

EQUINIX INC
Form S-3ASR
September 14, 2007
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As filed with the Securities and Exchange Commission on September 14, 2007

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-3
REGISTRATION STATEMENT

UNDER
THE SECURITIES ACT OF 1933

EQUINIX, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation or Organization)

77-0487526
(I.R.S. Employer
Identification Number)

301 Velocity Way, Fifth Floor

Foster City, CA 94404

(650) 513-7000

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Brandi Galvin Morandi

General Counsel and Assistant Secretary

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Equinix, Inc.

301 Velocity Way, Fifth Floor

Foster City, CA 94404

(650) 513-7000

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

The Commission is requested to send copies of all communications to:

David T. Young

Alan F. Denenberg

Gunderson Dettmer Stough

Davis Polk & Wardwell

Villeneuve Franklin & Hachigian, LLP

1600 El Camino Real

155 Constitution Drive

Menlo Park, California 94025

Menlo Park, California 94025

(650) 752-2000

(650) 321-2400

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

CALCULATION OF REGISTRATION FEE

Title of each class of Securities to be Registered	Amount to be Registered(1) \$	Proposed Maximum Offering Price per Security 100%	Proposed Maximum Aggregate Offering Price(1) \$	Amount of Registration Fee(1) \$
Common Stock, par value \$.001 per share				

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- (1) An indeterminate amount of securities to be offered at indeterminate prices is being registered pursuant to this registration statement. The registrant is deferring payment of the registration fee pursuant to Rule 456(b) and is omitting this information in reliance on Rule 456(b) and Rule 457(r).
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The information in this prospectus is not complete and may be changed. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED SEPTEMBER 14, 2007

3,662,556 Shares

Common Stock

We are offering 3,662,556 shares of our common stock. We have granted the underwriters an option to purchase up to 549,383 additional shares of our common stock from us to cover over-allotments, if any.

Concurrently with this offering, we are offering \$300,000,000 aggregate principal amount of % Convertible Subordinated Notes due 2014 (or a total of \$345,000,000 aggregate principal amount of notes if the underwriters exercise their over-allotment option in full) pursuant to a separate registration statement and prospectus. Those notes are not being offered by this prospectus. See The Concurrent Offering.

Our common stock is listed on the NASDAQ Global Select Market under the symbol EQIX. The last reported sale price of our common stock on September 13, 2007 was \$81.91 per share.

Investing in our common stock involves risks. See Risk Factors beginning on page 8.

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

	Per Share	Total
Public Offering Price	\$	\$
Underwriting Discount	\$	\$
Proceeds to Equinix (before expenses)	\$	\$

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

Sole Book-Running Manager

Citi

Credit Suisse

Jefferies & Company

UBS Investment Bank

September , 2007

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ABOUT THIS PROSPECTUS

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

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

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

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

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

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

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

FORWARD-LOOKING STATEMENTS

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

Risk Factors. You should carefully consider the risks described in the Risk Factors section, in addition to the other information set forth in this prospectus and incorporated by reference herein, before making an investment decision.

WHERE YOU CAN FIND MORE INFORMATION

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

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

INCORPORATION BY REFERENCE

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

1. Annual Report on Form 10-K for the year ended December 31, 2006, filed on February 28, 2007.
2. All information in our proxy statement filed with the SEC on April 27, 2007 to the extent incorporated by reference in our Annual Report on Form 10-K for the year ended December 31, 2006.

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3. Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, filed on May 2, 2007.
4. Quarterly Report on Form 10-Q for the quarter ended June 30, 2007, filed on August 1, 2007.
5. Reports on Form 8-K, filed on August 30, 2007, September 7, 2007 and September 14, 2007.
6. A description of our common stock contained in our registration statement on Form 8-A (Registration No. 333-39752) filed on August 9, 2000.

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

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

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

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

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

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

Equinix, Inc.

301 Velocity Way, Fifth Floor

Foster City, CA 94404

Attn: Investor Relations

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SUMMARY

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

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

Overview

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

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

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

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

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

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

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

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

Our Strategy

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

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

Continue to Build upon our Critical Mass of Network Providers and Content Companies and Leverage the Network Effect. We have assembled a critical mass of premier network providers and content companies and have become one of the core hubs of the Internet. This critical mass is a key selling point since content

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companies want to connect with a diverse set of networks to provide the best connectivity to their end-customers and network companies want to sell bandwidth to content customers and interconnect with other networks in the most efficient manner available. As networks, content providers and enterprises locate in our IBX centers, it benefits their suppliers and business partners to do so as well to gain the full economic and performance benefits of direct interconnection. These partners, in turn, pull in their business partners, creating a network effect of customer adoption.

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

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

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

Recent Developments

IXEurope Acquisition

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

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San Jose Property Acquisition

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

Chicago IBX Financing

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

Asia-Pacific Financing

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

Company Information

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

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The Offering

Issuer	Equinix, Inc.
Common Stock offered by us	3,662,556 shares
Over-allotment option	We have granted the underwriters a 30-day option to purchase up to an additional 549,383 shares to cover over-allotments.(1)
Common Stock to be outstanding after this offering	35,413,804 shares(2)
Dividend policy	Holder s of common stock are entitled to receive cash dividends when, and if, declared by our board of directors out of funds legally available. Since inception, we have not paid any cash dividends on common stock and we do not have any present intention to commence payment of any cash dividends. Our ability to pay cash dividends is limited under our line of credit with Silicon Valley Bank.
Use of Proceeds	We intend to use the net proceeds of this offering, together with the net proceeds from our concurrent notes offering, to pay for our acquisition of IXEurope. We intend to use any remaining proceeds for capital expenditures, acquisitions and general corporate purposes. See Use of Proceeds.
NASDAQ Global Select Market	EQIX.
Risk Factors	Investment in our common stock involves risks. You should carefully consider the information under Risk Factors and all other information included in this prospectus before buying any of our common stock.

- (1) Unless otherwise indicated, all information in this prospectus assumes no exercise of the over-allotment option.
- (2) Excludes 3,734,821 shares of common stock issuable upon the exercise of outstanding options and release of restricted stock and restricted stock units as of June 30, 2007, 9,490 shares of common stock issuable upon the exercise of outstanding common stock warrants as of June 30, 2007, 816,457 shares reserved for the conversion of our 2.50% convertible subordinated debentures due 2024 as of June 30, 2007, 2,231,475 shares reserved for the conversion of our 2.50% convertible subordinated notes due 2012 as of June 30, 2007 and shares that may be issued upon conversion of the notes offered concurrently herewith on a pro forma basis.

Concurrent Notes Offering

Concurrently with this offering, we are offering \$300.0 million aggregate principal amount of % Convertible Subordinated Notes due 2014 (or a total of \$345.0 million aggregate principal amount of notes if the underwriters exercise their over-allotment option in full) pursuant to a separate registration statement and prospectus. It is possible that, based on market conditions, we may increase or decrease the number of shares offered hereby and increase or decrease the aggregate principal amount of the notes offered in our concurrent notes offering or complete one offering without the other. In any event, through this offering and our concurrent notes offering we intend to raise gross proceeds of approximately \$600.0 million (up to \$690.0 million if the underwriters over-allotment option for each offering is exercised in full). To the extent we enter into underwriting agreements for both offerings, the completion of each offering will be conditioned upon the concurrent completion of

the other offering.

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

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

⁽²⁵⁾Consists of 520,309 shares subject to warrants held prior to the offering that are currently

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exercisable, of which 164,289 shares subject to warrants are being offered pursuant to this prospectus. Rodman & Renshaw LLC served as a placement agent in the Company's August 2003, January 2004 and December 2004 financings. Thomas G. Pinou is the Chief Financial Officer of Rodman & Renshaw LLC and has voting and investment control over the securities held by such entity.

- ⁽²⁶⁾ Consists of 70,000 shares subject to warrants held prior to the offering that are currently exercisable, of which 43,000 shares subject to warrants are being offered pursuant to this prospectus.

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- (27) Consists of 67,000 shares subject to warrants held prior to the offering that are currently exercisable, of which 5,000 shares subject to warrants are being offered pursuant to this prospectus.
- (28) The selling stockholder is an affiliate of a broker dealer and purchased the securities in the ordinary course of business. At the time this selling stockholder purchased the securities, it had no agreements or understandings, directly or indirectly, with any person to distribute the securities.
- (29) The selling stockholder is a broker dealer and is, therefore, deemed an underwriter by the Securities and Exchange Commission.

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PLAN OF DISTRIBUTION

We will not receive any part of the proceeds from the sale of common stock offered pursuant to this prospectus. The selling stockholders listed in the preceding section and any of their pledgees, assignees, donees and successors-in-interest may, from time to time, sell any or all of their shares of common stock on any stock exchange, market or trading facility on which the shares are traded or in private transactions. These selling stockholders will act independently of us in making decisions with respect to the timing, manner and size of each sale. These sales may be at fixed or negotiated prices. The selling stockholders may use any one or more of the following methods when selling shares:

ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;

block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;

purchases by a broker-dealer as principal and resale by the broker-dealer for its account;

an exchange distribution in accordance with the rules of the applicable exchange;

privately negotiated transactions;

settlement of short sales entered into after the date of this prospectus;

broker-dealers may agree with the selling stockholders to sell a specified number of such shares at a stipulated price per share;

through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise;

a combination of any such methods of sale; or

any other method permitted pursuant to applicable law.

The selling stockholders may also sell shares under Rule 144 under the Securities Act of 1933, as amended (the Securities Act), if available, rather than under this prospectus.

Broker-dealers engaged by the selling stockholders may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the selling stockholders (or, if any broker-dealer acts as agent for the purchaser of shares, from the purchaser) in amounts to be negotiated. The selling stockholders do not expect these commissions and discounts to exceed what is customary in the types of transactions involved.

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In connection with the sale of our common stock or interests therein, the selling stockholders may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the common stock in the course of hedging the positions they assume.

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The selling stockholders may also sell shares of our common stock short and deliver these securities to close out their short positions, or loan or pledge the common stock to broker-dealers that in turn may sell these securities. The selling stockholders may also enter into option or other transactions with broker-dealers or other financial institutions or the creation of one or more derivative securities which require the delivery to such broker-dealer or other financial institution of shares offered by this prospectus, which shares such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

The selling stockholders and any broker dealers or agents that are involved in selling the shares may be deemed to be underwriters within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker dealers or agents and any profit on the resale of the shares purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act. Each selling stockholder has informed us that it does not have any agreement or understanding, directly or indirectly, with any person to distribute the common stock.

We are required to pay certain fees and expenses incurred by the Company incident to the registration of the shares. We have agreed to indemnify the selling stockholders against certain losses, claims, damages and liabilities, including liabilities under the Securities Act.

Because the selling stockholders may be deemed to be underwriters within the meaning of the Securities Act, they will be subject to the prospectus delivery requirements of the Securities Act. In addition, any securities covered by this prospectus which qualify for sale pursuant to Rule 144 under the Securities Act may be sold under Rule 144 rather than under this prospectus. Each selling stockholder has advised us that they have not entered into any agreements, understandings or arrangements with any underwriter or broker-dealer regarding the sale of the resale shares. There is no underwriter or coordinating broker acting in connection with the proposed sale of the resale shares by the selling stockholders.

We agreed to keep the registration statement of which this prospectus is part effective until the earlier of (i) the date on which the shares may be resold by the selling stockholders without volume restrictions pursuant to Rule 144(k) or (ii) all of the shares have been sold pursuant to the registration statement of which this prospectus is part or Rule 144 under the Securities Act or any other rule of similar effect. The resale shares will be sold only through registered or licensed brokers or dealers if required under applicable state securities laws. In addition, in certain states, the resale shares may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

Under applicable rules and regulations under the Securities Exchange Act of 1934, as amended (the Exchange Act), any person engaged in the distribution of the resale shares may not simultaneously engage in market making activities with respect to our common stock for a period of two business days prior to the commencement of the distribution. In addition, the selling stockholders will be subject to applicable provisions of the Exchange Act and the rules and regulations thereunder, including Regulation M, which may limit the timing of purchases and sales of shares of our common stock by the selling stockholders or any other person. We will make copies of this prospectus available to the selling stockholders and have informed them of the need to deliver a copy of this prospectus to each purchaser at or prior to the time of the sale.

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LEGAL MATTERS

The validity of the shares of common stock offered hereby will be passed on by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California.

EXPERTS

Ernst & Young LLP, independent registered public accounting firm, have audited our financial statements included in our Annual Report on Form 10-K for the year ended June 30, 2004 as set forth in their report, which is incorporated by reference in this prospectus and elsewhere in the registration statement. Our financial statements are incorporated by reference in reliance on Ernst & Young LLP's report, given on their authority as experts in accounting and auditing.

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WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed a registration statement on Form S-3 with the Securities and Exchange Commission relating to the common stock offered by this prospectus. This prospectus does not contain all of the information set forth in the registration statement and the exhibits and schedules thereto. Statements contained in this prospectus as to the contents of any contract or other document referred to are not necessarily complete and in each instance reference is made to the copy of such contract or other document filed as an exhibit to the registration statement, each such statement being qualified in all respects by such reference. For further information with respect to us and the common stock offered hereby, reference is made to such registration statement, exhibits and schedules.

We are subject to the information and periodic reporting requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file reports, proxy statements and other information with the Securities and Exchange Commission. Such reports, proxy statements, other information and a copy of the registration statement may be inspected by anyone without charge and copies of these materials may be obtained upon the payment of the fees prescribed by the Securities and Exchange Commission, at the Public Reference Room maintained by the Securities and Exchange Commission at 450 Fifth Street, N.W., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the Securities and Exchange Commission at 1-800-SEC-0330. The registration statement and the reports, proxy statements and other information filed by us are also available through the Securities and Exchange Commission's Web site on the World Wide Web at the following address: <http://www.sec.gov>.

INCORPORATION BY REFERENCE

The Securities and Exchange Commission allows us to incorporate by reference the information we file with the Securities and Exchange Commission, which means that we can disclose important information to you by referring to those documents. We incorporate by reference the documents listed below and any additional documents filed by us with the Securities and Exchange Commission under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until this offering of securities is terminated (File No. 001-16467). The information we incorporate by reference is an important part of this prospectus, and any information that we file later with the Securities and Exchange Commission will automatically update and supersede this information.

We hereby incorporate by reference the following documents:

1. Our Annual Report on Form 10-K for the fiscal year ended June 30, 2004 filed with the SEC on September 27, 2004, as amended by Form 10-K/A filed with the SEC on October 28, 2004;
2. Our Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 filed with the SEC on November 15, 2004;
3. Our Current Reports on Form 8-K as filed with the SEC on November 10, 2004 (as amended on December 1, 2004), December 7, 2004, December 20, 2004 and December 23, 2004;

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4. Our Proxy Statement dated November 12, 2004 relating to the Annual Meeting of Stockholders held on December 16, 2004; and
5. The description of our common stock contained in our Registration Statement on Form 8-A, filed with the SEC under Section 12 of the Securities Exchange Act of 1934, including any amendment or report filed for the purpose of updating such description.

You may request a copy of these filings, at no cost, by writing or calling us at Cortex Pharmaceuticals, Inc., 15241 Barranca Parkway, Irvine, California 92618, telephone number (949) 727-3157, Attention: Chief Financial Officer.