of credit triggered by an event of default under the lease, we will be required to fund these letters of credit either through cash collateral or borrowing under the senior revolving credit line. These contingent commitments are not reflected in the table above.

We had accrued liabilities related to uncertain tax positions totaling approximately $27.1 million as of December 31, 2013. These liabilities, which are reflected on our balance sheet, are not reflected in the table above since it is unclear when these liabilities will be paid.

Primarily as a result of our various IBX data center expansion projects, as of December 31, 2013, we were contractually committed for $155.1 million of unaccrued capital expenditures, primarily for IBX equipment not yet delivered and labor not yet provided in connection with the work necessary to complete construction and open these IBX data centers prior to making them available to customers for installation. This amount, which is expected to be paid during 2014 and thereafter, is reflected in the table above as other contractual commitments.

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We had other non-capital purchase commitments in place as of December 31, 2013, such as commitments to purchase power in select locations and other open purchase orders, which contractually bind us for goods or services to be delivered or provided during 2014 and beyond. Such other purchase commitments as of December 31, 2013, which total $189.8 million, are also reflected in the table above as other contractual commitments.

In addition, although we are not contractually obligated to do so, we expect to incur additional capital expenditures of approximately $230 million to $270 million, in addition to the $155.1 million in contractual commitments discussed above as of December 31, 2013, in our various IBX data center expansion projects during 2014 and thereafter in order to complete the work needed to open these IBX data centers. These non-contractual capital expenditures are not reflected in the table above. If we so choose, whether due to economic factors or other considerations, we could delay these non-contractual capital expenditure commitments to preserve liquidity.

Other Off-Balance-Sheet Arrangements

We have various guarantor arrangements with both our directors and officers and third parties, including customers, vendors and business partners. As of December 31, 2013, there were no significant liabilities recorded for these arrangements. For additional information, see Guarantor Arrangements in Note 15 of Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with generally accepted accounting principles in the U.S. (GAAP). The preparation of our financial statements requires management to make estimates and assumptions about future events that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates the accounting policies, assumptions, estimates and judgments to ensure that our consolidated financial statements are presented fairly and in accordance with GAAP. Management bases its assumptions, estimates and judgments on historical experience, current trends and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. However, because future events and their effects cannot be determined with certainty, actual results may differ from these assumptions and estimates, and such differences could be material.

Our significant accounting policies are discussed in Note 1 of Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K. Management believes that the following critical accounting policies and estimates, among others, are the most critical to aid in fully understanding and evaluating our consolidated financial statements, and they require significant judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain:

- Accounting for income taxes;
- Accounting for business combinations;
- Accounting for impairment of goodwill; and
- Accounting for property, plant and equipment.

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Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
Accounting for Income Taxes.		
Deferred tax assets and liabilities are recognized based on the future tax consequences attributable to temporary differences that exist between the financial statement carrying value of assets and liabilities and their respective tax bases, and operating loss and tax credit carryforwards on a taxing jurisdiction basis. We measure deferred tax assets and liabilities using enacted tax rates that will apply in the years in which we expect the temporary differences to be recovered or paid.	The valuation of deferred tax assets requires judgment in assessing the likely future tax consequences of events that have been recognized in our financial statements or tax returns. Our accounting for deferred tax consequences represents our best estimate of those future events.	As of December 31, 2013 and 2012, we recorded a total of net deferred tax assets of $95.6 million and net deferred tax liabilities of $30.1 million, respectively. As of December 31, 2013 and 2012, we had a total valuation allowance of $31.1 million and $44.9 million, respectively. During the year ended December 31, 2013, we decided to provide a full valuation allowance against the net deferred tax assets associated with certain foreign operating entities, which resulted in an insignificant income tax expense in our results of operations. During the year ended December 31, 2012, we decided to provide a full valuation allowance against the net deferred tax assets associated with certain foreign operating entities which resulted in an income tax expense of $5.5 million in our results of operations.
The accounting standard for income taxes requires a reduction of the carrying amounts of deferred tax assets by recording a valuation allowance if, based on the available evidence, it is more likely than not (defined by the accounting standard as a likelihood of more than 50%) such assets will not be realized.	In assessing the need for a valuation allowance, we consider both positive and negative evidence related to the likelihood of realization of the deferred tax assets. If, based on the weight of available evidence, it is more likely than not the deferred tax assets will not be realized, we record a valuation allowance. The weight given to the positive and negative evidence is commensurate with the extent to which the evidence may be objectively verified.	Our decisions to release our valuation allowances were based on our belief that the operations of these jurisdictions had achieved a sufficient level of profitability and will sustain a sufficient level of profitability in the future to support the release of these valuation allowances based on relevant facts and circumstances. However, if our assumptions on the future performance of these jurisdictions prove not to be correct and these jurisdictions are not able to sustain a sufficient level of profitability to support the associated deferred tax assets on our consolidated balance sheet, we will have to impair our deferred tax assets through an additional valuation allowance, which would impact our financial position and results of operations in the period such a determination is made.
A tax benefit from an uncertain income tax position may be recognized in the financial statements only if it is more likely than not that the position is sustainable, based solely on its technical merits and consideration of the relevant taxing authority s widely understood administrative practices and precedents.	This assessment, which is completed on a taxing jurisdiction basis, takes into account a number of types of evidence, including the following: 1) the nature, frequency and severity of current and cumulative financial reporting losses, 2) sources of future taxable income and 3) tax planning strategies.	Our remaining valuation allowances as of December 31, 2013 was $31.1 million and primarily relates to certain of our subsidiaries outside of the U.S. If and when we release our remaining valuation allowances, it will have a favorable impact to our financial position and
	In assessing the tax benefit from an uncertain income tax position, the tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information.	

results of operations in the periods such determinations are made. We will continue to assess the need for our valuation allowances, by country or location, in the future.

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Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
		As of December 31, 2013 and 2012, we had unrecognized tax benefits of $36.6 million and $25.0 million, respectively, exclusive of interest and penalties. During the year ended December 31, 2013, the unrecognized tax benefits increased by $11.6 million primarily due to losses of certain foreign operating entities, which more likely than not, will not benefit the operating entities. During the year ended December 31, 2012, the unrecognized tax benefits decreased by $9.0 million primarily due to the settlement of a tax audit and the lapse of statutes of limitations in our foreign operations. The unrecognized tax benefits of $36.6 million as of December 31, 2013, if subsequently recognized, will affect our effective tax rate favorably at the time when such benefits are recognized.
Accounting for Business Combinations		
In accordance with the accounting standard for business combinations, we allocate the purchase price of an acquired business to its identifiable assets and liabilities based on estimated fair values. The excess of the purchase price over the fair value of the assets acquired and liabilities assumed, if any, is recorded as goodwill. We use all available information to estimate fair values. We typically engage outside appraisal firms to assist in the fair value determination of identifiable intangible assets such as customer contracts, leases and any other significant assets or liabilities and contingent consideration. We adjust the preliminary purchase price allocation, as necessary, up to one year after the acquisition closing date if we obtain more information regarding asset valuations and liabilities assumed.	Our purchase price allocation methodology contains uncertainties because it requires assumptions and management s judgment to estimate the fair value of assets acquired and liabilities assumed at the acquisition date. Management estimates the fair value of assets and liabilities based upon quoted market prices, the carrying value of the acquired assets and widely accepted valuation techniques, including discounted cash flows and market multiple analyses. Our estimates are inherently uncertain and subject to refinement. Unanticipated events or circumstances may occur which could affect the accuracy of our fair value estimates, including assumptions regarding industry economic factors and business strategies.	During the last three years, we have completed several business combinations, including the Frankfurt Kleyer 90 Carrier Hotel acquisition in October 2013, the Dubai IBX data center acquisition in November 2012, the Asia Tone and ancotel acquisitions in July 2012 and ALOG acquisition in April 2011. Our measurement period for the Frankfurt Kleyer 90 Carrier Hotel acquisition will remain open through the fourth quarter of 2014. The purchase price allocation for the ALOG, Asia Tone and ancotel and Dubai IBX data center acquisitions was completed in the second quarter of 2012, third quarter of 2013 and fourth quarter of 2013, respectively. We do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions we used to complete the purchase price allocations and the fair value of assets acquired and liabilities assumed. However, if actual results are not consistent with our estimates or assumptions, we may be exposed to losses or gains that could be material, which would be recorded in our statements of operations in 2014.

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Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
Accounting for Impairment of Goodwill		
In accordance with the accounting standard for goodwill and other intangible assets, we perform goodwill impairment reviews annually, or whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable.	When we elect to perform the first step of the two-step goodwill impairment test, we use both the income and market approach. Under the income approach, we develop a five-year cash flow forecast and use our weighted-average cost of capital applicable to our reporting units as discount rates. This requires assumptions and estimates derived from a review of our actual and forecasted operating results, approved business plans, future economic conditions and other market data. When we elect to perform the goodwill impairment test by assessing qualitative factors determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value requires assumptions and estimates, the assessment also requires assumptions and estimates derived from a review of our actual and forecasted operating results, approved business plans, future economic conditions and other market data.	As of December 31, 2013, goodwill attributable to the Americas reporting unit, the EMEA reporting unit and the Asia-Pacific reporting unit was $471.8 million, $435.0 million and $135.3 million, respectively.
During the fourth quarter of 2011, we early adopted the accounting standard update for testing goodwill for impairment. The accounting standard update provides companies with the option to assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If, after assessing the qualitative factors, a company determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying value, then performing the two-step impairment test is unnecessary. However, if a company concludes otherwise, then it is required to perform the first step of the two-step goodwill impairment test.		Future events, changing market conditions and any changes in key assumptions may result in an impairment charge. While we have not recorded an impairment charge against our goodwill to date, the development of adverse business conditions in our Americas, EMEA or Asia-Pacific reporting units, such as higher than anticipated customer churn or significantly increased operating costs, or significant deterioration of our market comparables that we use in the market approach, could result in an impairment charge in future periods.
During the year ended December 31, 2013, we completed annual goodwill impairment reviews of the Americas reporting unit, the EMEA reporting unit and the Asia-Pacific reporting unit and concluded that there was no impairment as the fair value of these reporting units exceeded their carrying value.	These assumptions require significant management judgment and are inherently subject to uncertainties.	Any potential impairment charge against our goodwill would not exceed the amounts recorded on our consolidated balance sheets.

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Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
Accounting for Property, Plant and Equipment		
We have a substantial amount of property, plant and equipment recorded on our consolidated balance sheet. The vast majority of our property, plant and equipment represent the costs incurred to build out or acquire our IBX data centers. Our IBX data centers are long-lived assets. The majority of our IBX data centers are in properties that are leased. We depreciate our property, plant and equipment using the straight-line method over the estimated useful lives of the respective assets (subject to the term of the lease in the case of leased assets or leasehold improvements). Accounting for property, plant and equipment involves a number of accounting issues including determining the appropriate period in which to depreciate such assets, making assessments for leased properties to determine whether they are capital or operating leases, assessing such assets for potential impairment, capitalizing interest during periods of construction and assessing the asset retirement obligations required for certain leased properties that require us to return the leased properties back to their original condition at the time we decide to exit a leased property.	While there are numerous judgments and uncertainties involved in accounting for property, plant and equipment that are significant, arriving at the estimated useful life of an asset requires the most critical judgment for us and changes to these estimates would have the most significant impact on our financial position and results of operations. When we lease a property for our IBX data centers, we generally enter into long-term arrangements with initial lease terms of at least 8-10 years and with renewal options generally available to us. During the next several years, a number of leases for our IBX data centers will come up for renewal. As we start approaching the end of these initial lease terms, we will need to reassess the estimated useful lives of our property, plant and equipment. In addition, we may find that our estimates for the useful lives of non-leased assets may also need to be revised periodically. We periodically review the estimated useful lives of certain of our property, plant and equipment and changes in these estimates in the future are possible.	During the quarter ended December 31, 2012, we revised the estimated useful lives of certain of our property, plant and equipment. As a result, we recorded approximately $5.0 million of lower depreciation expense for the quarter ended December 31, 2012 due to extending the estimated useful lives of certain of our property, plant and equipment. We undertook this review due to our determination that we were generally using certain of our existing assets longer than originally anticipated and, therefore, the estimated useful lives of certain of our property, plant and equipment has been lengthened. This change was accounted for as a change in accounting estimate on a prospective basis effective October 1, 2012 under the accounting standard for change in accounting estimates. We did not revise the estimated useful lives of our property, plant and equipment during the years ended December 31, 2013 and 2011.
	Another area of judgment for us in connection with our property, plant and equipment is related to lease accounting. Most of our IBX data centers are leased. Each time we enter into a new lease or lease amendment for one of our IBX data centers, we analyze each lease or lease amendment for the proper accounting. This requires certain judgments on our part such as establishing the lease term to include in a lease test, establishing the remaining estimated useful life of the underlying property or equipment and estimating the fair value of the underlying property or equipment. All of these judgments are inherently uncertain. Different assumptions or estimates could result in a different accounting treatment for a lease.	Additionally, during the year ended December 31, 2012, we recorded impairment charges totaling $9.9 million associated with certain long-lived assets, of which $7.0 million was associated with property, plant and equipment. No impairment charges were recorded during the years ended December 31, 2013 and 2011.
		As of December 31, 2013 and 2012, we had property, plant and equipment of $4.6 billion and $3.9 billion, respectively. During the years ended December 31, 2013, 2012 and 2011, we recorded depreciation expense of $405.5 million, $367.0 million and $314.7 million, respectively. Further changes in our estimated useful lives of our property, plant and equipment could have a significant impact on our results of operations.

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Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
	The assessment of long-lived assets for impairment requires assumptions and estimates of undiscounted and discounted future cash flows. These assumptions and estimates require significant judgment and are inherently uncertain.	As of December 31, 2013 and 2012, we had property, plant and equipment under capital leases and other financing obligations of $949.0 million and $555.7 million, respectively. During the years ended December 31, 2013, 2012 and 2011, we recorded depreciation expense of $32.5 million, $18.8 million and $14.2 million, respectively, related to property, plant and equipment under capital leases and other financing obligations.
		Additionally, during the years ended December 31, 2013, 2012 and 2011, we recorded rent expense of $112.7 million, $113.3 million and $111.8 million under operating leases.

Recent Accounting Pronouncements

See Recent Accounting Pronouncements in Note 1 of Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK
Market Risk

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

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

Investment Portfolio Risk

We maintain an investment portfolio of various holdings, types, and maturities. All of our marketable securities are designated as available-for-sale and, therefore, are recorded on our consolidated balance sheets at fair value with unrealized gains or losses reported as a component of other comprehensive income, net of tax. We consider various factors in determining whether we should recognize an impairment charge for our securities, including the length of time and extent to which the fair value has been less than our cost basis and our intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery. The Company anticipates that it will recover the entire cost basis of these securities and has determined that no other-than-temporary impairments associated with credit losses were required to be recognized during the year ended December 31, 2013.

As of December 31, 2013, our investment portfolio of cash equivalents and marketable securities consisted of money market fund investments, U.S. government and agency obligations, commercial paper and certificates of deposits, corporate bonds, and asset backed securities. Excluding the U.S. government holdings, which carry a lower risk and lower return in comparison to other securities in the portfolio, the remaining amount in our investment portfolio that could be susceptible to market risk totaled $413.1 million.

Interest Rate Risk

Our primary objective for holding fixed income securities is to achieve an appropriate investment return consistent with preserving principal and managing risk. At any time, a sharp rise in interest rates or credit spreads could have a material adverse impact on the fair value of our fixed income investment portfolio. Securities with longer maturities are subject to a greater interest rate risk than those with shorter maturities. As of December 31, 2013, the average duration of our portfolio was less than one year. An immediate hypothetical shift in the yield curves of plus or minus 50 basis points from their position as of December 31, 2013, could decrease or increase the fair value of our investment portfolio by approximately $2.0 million to $3.0 million. This sensitivity analysis assumes a parallel shift of all interest rates, however, interest rates do not always move in such a manner and actual results may differ materially. We monitor our interest rate and credit risk, including our credit exposures to specific rating categories and to individual issuers. There were no impairment charges on our cash equivalents and fixed income securities during the year ended December 31, 2013.

An immediate 10% increase or decrease in current interest rates from their position as of December 31, 2013 would not have a material impact on our debt obligations due to the fixed nature of the majority of our debt obligations. However, the interest expense associated with our U.S. financing and ALOG financings, which bear interest at variable rates could be affected. For every 100 basis point change in interest rates, our annual interest expense could increase or decrease by a total of approximately $2.1 million based on the total balance of our primary borrowings under the U.S. term loan and the ALOG financings as of December 31, 2013. As of December 31, 2013, we had not employed any interest rate derivative products to help manage our debt obligations. However, we may enter into interest rate hedging agreements in the future to mitigate our exposure to interest rate risk.

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The fair value of our long-term fixed interest rate debt is subject to interest rate risk. Generally, the fair value of fixed interest rate debt will increase as interest rates fall and decrease as interest rates rise. These interest rate changes may affect the fair value of the fixed interest rate debt but do not impact our earnings or cash flows. The fair value of our convertible debt, which is traded in the market, is based on quoted market prices. The fair value of our loans payable, which are not traded in the market, is estimated by considering our credit rating, current rates available to us for debt of the same remaining maturities and the terms of the debt. The following table represents the carrying value and estimated fair value of our loans payable, senior notes and convertible debt as of (in thousands):

	December 31, 2013		December 31, 2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Mortgage and loans payable	$ 253,208	$ 254,607	$ 240,962	$ 238,793
Convertible debt	724,202	1,009,744	708,726	1,144,568
Senior Notes	2,250,000	2,302,290	1,500,000	1,661,400

Foreign Currency Risk

The majority of our revenue is denominated in U.S. dollars, generated mostly from customers in the U.S. However, approximately 46% of our revenues and 48% of our operating costs are attributable to Brazil, Canada and the EMEA and Asia-Pacific regions and a large portion of those revenues and costs are denominated in a currency other than the U.S. dollar, primarily the Brazilian Reais, Canadian dollar, British pound, Euro, Swiss franc, United Arab Emirates dirham, Australian dollar, Chinese Yuan, Hong Kong dollar, Japanese yen and Singapore dollar. As a result, our operating results and cash flows are impacted by currency fluctuations relative to the U.S. dollar. To protect against certain reductions in value caused by changes in currency exchange rates, we have established a risk management program to offset some of the risk of carrying assets and liabilities denominated in foreign currencies. As a result, we enter into foreign currency forward contracts to manage the risk associated with certain foreign currency-denominated assets and liabilities. Beginning in the fourth quarter of 2013, we entered into foreign currency forward contracts to help manage our exposure to foreign currency exchange rate fluctuations for forecasted revenues and expenses in our EMEA region. Our risk management program reduces, but does not entirely eliminate, the impact of currency exchange rate movements and its impact on the consolidated statements of operations. As of December 31, 2013, the outstanding foreign currency forward contracts had maturities of less than two years.

For the foreseeable future, we anticipate that approximately 40-50% of our revenues and operating costs will continue to be generated and incurred outside of the U.S. in currencies other than the U.S. dollar. During fiscal 2013, the U.S. dollar was generally strong relative to certain of the currencies of the foreign countries in which we operate. This overall strength of the U.S. dollar had a negative impact on our consolidated results of operations because the foreign denominations translated into less U.S. dollars. In future periods, the volatility of the U.S. dollar as compared to the other currencies in which we do business could have a significant impact on our consolidated financial position and results of operations including the amount of revenue that we report in future periods.

We may enter into additional hedging activities in the future to mitigate our exposure to foreign currency risk as our exposure to foreign currency risk continues to increase due to our growing foreign operations; however, we do not currently intend to eliminate all foreign currency transaction exposure.

Commodity Price Risk

Certain operating costs incurred by us are subject to price fluctuations caused by the volatility of underlying commodity prices. The commodities most likely to have an impact on our results of operations in the event of price changes are electricity, supplies and equipment used in our IBX data centers. We closely monitor the cost of electricity at all of our locations. We have entered into several power contracts to purchase power at fixed prices during 2014 and beyond in certain locations in the U.S., Australia, Brazil, France, Germany, Japan, the Netherlands, Singapore and the United Kingdom.

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

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data required by this Item 8 are listed in Item 15(a)(1) and begin at page F-1 of this Annual Report on Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There is no disclosure to report pursuant to Item 9.

ITEM 9A. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act). Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Annual Report on Form 10-K.

Management s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on our evaluation under the framework in *Internal Control Integrated Framework (1992)*, our management concluded that our internal control over financial reporting was effective as of December 31, 2013.

The effectiveness of our internal control over financial reporting as of December 31, 2013 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein on page F-1 of this Annual Report on Form 10-K.

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Limitations on the Effectiveness of Controls

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

Changes in Internal Control Over Financial Reporting

There has been no change in our internal controls over financial reporting during the fourth quarter of fiscal 2013 that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

ITEM 9B. OTHER INFORMATION

There is no disclosure to report pursuant to Item 9B.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required by this item is incorporated by reference to the Equinix proxy statement for the 2014 Annual Meeting of Stockholders.

We have adopted a Code of Ethics applicable for the Chief Executive Officer and Senior Financial Officers and a Code of Business Conduct. This information is incorporated by reference to the Equinix proxy statement for the 2014 Annual Meeting of Stockholders and is also available on our website, www.equinix.com.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is incorporated by reference to the Equinix proxy statement for the 2014 Annual Meeting of Stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item is incorporated by reference to the Equinix proxy statement for the 2014 Annual Meeting of Stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this item is incorporated by reference to the Equinix proxy statement for the 2014 Annual Meeting of Stockholders.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this item is incorporated by reference to the Equinix proxy statement for the 2014 Annual Meeting of Stockholders.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements:

Report of Independent Registered Public Accounting Firm	F-1
Consolidated Balance Sheets	F-2
Consolidated Statements of Operations	F-3
Consolidated Statements of Comprehensive Income (Loss)	F-4
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Consolidated Statements of Cash Flows	F-6
Notes to Consolidated Financial Statements.	F-7

(a)(2) All schedules have been omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

(a)(3) Exhibits:

		Incorporated by Reference			
Exhibit Number	Exhibit Description	Form	Filing Date/ Period End Date	Exhibit	Filed Herewith
3.1	Amended and Restated Certificate of Incorporation of the Registrant, as amended to date.	10-K/A	12/31/02	3.1	
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the Registrant	8-K	6/14/11	3.1	
3.3	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the Registrant	8-K	6/11/13	3.1	
3.4	Certificate of Designation of Series A and Series A-1 Convertible Preferred Stock.	10-K/A	12/31/02	3.3	
3.5	Amended and Restated Bylaws of the Registrant.*				
4.1	Reference is made to Exhibits 3.1, 3.2, 3.3, 3.4 and 3.5.				
4.2	Indenture dated September 26, 2007 by and between Equinix, Inc. and U.S. Bank National Association, as trustee.	8-K	9/26/07	4.4	
4.3	Form of 3.00% Convertible Subordinated Note Due 2014 (see Exhibit 4.2).				
4.4	Indenture dated June 12, 2009 by and between Equinix, Inc. and U.S. Bank National Association, as trustee.	8-K	6/12/09	4.1	
4.5	Form of 4.75% Convertible Subordinated Note Due 2016 (see Exhibit 4.4).				

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Exhibit Number	Exhibit Description	Incorporated by Reference Form	Filing Date/ Period End Date	Exhibit	Filed Herewith
4.6	Indenture dated July 13, 2011 by and between Equinix, Inc. and U.S. Bank National Association as trustee	8-K	7/13/11	4.1	
4.7	Form of 7.00% Senior Note due 2021 (see Exhibit 4.6)	8-K	7/13/11	4.2	
4.8	Indenture for the 2020 Notes dated March 5, 2013 by and between Equinix, Inc. and U.S. Bank National Association as trustee	8-K	3/5/13	4.1	
4.9	Form of 4.875% Senior Note due 2020 (see Exhibit 4.8)	8-K	3/5/13	4.2	
4.10	Indenture for the 2023 Notes dated March 5, 2013 by and between Equinix, Inc. and U.S. Bank National Association as trustee	8-K	3/5/13	4.3	
4.11	Form of 5.375% Senior Note due 2023 (see Exhibit 4.10)	8-K	3/5/13	4.4	
10.1	Form of Indemnification Agreement between the Registrant and each of its officers and directors.	S-4 (File No. 333-93749)	12/29/99	10.5	
10.2	2000 Equity Incentive Plan, as amended.	10-Q	3/31/12	10.2	
10.3	2000 Director Option Plan, as amended.	10-K	12/31/07	10.4	
10.4	2001 Supplemental Stock Plan, as amended.	10-K	12/31/07	10.5	
10.5	Equinix, Inc. 2004 Employee Stock Purchase Plan, as amended.	S-8 (File No. 333-186873)	2/26/13	99.1	
10.6	Severance Agreement by and between Stephen Smith and Equinix, Inc. dated December 18, 2008.	10-K	12/31/08	10.31	
10.7	Severance Agreement by and between Peter Van Camp and Equinix, Inc. dated December 10, 2008.	10-K	12/31/08	10.32	
10.8	Severance Agreement by and between Keith Taylor and Equinix, Inc. dated December 19, 2008.	10-K	12/31/08	10.33	
10.9	Severance Agreement by and between Peter Ferris and Equinix, Inc. dated December 17, 2008.	10-K	12/31/08	10.34	
10.10	Change in Control Severance Agreement by and between Eric Schwartz and Equinix, Inc. dated December 19, 2008.	10-K	12/31/08	10.35	

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		Incorporated by Reference			
			Filing Date/		Filed
Exhibit Number	Exhibit Description	Form	Period End Date	Exhibit	Herewith
10.11	Confirmation for Base Capped Call Transaction dated as of June 9, 2009 between Equinix, Inc. and Deutsche Bank AG, London Branch.	8-K	6/12/09	10.1	
10.12	Confirmation for Additional Capped Call Transaction dated as of June 9, 2009 between Equinix, Inc. and Deutsche Bank AG, London Branch.	8-K	6/12/09	10.2	
10.13	Master Terms and Conditions for Capped Call Transactions dated as of June 9, 2009 between Equinix, Inc. and Deutsche Bank AG, London Branch.	8-K	6/12/09	10.3	
10.14	Confirmation for Base Capped Call Transaction dated as of June 9, 2009 between Equinix, Inc. and JPMorgan Chase Bank, National Association, London Branch.	8-K	6/12/09	10.4	
10.15	Confirmation for Additional Capped Call Transaction dated as of June 9, 2009 between Equinix, Inc. and JPMorgan Chase Bank, National Association, London Branch.	8-K	6/12/09	10.5	
10.16	Master Terms and Conditions for Capped Call Transactions dated as of June 9, 2009 between Equinix, Inc. and JPMorgan Chase Bank, National Association, London Branch.	8-K	6/12/09	10.6	
10.17	Confirmation for Base Capped Call Transaction dated as of June 9, 2009 between Equinix, Inc. and Goldman, Sachs & Co.	8-K	6/12/09	10.7	
10.18	Confirmation for Additional Capped Call Transaction dated as of June 9, 2009 between Equinix, Inc. and Goldman, Sachs & Co.	8-K	6/12/09	10.8	
10.19	Master Terms and Conditions for Capped Call Transactions dated as of June 9, 2009 between Equinix, Inc. and Goldman, Sachs & Co.	8-K	6/12/09	10.9	

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Exhibit Number	Exhibit Description	Incorporated by Reference Form	Filing Date/ Period End Date	Exhibit	Filed Herewith
10.20	Switch & Data 2007 Stock Incentive Plan.	S-1/A (File No. 333-137607) filed by Switch & Data Facilities Company, Inc.	2/5/07	10.9	
10.21	Change in Control Severance Agreement by and between Charles Meyers and Equinix, Inc. dated September 30, 2010.	10-Q	9/30/10	10.42	
10.22	Form of amendment to existing severance agreement between the Registrant and each of Messrs. Ferris, Meyers, Smith, Taylor and Van Camp.	10-K	12/31/10	10.33	
10.23	Letter amendment, dated December 14, 2010, to Change in Control Severance Agreement, dated December 18, 2008, and letter agreement relating to expatriate benefits, dated April 22, 2008, as amended, by and between the Registrant and Eric Schwartz.	10-K	12/31/10	10.34	
10.24	Form of Restricted Stock Unit Agreement for CEO and CFO.	10-Q	3/31/11	10.34	
10.25	Form of Restricted Stock Unit Agreement for all other Section 16 officers.	10-Q	3/31/11	10.35	
10.26	Form of 2012 Revenue/Adjusted EBITDA Restricted Stock Unit Agreement for CEO and CFO.	10-Q	3/31/12	10.38	
10.27	Form of 2012 Revenue/Adjusted EBITDA Restricted Stock Unit Agreement for all other Section 16 officers.	10-Q	3/31/12	10.39	
10.28	Form of 2012 TSR Restricted Stock Unit Agreement for CEO and CFO.	10-Q	3/31/12	10.40	
10.29	Form of 2012 TSR Restricted Stock Unit Agreement for all other Section 16 officers.	10-Q	3/31/12	10.41	
10.30					