

LAZARD GLOBAL TOTAL RETURN & INCOME FUND INC
Form N-CSRS
September 02, 2005

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

FORM N-CSR

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT
INVESTMENT COMPANIES**

Investment Company Act file number 811-21511

Lazard Global Total Return and Income Fund, Inc.
(Exact name of registrant as specified in charter)

30 Rockefeller Plaza
New York, New York 10112
(Address of principal executive offices) (Zip code)

Nathan A. Paul, Esq.
Lazard Asset Management LLC
30 Rockefeller Plaza New York, New York 10112
(Name and address of agent for service)

Registrant's telephone number, including area code: (212) 632-6000

Date of fiscal year end: 12/31

Date of reporting period: 06/30/05

ITEM 1. REPORTS TO STOCKHOLDERS.

LAZARD ASSET MANAGEMENT

Lazard Global Total Return & Income Fund, Inc. Semi-Annual Report

JUNE 30, 2005

Lazard Global Total Return & Income Fund, Inc.

Table of Contents	Page
<u>Investment Overview</u>	2
<u>Portfolio of Investments</u>	8
<u>Notes to Portfolio of Investments</u>	13
<u>Statement of</u>	
<u>Assets and Liabilities</u>	14
<u>Operations</u>	15
<u>Changes in Net Assets</u>	16
<u>Financial Highlights</u>	17
<u>Notes to Financial Statements</u>	18
<u>Proxy Voting Results</u>	23
<u>Dividend Reinvestment Plan</u>	24
<u>Board of Directors and Officers Information</u>	25
<u>Other Information</u>	27

Lazard Global Total Return & Income Fund, Inc.

Investment Overview

Dear Shareholders,

We are pleased to present this semi-annual report for Lazard Global Total Return & Income Fund, Inc. (LGI or the Fund), for the period ended June 30, 2005. LGI is a diversified, closed-end management investment company that began trading on the New York Stock Exchange (NYSE) on April 28, 2004. Its ticker symbol is LGI.

We are pleased with the returns that have been generated by LGI on its investments over the last year, and since inception, and believe that the Fund has provided investors with an attractive yield and diversification, backed by the extensive experience, commitment, and professional management of Lazard Asset Management LLC.

Portfolio Update (June 30, 2005)

For the six-months ended June 30, 2005, the Fund's performance, as measured by the Net Asset Value per share (NAV), fell 3.4%, while the benchmark, the Morgan Stanley Capital International (MSCI®) World® Index lost 0.7%. Although the Fund underperformed the Index in this period, LGI's historical performance has been very strong; the one-year and since-inception (fourteen-month period) annualized NAV returns of 12.7% and 11.5%, respectively, compare very favorably with the Index returns of 10.1% and 8.8% over these same periods. Shares of LGI ended the second quarter with a closing market price of \$18.50, representing a 9.1% discount to the Fund's NAV. The Fund's net assets were \$195.4 million as of June 30, 2005, with total leveraged assets of \$284.6 million, representing 31.3% leverage.

We believe that LGI's investment thesis remains sound, and we are encouraged by strong performance over the last year, and since-inception. However, NAV returns for the year-to-date have been weaker than hoped for, as a result of poor stock performance in the equity portfolio, as well as the strong dollar rally that negatively affected returns on both the equity strategy and the currency and debt strategy.

As of June 30, 2005, approximately 66.7% of the Fund's total leveraged assets consisted of global equities and approximately 33.3% consisted of emerging market currency and debt instruments.

Declaration of Dividends

Pursuant to LGI's level distribution policy, the Fund's Board of Directors have declared a monthly dividend distribution of \$0.1042 per share on the company's outstanding stock, since July 23, 2004. This distribution level represents an annualized market yield of 6.8%, based on the share price of \$18.50 at the close of the NYSE trading on June 30, 2005. LGI has met all of its dividend obligations without returning any of the Fund's capital.

Additional Information

Please note that available on www.LazardNet.com, are frequent updates on the Fund's performance, press releases, and a monthly fact sheet that provides information about the Fund's major holdings, sector weightings, regional exposures, and other characteristics. You may also reach Lazard by phone at 1-800-828-5548.

On behalf of Lazard Asset Management LLC, we thank you for your investment in Lazard Global Total Return & Income Fund, Inc. and look forward to continuing to serve your investment needs in the future.

Message from the Portfolio Manager

Global Equity Portfolio (66.7% of total leveraged assets)

The Fund's equity portfolio is invested primarily in 35 to 45 equity securities of large, well-known global companies with strong financial productivity and attractive valuations. Examples include GlaxoSmith-Kline, a global, research-based pharmaceutical company based in the United Kingdom; Home Depot, a U.S.-based company that operates warehouse-style stores selling building

Edgar Filing: LAZARD GLOBAL TOTAL RETURN & INCOME FUND INC - Form N-CSRS

materials, home improvement supplies, and lawn and garden products; Nokia Corp., the Finnish manufacturer of mobile telephones, enhanced communicators, entertainment and gaming devices, and media and imaging telephones; and Total SA, the French-based energy supplier that explores for, produces, refines, transports, and markets oil and natural gas.

These companies are all based in developed-market regions around the world. As of June 30, 42.4% of the global equity portfolio's stocks were based in North America, 29.3% were from continental Europe (not

2

Lazard Global Total Return & Income Fund, Inc.

Investment Overview (continued)

including the U.K.), 22.5% were from the U.K., and 5.8% were from Japan. The global equity portfolio is similarly well diversified across a number of industry sectors. The top two sectors, by weight, at the end of June were financials (27.7%), which includes banks, insurance companies, and financial services companies, and information technology (15.9%), a sector that encompasses the design, development, installation, and implementation of information systems and applications, which includes hardware, software, IT services, and media-related companies. Other sectors included consumer discretionary, consumer staples, energy, health care, industrials, and telecommunications services.

Global Equity Market Review

Global markets were up modestly for the second quarter, after falling sharply in April and steadily recovering to end the quarter positive, in local currency terms. However, returns in U.S. dollars were depressed due to a strong rally in the dollar. Small-cap stocks outperformed large-cap stocks for both the second quarter and for the year-to-date. The euro continued to fall in June after Dutch and French voters soundly rejected the proposed European Union Constitution, calling into question the sustainability of European integration. Falling bond yields in June helped stocks, outweighing concerns that record oil prices would slow economic growth and hurt corporate earnings. Ten-year government bond yields hit record lows in Germany, Sweden, and Switzerland, amid worries that the global economy's expansion may slow. Also in June, the Bank of England voted to hold the benchmark interest rate at 4.75%, underscoring increased anxiety about signs of faltering growth in the U.K. economy. In Japan, the government unexpectedly cut its estimate for first quarter economic growth due to sluggish export demand from overseas. From a sector perspective, defensive stocks were among the best performers for the quarter, as health care stocks outperformed, and utility stocks rose as investors sought yield. Energy stocks also did well with the price of oil rising to over \$60 a barrel. Materials, industrials, and consumer discretionary stocks underperformed, reflecting concern that slower global economic growth may curtail demand. European markets were the best performers regionally, amid optimism that companies dependent on U.S. sales would benefit from the dollar's advance. Although Japanese stocks moved lower, other Asia-Pacific markets performed well.

What Helped and What Hurt LGI

During the period, the Fund's global equity portfolio benefited from an underweight position and from stock selection in consumer discretionary stocks. U.S. retail holding, Home Depot, outperformed after previous weakness, which had resulted from concerns over higher interest rates and their impact on the housing market. Stock selection in health care detracted from performance as German pharmaceuticals company, Schering AG, declined based on disappointing news regarding the effectiveness of its experimental cancer medicine. Stock selection in financials also detracted from performance as Japanese financial services company, Nomura, declined in the face of intensifying competitive pressures. However, the company is aggressively buying back stock and its valuation is at the low end of its historical range.

Emerging Market Currency and Debt Portfolio **(33.3% of total leveraged assets)**

The Fund also seeks enhanced income through investments in short duration¹ (typically, below one year) emerging market forward currency contracts and local currency debt instruments. As of June 30, this portfolio consisted of primarily forward currency contracts (92.1%) with a smaller allocation to sovereign debt obligations (7.9%). The average duration of the emerging market currency and debt portfolio was approximately 2.9 months as of June 30, with an average credit rating² of A+.

As of June 30, the Fund's emerging market currency and debt holdings were highly diversified across 27 countries within Eastern Europe (28.6%), Asia (29.7%), Latin America (11.9%), the Middle East (11.0%), Africa (7.9%), and the Commonwealth of Independent States and the Baltic countries (10.7%).

Emerging Market Currency and Debt Market Review

This year, the market's attention seems to have shifted from structural global imbalances, which portend a continued U.S. dollar decline versus emerging market currencies, to the near-term prospects of higher U.S. interest rates and a relatively better growth outlook, both of which are supportive of the U.S. dollar. As of June 30, the U.S. dollar had surged versus both the euro and the yen, by 10.7% and 7.5%, respectively.

Lazard Global Total Return & Income Fund, Inc.

Investment Overview (continued)

Eastern European currencies were pressured by a wave of risk aversion, surrounding the Dutch and French no votes on the European Union Constitution. Following the vote, the market's concern regarding European integration and the burgeoning status of the euro as a U.S. dollar-alternative reserve currency, was apparent in the single currency's continued decline. In Russia, the central bank has stepped in to limit ruble appreciation by absorbing surplus U.S. dollars into foreign-exchange reserves.

Inflation is rising marginally, yet remains subdued in most of the Fund's emerging market currency and debt portfolio's 49-country opportunity set. Moderating global growth is the more pressing concern, particularly among emerging Asian policymakers, along with the threat of slowing demand for regional exports, while rising oil price pressures a higher import bill. Year-to-date, growth risks are overwhelming inflationary concerns, so domestic yields in Asia remain at record low levels, and officials are biased toward maintaining cheap currencies.

At the end of the period, the Fund's emerging market currency and debt portfolio had a healthy yield cushion of 7.3% and we believe the portfolio is well positioned to benefit from a fundamentally weakening U.S.-dollar environment.

What Helped and What Hurt LGI

Brazil, Turkey, and Egypt posted noteworthy positive contributions to the Fund's emerging market currency and debt portfolio performance during the second quarter. The Brazilian and Turkish positions returned 17% and 7%, respectively (in U.S. dollars). Investment selection in Turkey added significant value, further augmenting impressive 5.5% money-market gains.

In Egypt, attractive local 9% yields and sizeable U.S. dollar inflows (Suez canal revenues, tourism season, Gulf remittances) have pressured the pound modestly stronger. The National Bank of Egypt has actively accumulated foreign exchange reserves year-to-date, rapidly approaching its \$20 billion near-term goal. Hence, more pronounced pound gains are anticipated as the central bank's interventionist efforts retreat ahead of the September election. The Egyptian pound's low correlation to the rest of the portfolio and low foreign exchange volatility make this, in our view, an attractive investment opportunity.

The second quarter presented a challenging environment for most emerging market currencies across the globe. While less than half of the portfolio's positions contributed positively, the portfolio avoided the largest losers—a falling South African rand and the Hungarian forint's decline—and it mitigated the impact of a negative Czech Republic return by significantly reducing the koruna exposure.

Negative returns were posted by core positions in the money markets of Slovakia, Poland, Romania, and Russia. Across Asia, regionally loose monetary policies (i.e., record low yields and strong money supply growth rates) aggravated currency declines. Positions in the South Korean won, Philippine peso, and Indonesian rupiah detracted from returns. In the Middle East, the Israeli shekel exposure was trimmed modestly but the remaining position detracted from performance. In Latin America, the portfolio's cautious 1% exposure to the Mexican peso's stellar 5.5% return limited upside. Larger weightings in the Colombian and Argentine pesos would have helped too, as they posted modestly positive returns.

Lazard Global Total Return & Income Fund, Inc.

Investment Overview (continued)

¹ A measure of the average cash weighted term-to-maturity of the investment holdings. Duration is a measure of the price sensitivity of a bond to interest rate movements. Duration for a forward currency contract is equal to its term-to-maturity.

² Source: S&P, Moody's and Fitch. Ratings for the forward currency contracts represent the counterparty credit rating. Ratings for the bonds represent the bond issuer rate.

All returns are for the period ended June 30, 2005 and reflect reinvestment of all dividends and distributions, if any. Past performance is not indicative, nor a guarantee, of future results.

The performance data of the index and other market data have been prepared from sources and data that the Investment Manager believes to be reliable, but no representation is made as to their accuracy. The index is unmanaged, has no fees or costs and is not available for investment.

The views of the Fund's management and the portfolio holdings described in this report are as of June 30, 2005; these views and portfolio holdings may have changed subsequent to this date. Nothing herein should be construed as a recommendation to buy, sell, or hold a particular investment. There is no assurance that the portfolio holdings discussed herein will remain in the Fund at the time you receive this report, or that portfolio holdings sold will have not been repurchased. The specific portfolio holdings may in aggregate represent only a small percentage of the Fund's holdings. It should not be assumed that investments identified and discussed were, or will be, profitable, or that the investment decisions we make in the future will be profitable, or equal the performance of the investments discussed herein.

The views and opinions expressed are provided for general information only, and do not constitute specific tax, legal, or investment advice to, or recommendations for, any person. There can be no guarantee as to the accuracy of the outlooks for markets, sectors and securities as discussed herein. You should read the Fund's prospectus for a more detailed discussion of the Fund's investment objective, strategies, risks and fees.

Lazard Global Total Return & Income Fund, Inc.

Investment Overview (continued)

**Comparison of Changes in Value of \$10,000 Investment in
LGI and MSCI World Index* (unaudited)**

**Total Return Information* (unaudited)
For the period ended June 30, 2005**

	One Year	Since Inception**
Market Price	15.72%	(0.90)%
Net Asset Value	12.70	11.45
MSCI World Index	10.05	8.76

* All returns reflect reinvestment of all dividends and distributions, if any. Past performance is not indicative, nor a guarantee, of future results; the investment return, market price and net asset value of the Fund will fluctuate, so that an investor's shares in the Fund, when sold, may be worth more or less than their original cost. The returns do not reflect the deduction of taxes that a stockholder would pay on the Fund's distributions or on the sale of Fund shares.

The performance data of the index has been prepared from sources and data that the Investment Manager believes to be reliable, but no representation is made as to its accuracy. The index is unmanaged, has no fees or costs and is not available for investment. The MSCI World Index represents market value-weighted average returns of selected securities listed on the stock exchanges of Europe, Australasia and Far East, New Zealand, Canada, and the United States.

** The Fund's inception date was April 28, 2004.

Lazard Global Total Return & Income Fund, Inc.

Investment Overview (concluded)

Ten Largest Equity Holdings June 30, 2005 (unaudited)

Security	Value	Percentage of Net Assets
GlaxoSmithKline PLC ADR	\$ 8,353,422	4.27%
Exxon Mobil Corp.	7,367,654	3.77
Microsoft Corp.	6,970,104	3.57
Total SA Sponsored ADR	6,788,985	3.47
Johnson & Johnson	6,779,500	3.47
Nokia Oyj Sponsored ADR	6,522,880	3.34
General Electric Co.	6,410,250	3.28
Bank of America Corp.	6,303,302	3.23
Oracle Corp.	6,296,400	3.22
HSBC Holdings PLC Sponsored ADR	6,077,295	3.11

Portfolio Holdings Presented by Sector June 30, 2005 (unaudited)

Sector	Percentage of Total Investments
Commercial Services	1.4%
Consumer Discretionary	3.3
Consumer Staples	11.9
Energy	9.3
Emerging Markets Debt Obligations	3.1
Financials	21.8
Health Care	10.3
Producer Manufacturing	5.9
Technology	12.5
Telecommunications	2.1
Short-Term Investments	18.4
Total Investments	100.0%

Lazard Global Total Return & Income Fund, Inc.

Portfolio of Investments

June 30, 2005 (unaudited)

Description	Shares	Value
Common Stocks 99.2%		
Finland 3.3%		
Nokia Oyj Sponsored ADR (c)	392,000	\$ 6,522,880
France 6.5%		
Societe Generale Sponsored ADR	101,300	2,062,468
Total SA Sponsored ADR (d)	58,100	6,788,985
Vivendi Universal SA Sponsored ADR	124,800	3,909,984
Total France		12,761,437
Germany 3.7%		
Schering AG ADR (d)	56,800	3,503,992
Siemens AG Sponsored ADR (d)	50,600	3,676,090
Total Germany		7,180,082
Italy 2.3%		
Eni SpA Sponsored ADR (d)	35,700	4,576,740
Japan 5.7%		
Canon, Inc. Sponsored ADR	69,000	3,631,470
Kao Corp. Sponsored ADR (d)	15,400	3,630,396
Nomura Holdings, Inc. ADR (d)	332,600	3,974,570
Total Japan		11,236,436
Netherlands 2.6%		
Heineken NV ADR (c), (d)	163,750	5,059,875
Switzerland 10.7%		
Credit Suisse Group Sponsored ADR (c), (d)	150,200	5,878,828
Nestle SA Sponsored ADR (d)	57,400	3,669,582
Novartis AG ADR (c), (d)	82,800	3,928,032
Swiss Re Sponsored ADR (d)	55,200	3,390,936
UBS AG (c)	51,000	3,970,350
Total Switzerland		20,837,728
United Kingdom 22.3%		
Barclays PLC Sponsored ADR (d)	135,300	5,403,882
BP PLC Sponsored ADR	69,600	4,341,648
Cadbury Schweppes PLC Sponsored ADR (c), (d)	112,700	4,319,791

Edgar Filing: LAZARD GLOBAL TOTAL RETURN & INCOME FUND INC - Form N-CSRS

Diageo PLC Sponsored ADR (d)	101,100	5,995,230
GlaxoSmithKline PLC ADR (c), (d)	172,200	8,353,422
HSBC Holdings PLC Sponsored ADR (c), (d)	76,300	6,077,295
Unilever PLC Sponsored ADR (d)	95,500	3,710,175
Vodafone Group PLC Sponsored ADR	219,100	5,328,512

Total United Kingdom		43,529,955
-----------------------------	--	------------

United States 42.1%

Bank of America Corp. (c)	138,200	6,303,302
Cisco Systems, Inc. (a), (c)	220,400	4,211,844
Citigroup, Inc. (c)	116,000	5,362,680
Exxon Mobil Corp. (c)	128,200	7,367,654
First Data Corp.	84,300	3,383,802
General Electric Co.	185,000	6,410,250
Golden West Financial Corp. (d)	31,200	2,008,656
International Business Machines Corp. (c)	42,600	3,160,920
Johnson & Johnson (c)	104,300	6,779,500
JPMorgan Chase & Co.	148,896	5,259,007
Microsoft Corp. (c)	280,600	6,970,104
Oracle Corp. (a)	477,000	6,296,400
Pfizer, Inc.	103,500	2,854,530
The Coca-Cola Co.	74,200	3,097,850
The Home Depot, Inc. (c)	107,600	4,185,640
United Technologies Corp.	88,000	4,518,800
Wells Fargo & Co.	67,000	4,125,860

Total United States		82,296,799
----------------------------	--	------------

Total Common Stocks

(Identified cost \$184,853,495)		194,001,932
---------------------------------	--	-------------

Description	Principal Amount (000) (e)	Value
Foreign Government Obligations 3.9%		
Egypt 0.8%		
Egypt Treasury Bills:		
0.00%, 08/02/05 (f)	2,800	479,178
0.00%, 09/06/05 (f)	2,050	348,066
0.00%, 11/01/05 (f)	4,000	669,763
Total Egypt		1,497,007
Turkey 3.1%		
Turkey Government Bonds:		
0.00%, 05/24/06 (f)	6,871	4,484,028
0.00%, 08/09/06 (f)	1,709	1,079,620
0.00%, 11/08/06 (f)	897	547,187
Total Turkey		6,110,835
Total Foreign Government Obligations		7,607,842
(Identified cost \$7,586,845)		

The accompanying notes are an integral part of these financial statements.

Lazard Global Total Return & Income Fund, Inc.

Portfolio of Investments (continued)

June 30, 2005 (unaudited)

Description	Principal Amount (000)	Value
Short-Term Investments 23.3%		
Repurchase Agreement 0.1%		
State Street Bank and Trust Co., 2.60%, 07/01/05 (Dated 06/30/05, collateralized by \$225,000 United States Treasury Note, 4.00%, 11/15/12, with a value of \$228,656) Proceeds of \$224,016 (c)	\$ 224	\$ 224,000
Collateral for Securities on Loan 23.2%		
State Street Navigator Securities Lending Prime Portfolio, 3.27% (g), (h)	45,249	45,249,363
Total Short-Term Investments (Identified cost \$45,473,363)		45,473,363
Total Investments 126.4% (Identified cost \$237,913,703) (b)		247,083,137
Liabilities in Excess of Cash and Other Assets (26.4)%		(51,646,046)
Net Assets 100.0%		\$ 195,437,091

The accompanying notes are an integral part of these financial statements.

Lazard Global Total Return & Income Fund, Inc.

Portfolio of Investments (continued)

June 30, 2005 (unaudited)

Forward Currency Contracts open at June 30, 2005:

Forward Currency Purchase Contracts	Expiration Date	Foreign Currency	U.S. \$ Cost on Origination Date	U.S. \$ Current Value	Unrealized Appreciation	Unrealized Depreciation
ARS	07/26/05	2,207,800	\$ 760,000	\$ 762,587	\$ 2,587	\$
ARS	02/23/06	2,940,745	986,000	991,067	5,067	
BRL	07/06/05	3,047,296	1,289,042	1,287,410		1,632
BRL	08/09/05	9,733,248	3,808,000	4,056,496	248,496	
BRL	08/12/05	3,178,750	1,249,754	1,323,048	73,294	
BRL	09/28/05	2,907,714	986,000	1,187,026	201,026	
BRL	10/05/05	288,355	101,000	117,413	16,413	
BRL	11/03/05	2,015,904	736,000	812,407	76,407	
COP	09/06/05	1,028,340,000	435,000	439,293	4,293	
COP	09/07/05	3,806,196,000	1,603,959	1,625,792	21,833	
CZK	07/13/05	16,145,000	654,412	650,594		3,818
EGP	07/14/05	1,439,715	246,000	247,766	1,766	
EGP	07/18/05	2,962,381	505,000	509,348	4,348	
EGP	08/17/05	3,460,275	585,000	591,010	6,010	
EGP	08/29/05	1,410,120	240,000	240,214	214	
EGP	09/06/05	3,262,320	552,000	554,801	2,801	
EGP	09/08/05	2,677,230	453,000	455,110	2,110	
EGP	12/14/05	3,296,710	553,000	548,551		4,449
EGP	02/28/06	5,443,460	908,000	895,381		12,619
GHC	07/25/05	4,134,144,000	448,000	451,334	3,334	
GHC	08/08/05	4,980,396,000	543,000	541,509		1,491
HRK	07/05/05	705,000	123,747	116,662		7,085
HRK	07/28/05	14,323,313	2,361,751	2,368,841	7,090	
HRK	08/08/05	2,636,030	440,513	435,827		4,686
HRK	08/31/05	5,880,930	1,004,000	971,705		32,295
IDR	07/11/05	11,139,480,000	1,164,000	1,141,340		22,660
IDR	08/11/05	18,326,540,000	1,913,000	1,877,719		35,281
IDR	09/12/05	2,424,158,000	251,000	248,377		2,623
IDR	09/20/05	24,883,200,000	2,560,000	2,549,508		10,492
ILS	07/07/05	9,847,028	2,229,297	2,149,895		79,402
ILS	07/11/05	4,812,336	1,104,000	1,050,643		53,357
ILS	07/11/05	1,891,000	421,346	412,849		8,497
ILS	08/03/05	2,078,810	470,000	453,780		16,220
ILS	08/08/05	2,746,545	614,000	599,530		14,470
ILS	09/06/05	7,910,178	1,727,000	1,726,446		554
INR	08/03/05	19,569,660	447,000	449,301	2,301	
INR	09/06/05	170,703,120	3,892,000	3,913,459	21,459	
INR	09/08/05	9,056,250	207,000	207,604	604	
ISK	07/07/05	15,785,950	239,000	242,285	3,285	
KRW	07/07/05	125,700,000	120,000	121,624	1,624	
KRW	08/09/05	701,649,000	702,000	678,882		23,118
KRW	09/21/05	2,479,999,400	2,446,000	2,399,775		46,225
KRW	10/11/05	1,659,021,000	1,652,000	1,605,549		46,451
KRW	12/30/05	992,556,200	971,000	961,212		9,788
KZT	07/18/05	36,542,000	278,521	270,982		7,539
KZT	08/22/05	15,390,450	115,000	114,407		593
KZT	09/07/05	17,449,600	133,000	129,855		3,145

Edgar Filing: LAZARD GLOBAL TOTAL RETURN & INCOME FUND INC - Form N-CSRS

KZT	12/21/05	60,433,000	450,791	452,992	2,201
-----	----------	------------	---------	---------	-------

The accompanying notes are an integral part of these financial statements.

10

Lazard Global Total Return & Income Fund, Inc.

Portfolio of Investments (continued)

June 30, 2005 (unaudited)

Forward Currency Contracts open at June 30, 2005 (continued):

Forward Currency Purchase Contracts	Expiration Date	Foreign Currency	U.S. \$ Cost on Origination Date	U.S. \$ Current Value	Unrealized Appreciation	Unrealized Depreciation
MAD	07/14/05	21,701,185	\$ 2,519,000	\$ 2,389,176	\$	\$ 129,824
MAD	07/18/05	6,174,000	702,893	679,219		23,674
MXN	09/09/05	10,791,942	977,000	988,223	11,223	
PEN	07/27/05	1,609,600	494,000	494,511	511	
PHP	07/13/05	131,303,300	2,383,000	2,345,481		37,519
PHP	11/23/05	46,508,220	849,000	823,512		25,488
PLN	07/25/05	909,070	271,000	271,815	815	
PLN	07/29/05	2,497,000	742,139	746,477	4,338	
PLN	08/09/05					

Costs and operating expenses:

Cost of revenues	109,863	109,905	42			
Sales and marketing	16,009	16,009				
General and administrative	35,529	35,529				
Restructuring charges	799	799				

Total costs and operating expenses	162,200	162,242	42			
------------------------------------	---------	---------	----	--	--	--

Income from operations	21,535	21,493	(42)			
Interest income	1,968	1,968				
Interest expense	(13,880)	(15,671)	(1,791)			
Other-than-temporary impairment loss on investments	(1,527)	(1,527)				
Other income (expense)	(520)	(520)				

Income before income taxes	7,576	5,743	(1,833)			
----------------------------	-------	-------	---------	--	--	--

Income tax expense	(187)	(187)				
--------------------	-------	-------	--	--	--	--

Net income	\$ 7,389	\$ 5,556	\$ (1,833)			
------------	----------	----------	------------	--	--	--

Earnings per share:

Basic earnings per share	\$ 0.20	\$ 0.15	\$ (0.05)			
--------------------------	---------	---------	-----------	--	--	--

	\$ 0.19	\$ 0.15	\$ (0.04)			
--	---------	---------	-----------	--	--	--

Edgar Filing: LAZARD GLOBAL TOTAL RETURN & INCOME FUND INC - Form N-CSRS

Diluted earnings per share

	Nine Months Ended September 30, 2008		Effect of Change
	As Originally Reported	As Adjusted	
Revenues	\$ 513,997	\$ 513,997	\$
Costs and operating expenses:			
Cost of revenues	306,357	306,453	96
Sales and marketing	46,650	46,650	
General and administrative	111,350	111,350	
Restructuring charges	799	799	
Total costs and operating expenses	465,156	465,252	96
Income from operations	48,841	48,745	(96)
Interest income	7,820	7,820	
Interest expense	(40,297)	(45,179)	(4,882)
Other-than-temporary impairment loss on investments	(1,527)	(1,527)	
Other income (expense)	602	602	
Income before income taxes	15,439	10,461	(4,978)
Income tax expense	(400)	(400)	
Net income	\$ 15,039	\$ 10,061	\$ (4,978)
Earnings per share:			
Basic earnings per share	\$ 0.41	\$ 0.27	\$ (0.14)
Diluted earnings per share	\$ 0.40	\$ 0.27	\$ (0.13)

As a result of the Company's adoption of the FASB amendment related to the accounting for convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement), the most significant impact to the Company's financial results for the three and nine months ended September 30, 2009 was an increase to interest expense of \$2,526,000 and \$7,465,000, respectively.

Table of Contents**EQUINIX, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Condensed Consolidated Statement of Cash Flows**

	Nine Months Ended September 30, 2008		Effect of Change
	As Originally Reported	As Adjusted	
Cash flows from operating activities:			
Net income	\$ 15,039	\$ 10,061	\$ (4,978)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	110,110	110,206	96
Stock-based compensation	41,951	41,951	
Amortization of intangibles	5,236	5,236	
Amortization of debt issuance costs and debt discount	3,753	8,635	4,882
Accretion of asset retirement obligation and accrued restructuring charges	1,245	1,245	
Restructuring charges	799	799	
Realized net gains on investments	(1,063)	(1,063)	
Other items	1,348	1,348	
Changes in operating assets and liabilities:			
Accounts receivable	(3,783)	(3,783)	
Other assets	(2,018)	(2,018)	
Accounts payable and accrued expenses	5,015	5,015	
Accrued restructuring charges	(2,034)	(2,034)	
Other liabilities	15,665	15,665	
Net cash provided by operating activities	191,263	191,263	
Net cash used in investing activities	(434,850)	(434,850)	
Net cash provided by financing activities	112,950	112,950	
Effect of foreign currency exchange rates on cash and cash equivalents	689	689	
Net decrease in cash and cash equivalents	(129,948)	(129,948)	
Cash and cash equivalents at beginning of period	290,633	290,633	
Cash and cash equivalents at end of period	\$ 160,685	\$ 160,685	\$

3. IBX Acquisitions and Expansions**Upminster Acquisition**

On July 22, 2009, a wholly-owned subsidiary of the Company acquired all of the issued and outstanding share capital of Upminster GmbH, a company which owns a data center and the real estate on which it is situated in Frankfurt, Germany, for a cash payment of \$28,208,000, excluding acquisition costs (the Upminster Acquisition). The combined company operates under the Equinix name. The Upminster Acquisition was accounted for using the acquisition method of accounting in accordance with the accounting standard related to the accounting for business combinations. The results of operations for Upminster are not significant to the Company; therefore, the Company does not present its purchase price allocation or pro forma combined results of operations. The Company expensed its acquisition costs in connection with the Upminster Acquisition.

Chicago IBX Expansion Project

In July 2009, a wholly-owned subsidiary of the Company entered into an operating lease agreement (the Lease) for data center space in the Chicago metro area. The Lease has a fixed term of 12 years, with options to extend for up to an additional 15 years, in five-year increments. Cumulative minimum payments under the Lease total \$92,286,000 over the initial Lease term.

Table of Contents

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Zurich IBX Expansion Project

In June 2009, an indirect wholly-owned subsidiary of the Company entered into a lease for building space within a multi-floor, multi-tenant building that the Company will convert into its fourth IBX center in Zurich, Switzerland (the Zurich Lease and the Zurich IBX Expansion Project). The Zurich Lease has a fixed term of 10 years, with options to extend for up to an additional 10 years, in five-year increments. Cumulative minimum payments under the Zurich Lease total approximately \$8,727,000 (using the exchange rate as of September 30, 2009) over the Zurich Lease term, which does not include any rent obligation for the extension periods. Pursuant to the accounting standards related to the accounting for lessee's involvement in asset construction and the accounting for leasing transactions involving special-purpose entities, the Company is considered the owner of the leased building space during the construction phase due to some specific provisions contained in the Zurich Lease. As a result, as of September 30, 2009, the Company has recorded a building asset and a related financing liability (the Zurich IBX Building Financing) totaling approximately \$11,348,000 (using the exchange rate as of September 30, 2009).

London IBX Expansion Project

In October 2008, an indirect wholly-owned subsidiary of the Company entered into an agreement for lease for property and a warehouse building to be constructed for the Company in the London, England metro area (the Agreement for Lease). The Agreement for Lease provides for the completion of a warehouse building within a specified time and the entry into a definitive lease (the Lease) upon its completion. The Lease will have a term of 20 years, with the Company's option to terminate after 15 years upon six months' prior notice, and a total cumulative rent obligation of approximately \$39,801,000 (using the exchange rate as of September 30, 2009) over the first 15 years of the Lease. On the fifteenth anniversary of the Lease, the rent can be reviewed and adjusted to market rents, as set out in the Lease. The Company expects to enter into the Lease in approximately February 2010. In January 2009, the landlord commenced construction of the building that the Company will ultimately lease. Pursuant to the accounting standards related to the accounting for lessee's involvement in asset construction and the accounting for leasing transactions involving special-purpose entities, the Company is considered the owner of the building during the construction phase. As a result, the Company will be recording a building asset during the construction period and a related financing liability (the London IBX Building Financing), while the underlying land will be considered an operating lease. The building is expected to be completed in February 2010. In connection with the London IBX Building Financing, the Company recorded a building asset and a corresponding financing obligation liability totaling approximately \$11,280,000 (using the exchange rate as of September 30, 2009), representing the estimated percentage-of-completion of the building as of September 30, 2009.

4. Fair Value Measurements

In April 2009, the Company adopted an accounting standard update related to determining fair value when the volume and level of activity for an asset or liability have significantly decreased and identifying transactions that are not orderly. This adoption did not have any significant impact on the Company's consolidated financial statements.

Table of Contents**EQUINIX, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The Company's financial assets and liabilities measured at fair value on a recurring basis at September 30, 2009 were as follows (in thousands):

	Fair value at September 30, 2009	Fair value measurement using		
		Level 1	Level 2	Level 3
Assets:				
U.S. Government and Agency obligations	\$ 437,076	\$	\$ 437,076	\$
Money markets	166,152	166,152		
Reserve	897			897
Corporate bonds	14,807		14,807	
Asset-backed securities	7,367		7,367	
Other securities	1,143		1,143	
	\$ 627,442	\$ 166,152	\$ 460,393	\$ 897
Liabilities:				
Derivative liabilities ⁽¹⁾	(11,833)		(11,833)	
	\$ (11,833)	\$	\$ (11,833)	\$

-

(1) Included in the condensed consolidated balance sheets within other current liabilities and other liabilities.

The following table provides a summary of the activities of the Company's Level 3 financial assets measured at fair value for the nine months ended September 30, 2009 (in thousands):

Balance at December 31, 2008	\$ 9,250
Other-than-temporary impairment loss on investments (1)	(2,687)
Settlements	(5,666)
Balance at September 30, 2009	\$ 897

-

(1) Included in the condensed consolidated statements of operations.

In January 2009, the Company adopted the accounting standard related to the measurement of fair value for nonfinancial assets and liabilities that are not remeasured at fair value on a recurring basis. These include:

Nonfinancial assets and nonfinancial liabilities initially measured at fair value in a business combination or other new basis event, but not measured at fair value in subsequent reporting periods;

Edgar Filing: LAZARD GLOBAL TOTAL RETURN & INCOME FUND INC - Form N-CSRS

Reporting units and nonfinancial assets and nonfinancial liabilities measured at fair value for goodwill impairment test under the accounting standard related to the accounting for intangibles;

Indefinite-lived intangible assets measured at fair value for impairment assessment under the accounting standard related to the accounting for intangibles;

Nonfinancial long-lived assets or asset groups measured at fair value for impairment assessment or disposal under the accounting standard related to the accounting for property, plant and equipment;

Asset retirement obligations initially measured at fair value under the accounting standard related to the accounting for asset retirement and environmental obligations; and

Nonfinancial liabilities associated with exit or disposal activities initially measured at fair value under the accounting standard related to the accounting for exit or disposal cost obligations.

During the three and nine months ended September 30, 2009, the Company did not have any nonfinancial assets or liabilities measured at fair value on a recurring basis.

Table of Contents

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

During the three and nine months ended September 30, 2009, there were no impairment charges recorded in connection with the Company's goodwill and long-lived assets. The Company performs impairment tests of its goodwill at least annually (or whenever events or circumstances indicate a triggering event has occurred indicating that the carrying amount of the asset may not be recoverable). Goodwill attributed to the Company's Europe reporting unit was tested for impairment in the third quarter of 2009 and goodwill attributed to the Company's Asia-Pacific reporting unit is scheduled to be tested in the fourth quarter of 2009 (see Note 1). The Company performs impairment tests for its long-lived assets, other than goodwill, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. During the nine months ended September 30, 2009, the Company recorded new asset retirement obligations and recorded a reduction to its restructuring charge, which include measurements of fair value on a non-recurring basis; however, the amounts for both of these items were not significant.

5. Derivatives and Hedging Activities

The Company follows the accounting standard related to derivative and hedging in its accounting for derivatives and hedging activities. The Company employs interest rate swaps to partially offset its exposure to variability in interest payments due to fluctuations in interest rates for certain of its variable-rate debt. To assess effectiveness, the Company uses a regression analysis. The extent to which a hedging instrument has been and is expected to continue to be effective at achieving offsetting changes in cash flows is assessed and documented at least quarterly. Any ineffectiveness is reported in current-period earnings. If it is determined that a derivative is not highly effective at hedging the designated exposure, hedge accounting is discontinued. For qualifying cash flow hedges, the effective portion of the change in the fair value of the derivative is recorded in other comprehensive income (loss) and recognized in the consolidated statements of operations when the hedged cash flows affect earnings. The ineffective portions of cash flow hedges are immediately recognized in earnings. If the hedge relationship is terminated, then the change in fair value of the derivative recorded in other comprehensive income (loss) is recognized in earnings when the cash flows that were hedged occur, consistent with the original hedge strategy. For hedge relationships discontinued because the forecasted transaction is not expected to occur according to the original strategy, any related derivative amounts recorded in other comprehensive income (loss) are immediately recognized in earnings. The Company has no fair value hedges. The Company does not use derivatives for speculative or trading purposes. The Company employs foreign currency forward contracts to partially offset its business exposure to foreign exchange risk for certain existing foreign currency-denominated assets and liabilities.

Cash Flow Hedges Interest Rate Swaps

The Company has variable-rate debt financing. These obligations expose the Company to variability in interest payments and therefore fluctuations in interest expense and cash flows due to changes in interest rates. Interest rate swap contracts are used in the Company's risk management activities in order to minimize significant fluctuations in earnings that are caused by interest rate volatility. Interest rate swaps involve the exchange of variable-rate interest payments for fixed-rate interest payments based on the contractual underlying notional amount. Gains and losses on the interest rate swaps that are linked to the debt being hedged are expected to substantially offset this variability in earnings.

Table of Contents**EQUINIX, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

As of September 30, 2009, the Company had a total of four outstanding interest rate swap instruments with expiration dates ranging from February 2011 to May 2011 as follows (in thousands):

	Notional Amount	Fair Value ⁽¹⁾	Loss ⁽²⁾
Liabilities:			
European Financing interest rate swaps	\$ 89,265	\$ (5,899)	\$ (5,814)
Chicago IBX Financing interest rate swap	105,000	(4,004)	(4,004)
	\$ 194,265	\$ (9,903)	\$ (9,818)

(1) Included in the condensed consolidated balance sheets within other liabilities.

(2) Included in the condensed consolidated balance sheets within accumulated other comprehensive income (loss).

As of September 30, 2008, the Company had six interest rate swap instruments with expiration dates ranging from August 2009 to May 2011 as follows (in thousands):

	Notional Amount	Fair Value ⁽¹⁾	Gain (Loss) ⁽²⁾
Liabilities:			
European Financing interest rate swaps	113,710	(1,602)	(1,832)
Chicago IBX Financing interest rate swap	105,000	(513)	(513)
	\$ 218,710	\$ (2,115)	\$ (2,345)

(1) Included in the condensed consolidated balance sheets within other current liabilities and other liabilities.

(2) Included in the condensed consolidated balance sheets within accumulated other comprehensive income (loss).

The Company designated all existing interest rate swaps as highly effective hedge relationships at achieving offsetting changes in cash flows as of September 30, 2009 and 2008 with an insignificant amount of ineffectiveness recorded in interest expense on the accompanying condensed consolidated statements of operations.

Other Derivatives Foreign Currency Forward Contracts

The Company uses foreign currency forward contracts to manage the foreign exchange risk associated with certain foreign currency-denominated assets and liabilities. As a result of foreign currency fluctuations, the U.S. dollar equivalent values of the foreign currency-denominated assets and liabilities change. Foreign currency forward contracts represent agreements to exchange the currency of one country for the currency of another country at an agreed-upon price on an agreed-upon settlement date.

The Company has not designated the foreign currency forward contracts as hedging instruments under the accounting standard related to the accounting for derivative and hedging. Gains and losses on these contracts are included in other income (expense), net, along with those foreign currency gains and losses of the related foreign currency-denominated assets and liabilities associated with these foreign currency forward contracts. The Company entered into various foreign currency forward contracts during the three and nine months ended September 30, 2009. As of September 30, 2009, the Company had gross assets totaling \$1,238,000 and gross liabilities totaling \$3,168,000 representing the fair

Edgar Filing: LAZARD GLOBAL TOTAL RETURN & INCOME FUND INC - Form N-CSRS

values of these foreign currency forward contracts. The Company records its foreign currency forward contracts, net, within other current liabilities. During the three and nine months ended September 30, 2009, the Company recognized a net loss of \$820,000 and \$1,156,000, respectively, in connection with its foreign currency forward contracts, which is reflected in other income (expense) on the accompanying consolidated statement of operations. During the three and nine months ended September 30, 2008, the Company recognized a net gain of \$3,181,000 and \$2,944,000, respectively, in connection with its foreign currency forward contracts, which is reflected in other income (expense) on the accompanying consolidated statement of operations.

Table of Contents**EQUINIX, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****6. Related Party Transactions**

The Company has several significant stockholders and other related parties that are also customers and/or vendors. For the three and nine months ended September 30, 2009, revenues recognized from related parties were \$5,654,000 and \$17,308,000, respectively. For the three and nine months ended September 30, 2008, revenues recognized from related parties were \$6,662,000 and \$14,266,000, respectively. As of September 30, 2009 and 2008, accounts receivable with these related parties were \$3,070,000 and \$5,386,000, respectively. For the three and nine months ended September 30, 2009, costs and services procured from related parties were \$489,000 and \$788,000, respectively. For the three and nine months ended September 30, 2008, costs and services procured from related parties were \$735,000 and \$2,250,000, respectively. As of September 30, 2009 and 2008, accounts payable with these related parties were \$43,000 and \$87,000, respectively.

7. Balance Sheet Components***Cash, Cash Equivalents and Short-Term and Long-Term Investments***

Cash, cash equivalents and short-term and long-term investments consisted of the following as of (in thousands):

		September 30, 2009		
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government and Agency obligations	\$ 436,831	\$ 249	\$ (4)	\$ 437,076
Money markets	166,152			166,152
Reserve	897			897
Corporate bonds	14,531	276		14,807
Asset-backed securities	7,203	169	(5)	7,367
Other securities	1,131	12		1,143
Total available-for-sale securities	626,745	706	(9)	627,442
Less amounts classified as cash and cash equivalents	(283,144)	(3)		(283,147)
Total securities classified as investments	343,601	703	(9)	344,295
Less amounts classified as short-term investments	(325,977)	(261)	4	(326,234)
Total long-term investments	\$ 17,624	\$ 442	\$ (5)	\$ 18,061

Table of Contents**EQUINIX, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

	Amortized Cost	December 31, 2008		Fair Value
		Gross Unrealized Gains	Gross Unrealized Losses	
U.S. Government and Agency obligations	\$ 130,672	\$ 344	\$ (14)	\$ 131,002
Money markets	112,208			112,208
Reserve	9,250			9,250
Corporate bonds	35,046	35	(546)	34,535
Asset-backed securities	17,970	53	(299)	17,724
Certificates of deposits	2,000	5		2,005
Other securities	1,199	22		1,221
Total available-for-sale securities	308,345	459	(859)	307,945
Less amounts classified as cash and cash equivalents	(220,207)			(220,207)
Total securities classified as investments	88,138	459	(859)	87,738
Less amounts classified as short-term investments	(42,132)	(135)	155	(42,112)
Total long-term investments	\$ 46,006	\$ 324	\$ (704)	\$ 45,626

As of September 30, 2009 and December 31, 2008, cash equivalents included investments which were readily convertible to cash and had maturity dates of 90 days or less. The maturities of securities classified as short-term investments were one year or less as of September 30, 2009 and December 31, 2008. The maturities of securities classified as long-term investments were greater than one year and less than three years as of September 30, 2009 and December 31, 2008.

Effective April 1, 2009, the Company adopted an accounting standard update related to the recognition and disclosure of other-than-temporary impairments of investments. As a result of this adoption, the Company reclassified previously-recorded other-than-temporary impairment losses in connection with its investment in the Reserve Primary Fund (the Reserve) from other income (expense), net, to other-than-temporary impairment loss on investments in the Company's accompanying condensed consolidated statements of operations. During the nine months ended September 30, 2009, the Company received additional distributions of \$5,666,000 from the Reserve. During the nine months ended September 30, 2009, the Company recorded an additional \$2,687,000 of other-than-temporary impairment loss in connection with its investments in the Reserve, which is included in the Company's accompanying condensed consolidated statements of operations. During the three months ended September 30, 2008, the Company recorded a \$1,527,000 other-than-temporary impairment loss from the Reserve. The other-than-temporary impairment losses that the Company recorded in 2008 and 2009 as described above were entirely credit losses with nothing required to be reclassified from earnings to accumulated other comprehensive income (loss) for non-credit portions in either period. As of September 30, 2009, funds held by the Reserve with a fair value totaling \$897,000 remained outstanding and are classified as a short-term investment on the Company's accompanying condensed consolidated balance sheets. This classification is based on the Company's assessment of each of the individual securities which make up the underlying portfolio holdings in the Reserve, which primarily consisted of commercial paper, certificates of deposits and discount notes. While the Company expects to receive substantially all of its current holdings in the Reserve within the next nine months, it is possible the Company may encounter difficulties in receiving distributions given the current credit market conditions. If market conditions were to deteriorate even further such that the current fair value was not achievable, or if the Reserve is delayed in its ability to accurately complete their account reconciliations, the Company could realize additional losses in its holdings with the Reserve and distributions could be further delayed. A number of litigation claims have been filed against the Reserve's management which could potentially delay the timing and amount of the final distributions of the fund. If the litigation were to continue for an extended period of time it is possible that the Reserve management's cost of defending these claims could also reduce the final amount of distribution to the Company.

Table of Contents**EQUINIX, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table summarizes the fair value and gross unrealized losses related to six available-for-sale securities with an aggregate cost basis of \$130,691,000, aggregated by type of investment and length of time that individual securities have been in continuous unrealized loss position, as of September 30, 2009 (in thousands):

	Securities in a loss position for less than 12 months		Securities in a loss position for 12 months or more	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
U.S. Government and Agency obligations	\$ 129,954	\$ (4)	\$	\$
Asset-backed securities	728	(5)		
	\$ 130,682	\$ (9)	\$	\$

The Company does not believe it holds investments that are other-than-temporarily impaired, other than its investment in the Reserve, and believes that the Company's investments will mature at par, as of September 30, 2009. As securities mature and additional proceeds become available for investing, the Company invests these proceeds in U.S. government securities, such as Treasury bills and Treasury notes, of a short-term duration and lower yield in order to meet its liquidity and lower risk requirements in this current market environment. As a result, the Company expects interest income to remain at low levels in future periods.

Accounts Receivable

Accounts receivables, net, consisted of the following (in thousands):

	September 30, 2009	December 31, 2008
Accounts receivable	\$ 127,868	\$ 119,030
Unearned revenue	(58,843)	(50,964)
Allowance for doubtful accounts	(1,436)	(2,037)
	\$ 67,589	\$ 66,029

Trade accounts receivable are recorded at the invoiced amount and generally do not bear interest. The Company generally invoices its customers at the end of a calendar month for services to be provided the following month. Accordingly, unearned revenue consists of pre-billing for services that have not yet been provided, but which have been billed to customers in advance in accordance with the terms of their contract.

Other Current Assets

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

September 30, 2009	December 31, 2008
--------------------	-------------------

Edgar Filing: LAZARD GLOBAL TOTAL RETURN & INCOME FUND INC - Form N-CSRS

Prepaid expenses	\$	13,080	\$	9,550
Taxes receivable		4,981		3,434
Foreign currency forward contract receivable				377
Debt issuance costs, net				18
Other receivable		2,177		1,280
Other current assets		1,723		568
	\$	21,961	\$	15,227

Table of Contents**EQUINIX, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****Property, Plant and Equipment***

Property, plant and equipment consisted of the following (in thousands):

	September 30, 2009	December 31, 2008
IBX plant and machinery	\$ 903,624	\$ 651,820
Leasehold improvements	536,674	472,872
Buildings	277,911	196,009
Site improvements	231,747	217,200
IBX equipment	168,250	147,832
Land	85,022	48,950
Computer equipment and software	80,673	74,179
Furniture and fixtures	10,899	9,866
Construction in progress	147,472	277,208
	2,442,272	2,095,936
Less accumulated depreciation	(739,263)	(603,106)
	\$ 1,703,009	\$ 1,492,830

Leasehold improvements, IBX plant and machinery, computer equipment and software and buildings recorded under capital leases aggregated \$81,596,000 and \$80,239,000 at September 30, 2009 and December 31, 2008, respectively. Amortization on the assets recorded under capital leases is included in depreciation expense and accumulated depreciation on such assets totaled \$14,644,000 and \$10,407,000 as of September 30, 2009 and 2008, respectively.

As of September 30, 2009 and December 31, 2008, the Company had accrued property, plant and equipment expenditures of \$64,598,000 and \$89,518,000, respectively. The Company's planned capital expenditures during the remainder of 2009 in connection with recently acquired IBX properties and expansion efforts are substantial. For further information, refer to "Other Purchase Commitments" in Note 9.

During the three months ended September 30, 2009, the Company changed the estimated useful lives of certain of the Company's property, plant and equipment, which is accounted for as a change in accounting estimate (see "Property, Plant and Equipment" in Note 1).

Goodwill and Other Intangible Assets

Goodwill and other intangible assets, net, consisted of the following (in thousands):

	September 30, 2009	December 31, 2008
Goodwill:		
Europe	\$ 359,140	\$ 324,674
Asia-Pacific	18,416	18,155
	377,556	342,829

Other intangibles:			
Intangible asset	customer contracts	63,489	58,605
Intangible asset	leases	4,655	4,349
Intangible asset	others	1,631	755
		69,775	63,709
Accumulated amortization		(17,713)	(12,791)
		52,062	50,918
		\$ 429,618	\$ 393,747

Table of Contents**EQUINIX, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The Company's goodwill and intangible assets in Europe, denominated in British pounds and Euros, and goodwill in Asia-Pacific, denominated in Singapore dollars, are subject to foreign currency fluctuations. The changes in goodwill balances noted above are predominantly due to foreign exchange rate changes; however, the Company also recorded \$4,403,000 of additional goodwill to the Europe reporting unit in connection with the Upminster Acquisition (see Note 3). The Company's foreign currency translation gains and losses, including those related to goodwill and other intangibles, are a component of other comprehensive income (loss).

For the three and nine months ended September 30, 2009, the Company recorded amortization expense of \$1,454,000 and \$4,100,000, respectively, associated with its other intangible assets. For the three and nine months ended September 30, 2008, the Company recorded amortization expense of \$1,690,000 and \$5,236,000, respectively, associated with its other intangible assets. Estimated future amortization expense related to these intangibles is as follows (in thousands):

Year ending:	
2009 (three months remaining)	\$ 1,495
2010	5,763
2011	5,669
2012	5,653
2013	5,653
2014 and thereafter	27,829
 Total	 \$ 52,062

Other Assets

Other assets consisted of the following (in thousands):

	September 30, 2009	December 31, 2008
Deposits	\$ 25,170	\$ 21,485
Debt issuance costs, net	20,994	16,216
Prepaid expenses	3,364	3,874
Restricted cash	3,211	14,934
Other assets	1,119	1,285
	 \$ 53,858	 \$ 57,794

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following (in thousands):

	September 30, 2009	December 31, 2008
Accounts payable	\$ 18,222	\$ 18,325
Accrued compensation and benefits	27,469	22,135

Edgar Filing: LAZARD GLOBAL TOTAL RETURN & INCOME FUND INC - Form N-CSRS

Accrued taxes	16,886	8,640
Accrued utilities and security	15,494	10,327
Accrued interest	15,405	5,962
Accrued professional fees	2,959	2,741
Accrued other	7,853	6,187
	\$ 104,288	\$ 74,317

Table of Contents**EQUINIX, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****Other Current Liabilities***

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

	September 30, 2009	December 31, 2008
Deferred installation revenue	\$ 26,962	\$ 22,769
Deferred tax liabilities	7,342	7,342
Customer deposits	8,032	5,913
Deferred recurring revenue	4,695	4,434
Accrued restructuring charges	1,967	6,023
Foreign currency forward contract payable	1,930	2,072
Deferred rent	403	495
Interest rate swap payable		271
Other current liabilities	496	1,136
	\$ 51,827	\$ 50,455

Other Liabilities

Other liabilities consisted of the following (in thousands):

	September 30, 2009	December 31, 2008
Deferred rent, non-current	\$ 32,535	\$ 28,146
Deferred tax liabilities, non-current	17,616	16,531
Asset retirement obligations	17,791	12,264
Deferred installation revenue, non-current	16,851	12,083
Interest rate swap payable, non-current	9,903	10,631
Customer deposits, non-current	5,472	6,108
Deferred recurring revenue, non-current	5,576	6,180
Accrued restructuring charges, non-current	4,271	7,288
Other liabilities	1,162	864
	\$ 111,177	\$ 100,095

The Company currently leases the majority of its IBX centers and certain equipment under non-cancelable operating lease agreements expiring through 2027. The IBX center lease agreements typically provide for base rental rates that increase at defined intervals during the term of the lease. In addition, the Company has negotiated rent expense abatement periods to better match the phased build-out of its centers. The Company accounts for such abatements and increasing base rents using the straight-line method over the life of the lease. The difference between the straight-line expense and the cash payment is recorded as deferred rent.

8. Debt Facilities and Other Financing Obligations***4.75% Convertible Subordinated Notes***

Edgar Filing: LAZARD GLOBAL TOTAL RETURN & INCOME FUND INC - Form N-CSRS

In June 2009, the Company issued \$373,750,000 aggregate principal amount of 4.75% Convertible Subordinated Notes due June 15, 2016 (the 4.75% Convertible Subordinated Notes). Interest is payable semi-annually on June 15 and December 15 of each year, beginning December 15, 2009.

The 4.75% Convertible Subordinated Notes are governed by an Indenture dated as of June 12, 2009, between the Company, as issuer, and U.S. Bank National Association, as trustee (the 4.75% Convertible Subordinated Notes Indenture). The 4.75% Convertible Subordinated Notes Indenture does not contain any financial covenants or any restrictions on the payment of dividends, the incurrence of senior debt or other indebtedness, or the issuance or repurchase of securities by the Company. The 4.75% Convertible Subordinated Notes are unsecured and rank junior in right of payment to the Company's existing or future senior debt and equal in right of payment to the Company's existing and future subordinated debt.

Table of Contents

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Upon conversion, holders will receive, at the Company's election, cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock. However, the Company may at any time irrevocably elect for the remaining term of the 4.75% Convertible Subordinated Notes to satisfy its obligation in cash up to 100% of the principal amount of the 4.75% Convertible Subordinated Notes, with any remaining amount to be satisfied, at the Company's election, in shares of its common stock or a combination of cash and shares of its common stock.

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. Holders of the 4.75% Convertible Subordinated Notes may convert their notes at any time prior to the close of business on the business day immediately preceding the maturity date under the following circumstances:

during any fiscal quarter (and only during that fiscal quarter) ending after September 30, 2009, if the sale price of the Company's common stock, for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the previous fiscal quarter, is greater than 130% of the conversion price per share of common stock on such last trading day, which was \$109.62 per share (the "Stock Price Condition Conversion Clause");

subject to certain exceptions, during the five business day period following any 10 consecutive trading day period in which the trading price of the 4.75% Convertible Subordinated Notes for each day of such period was less than 98% of the product of the sale price of the Company's common stock and the conversion rate (the "4.75% Convertible Subordinated Notes Parity Provision Clause");

upon the occurrence of specified corporate transactions described in the 4.75% Convertible Subordinated Notes Indenture, such as a consolidation, merger or binding share exchange in which the Company's common stock would be converted into cash or property other than securities (the "Corporate Action Provision Clause"); or

at any time on or after March 15, 2016.

Upon conversion, if the Company elected to pay a sufficiently large portion of the conversion obligation in cash, additional consideration beyond the \$373,750,000 of gross proceeds received would be required. As of September 30, 2009, the 4.75% Convertible Subordinated Notes were convertible into 4,432,638 shares of the Company's common stock.

The conversion rates may be adjusted upon the occurrence of certain events, including for any cash dividend, but they will not be adjusted for accrued and unpaid interest. Holders of the 4.75% Convertible Subordinated Notes will not receive any cash payment representing accrued and unpaid interest upon conversion of a note. Accrued but unpaid interest will be deemed to be paid in full upon conversion rather than cancelled, extinguished or forfeited.

The Company does not have the right to redeem the 4.75% Convertible Subordinated Notes at its option. Holders of the 4.75% Convertible Subordinated Notes have the right to require the Company to purchase with cash all or a portion of the 4.75% Convertible Subordinated Notes upon the occurrence of a fundamental change, such as a change of control at a purchase price equal to 100% of the principal amount of the 4.75% Convertible Subordinated Notes plus accrued and unpaid interest, if any, to, but excluding, the date of repurchase. Following certain corporate transactions that constitute a change of control, the Company will increase the conversion rate for a holder who elects to convert the 4.75% Convertible Subordinated Notes in connection with such change of control in certain circumstances.

Table of Contents**EQUINIX, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Under a FASB amendment related to the accounting for convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement), the Company separated the 4.75% Convertible Subordinated Notes into a liability component and an equity component. The carrying amount of the liability component was calculated by measuring the fair value of a similar liability (including any embedded features other than the conversion option) that does not have an associated equity component. The carrying amount of the equity component representing the embedded conversion option was determined by deducting the fair value of the liability component from the initial proceeds ascribed to the 4.75% Convertible Subordinated Notes as a whole. The excess of the principal amount of the liability component over its carrying amount is amortized to interest expense over the expected life of a similar liability that does not have an associated equity component using the effective interest method. The equity component is not remeasured as long as it continues to meet the conditions for equity classification as prescribed in the accounting standard related to the accounting for derivative financial instruments indexed to, and potentially settled in, an entity's own common stock and the accounting standard related to the accounting for determining whether an instrument (or embedded feature) is indexed to an entity's own stock.

Issuance and transaction costs incurred at the time of the issuance of the 4.75% Convertible Subordinated Notes with third parties are allocated to the liability and equity components and accounted for as debt issuance costs and equity issuance costs, respectively. Debt issuance costs related to the 4.75% Convertible Subordinated Notes, net of amortization, were \$6,862,000 as of September 30, 2009 and equity issuance costs were \$2,796,000. Additionally, the Company recorded a deferred tax liability of \$21,998,000 in connection with the 4.75% Convertible Subordinated Notes and the Capped Call (see below). The 4.75% Convertible Subordinated Notes consisted of the following (in thousands):

	September 30, 2009
Equity component (1)	\$ 104,794
Liability component :	
Principal	\$ 373,750
Less: debt discount, net (2)	(101,619)
Net carrying amount	\$ 272,131

-
- (1) Included in the condensed consolidated balance sheets within additional paid-in capital.
(2) Included in the condensed consolidated balance sheets within convertible debt and is amortized over the remaining life of the 4.75% Convertible Subordinated Notes.

As of September 30, 2009, the remaining life of the 4.75% Convertible Subordinated Notes was 6.7 years.

The following table sets forth total interest expense recognized related to the 4.75% Convertible Subordinated Notes (in thousands):

	Three months ended September 30, 2009	Nine months ended September 30, 2009
Contractual interest expense	\$ 4,438	\$ 5,375
Amortization of debt issuance costs	259	314
Amortization of debt discount	2,622	3,175

\$ 7,319 \$ 8,864

Effective interest rate of the liability component	10.88%	10.88%
--	--------	--------

Table of Contents**EQUINIX, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

To minimize the impact of potential dilution upon conversion of the 4.75% Convertible Subordinated Notes, the Company entered into capped call transactions (the Capped Call) separate from the issuance of the 4.75% Convertible Subordinated Notes and paid a premium of \$49,664,000 for the Capped Call. The Capped Call covers a total of approximately 4,432,638 shares of the Company's common stock, subject to adjustment. Under the Capped Call, the Company effectively raised the conversion price of the 4.75% Convertible Subordinated Notes from \$84.32 to \$114.82. Depending upon the Company's stock price at the time the 4.75% Convertible Subordinated Notes are converted, the Capped Call will return up to 1,177,456 shares of the Company's common stock to the Company; however, the Company will receive no benefit from the Capped Call if the Company's 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 it would have received at a share price of \$114.82 (the Company's benefit from the Capped Call is capped at \$114.82 and no additional benefit is received beyond this price). In connection with the Capped Call, the Company recorded a \$19,000 derivative loss in its statement of operations for the nine months ended September 30, 2009, and the remaining \$49,645,000 was recorded in additional paid-in capital pursuant to the accounting standard related to the accounting for derivative financial instruments indexed to, and potentially settled in, an entity's own common stock and the accounting standard related to the accounting for determining whether an instrument (or embedded feature) is indexed to an entity's own stock.

2.50% Convertible Subordinated Notes

In January 2009, the Company adopted a FASB amendment related to the accounting for convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement). This FASB amendment specifies that issuers of convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. The Company's 2.50% Convertible Subordinated Notes fall within the scope of this FASB amendment due to the Company's ability to elect to repay the 2.50% Convertible Subordinated Notes in cash. This FASB amendment did not impact the Company's other convertible debt instruments that were outstanding as of January 1, 2009. This accounting standard was applied retrospectively. As a result, the Company adjusted its previously issued comparative condensed consolidated financial statements (see Note 2).

In March 2007, the Company issued \$250,000,000 aggregate principal amount of 2.50% Convertible Subordinated Notes due April 15, 2012 (the 2.50% Convertible Subordinated Notes). Interest is payable semi-annually on April 15 and October 15 of each year, and commenced October 15, 2007. Upon conversion, holders will receive, at the Company's election, cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock. However, the Company may at any time irrevocably elect for the remaining term of the 2.50% Convertible Subordinated Notes to satisfy its obligation in cash up to 100% of the principal amount of the 2.50% Convertible Subordinated Notes converted, with any remaining amount to be satisfied, at the Company's election, in shares of its common stock or a combination of cash and shares of its common stock. The 2.50% Convertible Subordinated Notes have an initial conversion rate of 8.9259 shares of common stock per \$1,000 principal amount of 2.50% Convertible Subordinated Notes, subject to adjustment. This represents an initial conversion price of approximately \$112.03 per share of common stock. As of September 30, 2009, the 2.50% Convertible Subordinated Notes were convertible into 2,231,475 shares of the Company's common stock.

The Company has determined that the embedded conversion option in the 2.50% Convertible Subordinated Notes is not required to be separately accounted for as a derivative under the accounting standard related to the accounting for derivative and hedging. Under the FASB amendment related to the accounting for convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement), the Company separated the 2.50% Convertible Subordinated Notes into a liability component and an equity component. The carrying amount of the liability component was calculated by measuring the fair value of a similar liability (including any embedded features other than the conversion option) that does not have an associated equity component. The carrying amount of the equity component representing the embedded conversion option was determined by deducting the fair value of the liability component from the initial proceeds ascribed to the 2.50% Convertible Subordinated Notes as a whole.

Table of Contents**EQUINIX, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The excess of the principal amount of the liability component over its carrying amount is amortized to interest expense over the expected life of a similar liability that does not have an associated equity component using the effective interest method. The equity component is not remeasured as long as it continues to meet the conditions for equity classification as prescribed in the accounting standard related to the accounting for derivative financial instruments indexed to, and potentially settled in, an entity's own common stock and the accounting standard related to the accounting for determining whether an instrument (or embedded feature) is indexed to an entity's own stock.

Issuance and transaction costs incurred at the time of the issuance of the 2.50% Convertible Subordinated Notes with third parties are allocated to the liability and equity components in proportion to the allocation of proceeds and accounted for as debt issuance costs and equity issuance costs, respectively. The 2.50% Convertible Subordinated Notes consisted of the following (in thousands):

	September 30, 2009	December 31, 2008
Equity component (1)	\$ 53,991	\$ 53,991
Liability component :		
Principal	\$ 250,000	\$ 250,000
Less: debt discount, net (2)	(29,753)	(37,476)
Net carrying amount	\$ 220,247	\$ 212,524

(1) Included in the condensed consolidated balance sheets within additional paid-in capital.

(2) Included in the condensed consolidated balance sheets within convertible debt and is amortized over the remaining life of the 2.50% Convertible Subordinated Notes.

As of September 30, 2009, the remaining life of the 2.50% Convertible Subordinated Notes was 2.54 years.

The following table sets forth total interest expense recognized related to the 2.50% Convertible Subordinated Notes (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Contractual interest expense	\$ 1,563	\$ 1,563	\$ 4,688	\$ 4,688
Amortization of debt issuance costs	311	313	934	940
Amortization of debt discount	2,612	2,421	7,722	7,157
	\$ 4,486	\$ 4,297	\$ 13,344	\$ 12,785
Effective interest rate of the liability component	8.37%	8.37%	8.37%	8.37%

Singapore Financing

In September 2009, a wholly-owned subsidiary of the Company located in Singapore entered into a 37,000,000 Singapore dollar, or approximately \$26,247,000 (using the exchange rate as of September 30, 2009) credit facility agreement (the Singapore Financing). The Singapore Financing is comprised of two tranches: (i) Facility A, which is available for drawing upon through March 18, 2010, provides a term loan of up to 34,500,000 Singapore dollars and (ii) Facility B, which is available for drawing upon through September 12, 2010, provides a term loan of up to 2,500,000 Singapore dollars (collectively, the Loans Payable). The Loans Payable under the Singapore Financing bear interest at a

Edgar Filing: LAZARD GLOBAL TOTAL RETURN & INCOME FUND INC - Form N-CSRS

floating rate (Swap Offer Rate plus 3.65% per annum). Facility A will be repaid in nine semi-annual installments beginning in August 2010 and Facility B will be repaid in eight semi-annual installments beginning in February 2011. The Singapore Financing has a final maturity date of August 31, 2014 and interest is payable in periods of one,

Table of Contents**EQUINIX, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

three or six months at the election of the Company's Singaporean subsidiary. The Singapore Financing is guaranteed by the parent, Equinix, and is secured by the assets of the Company's second IBX center in Singapore. The Singapore Financing has several financial covenants specific to the Company's operations in Singapore, with which the Company must comply periodically. As of September 30, 2009, the Company had borrowings under the Facility A tranche of 33,500,000 Singapore dollars, or approximately \$23,764,000, at an approximate interest rate per annum of 4.15%, leaving 3,500,000 Singapore dollars, or approximately \$2,483,000, available for future borrowings under the Singapore Financing.

Bank of America Revolving Credit Line

In February 2009, the Company and one of its wholly-owned subsidiaries, as co-borrower, entered into a \$25,000,000 one-year revolving credit facility with Bank of America (the Bank of America Revolving Credit Line). The Bank of America Revolving Credit Line will be used primarily to fund the Company's working capital and to enable the Company to issue letters of credit. The effect of issuing letters of credit under the Bank of America Revolving Credit Line will be to reduce the amount available for borrowing under the Bank of America Revolving Credit Line. The Company may borrow, repay and reborrow under the Bank of America Revolving Credit Line at either the prime rate or at a borrowing margin of 2.75% over one, three or six month LIBOR, subject to a minimum borrowing cost of 3.00%. The Bank of America Revolving Credit Line contains three financial covenants, which the Company must comply with quarterly, consisting of a tangible net worth ratio, a debt service ratio and a senior leverage ratio and is collateralized by the Company's domestic accounts receivable balances. As of September 30, 2009, the Company was in compliance with all financial covenants in connection with the Bank of America Revolving Credit Line. The Bank of America Revolving Credit Line is available for renewal subject to mutual agreement by both parties. During the nine months ended September 30, 2009, the Company issued nine irrevocable letters of credit totaling \$14,717,000 under the Bank of America Revolving Credit Line, which resulted in the release of restricted cash (see Other Assets in Note 7). As a result, the amount available to borrow was \$10,283,000 as of September 30, 2009.

Convertible Subordinated Debentures

In June 2009, the Company entered into agreements with the holders of the remaining \$19,150,000 of the Convertible Subordinated Debentures to exchange an aggregate of 484,809 newly issued shares of the Company's common stock to settle the Convertible Subordinated Debentures. The number of shares of common stock issued equals the amount issuable upon conversion of the Convertible Subordinated Debentures in accordance with their original terms. As of September 30, 2009, there were no Convertible Subordinated Debentures outstanding.

Netherlands Financing

In June 2009, the Company's wholly-owned subsidiary in the Netherlands amended senior credit facilities totaling approximately 5,500,000 Euros (the Netherlands Financing), which were assumed as a result of the Virtu Acquisition, by entering into a 7,000,000 Euro term loan to replace the previously outstanding senior credit facilities. The Netherlands Financing contains several financial covenants, which the Company must comply with annually, is guaranteed by the Company and is collateralized by substantially all of the Company's operations in the Netherlands. The Netherlands Financing has a final maturity date of June 30, 2016 with repayment to occur over the remaining seven years in 28 equal quarterly installments starting September 30, 2009. The Netherlands Financing bears interest at a floating rate (three month EURIBOR plus 3.60% per annum). As of September 30, 2009, a total of 7,000,000 Euros, or approximately \$10,247,000, was outstanding under the Netherlands Financing.

Table of Contents**EQUINIX, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****Maturities***

Combined aggregate maturities for the Company's various debt facilities and other financing obligations as of September 30, 2009 were as follows (in thousands):

	Convertible debt ⁽¹⁾	Mortgage and loans payable ⁽¹⁾	Capital lease and other financing obligations ⁽²⁾	Total
2009 (three months remaining)	\$	\$ 16,412	\$ 4,317	\$ 20,729
2010		53,865	17,596	71,461
2011		56,532	19,605	76,137
2012	250,000	145,972 ⁽³⁾	19,486	415,458
2013		36,651	19,587	56,238
2014 and thereafter	769,736	137,932	182,801	1,090,469
	1,019,736	447,364	263,392	1,730,492
Less amount representing interest			(124,852)	(124,852)
Less amount representing debt discount	(131,372)			(131,372)
Less amount representing remaining estimated building costs			(4,640)	(4,640)
Plus amount representing residual property value			26,626	26,626
	888,364	447,364	160,526	1,496,254
Less current portion of principal		(53,101)	(6,347)	(59,448)
	\$ 888,364	\$ 394,263	\$ 154,179	\$ 1,436,806

(1) Represents principal only.

(2) Represents principal and interest in accordance with minimum lease payments.

(3) The loan payable under the Chicago IBX Financing has an initial maturity date of January 31, 2010, with options to extend for up to an additional two years, in one-year increments, upon satisfaction of certain extension conditions. The Company intends to exercise such extensions.

9. Commitments and Contingencies***Legal Matters***

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

Edgar Filing: LAZARD GLOBAL TOTAL RETURN & INCOME FUND INC - Form N-CSRS

February 19, 2003, the court dismissed the Section 10(b) claim against the Company, but denied the motion to dismiss the Section 11 claim.

The parties in the approximately 300 coordinated cases, including the Company, the Underwriter Defendants in the Company class action lawsuit, and the plaintiff class in the Company class action lawsuit, reached a settlement. The insurers for the issuer defendants in the coordinated cases will make the settlement payment on behalf of the issuers, including the Company. On October 6, 2009, the Court granted final approval to the settlement. The time to appeal the final approval decision will run on November 5, 2009. Due to the inherent uncertainties of litigation, we cannot accurately predict the ultimate outcome of

Table of Contents**EQUINIX, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

the matter. The Company is unable at this time to determine whether the outcome of the litigation would have a material impact on our results of operations, financial condition or cash flows. The Company intends to continue to defend the action vigorously if the settlement is appealed and does not survive the appeal.

On August 22, 2008, a complaint was filed against the Company, certain former officers and directors of Pihana Pacific, Inc. (Pihana), certain investors in Pihana, and others. The lawsuit was filed in the First Circuit Court of the State of Hawaii, and arises out of December 2002 agreements pursuant to which the Company merged Pihana and i-STT (a subsidiary of Singapore Technologies Telemedia Pte Ltd) into the internet exchange services business of the Company. Plaintiffs, who were allegedly holders of Pihana common stock, allege that their rights as shareholders were violated, and the transaction was effectuated improperly, by Pihana's majority shareholders, officers and directors, with the alleged assistance of the Company and others. Among other things, plaintiffs contend that they effectively had a right to block the transaction, that this supposed right was disregarded, and that they improperly received no consideration when the deal was completed. The complaint seeks to recover unspecified punitive damages, equitable relief, fees and costs, and compensatory damages in an amount that plaintiffs allegedly believe may be all or a substantial portion of the approximately \$725,000,000 value of the Company held by Defendants (a group that includes more than 30 individuals and entities). An amended complaint, which adds new plaintiffs (other alleged holders of Pihana common stock) but is otherwise substantially similar to the original pleading, was filed on September 29, 2008 (the Amended Complaint). On October 13, 2008, a complaint was filed in a separate action by another purported holder of Pihana common stock, naming the same defendants and asserting substantially similar allegations as the August 22, 2008 and September 29, 2008 pleadings. On December 12, 2008, the court entered a stipulated order, which consolidated the two actions under one case number and set January 22, 2009 as the last day for Defendants to move to dismiss or otherwise respond to the Amended Complaint, the operative complaint in this case. On January 22, 2009, motions to dismiss the Amended Complaint were filed by the Company and other Defendants. On April 24, 2009, plaintiffs filed a Second Amended Complaint (SAC) to correct the naming of certain parties. The SAC is otherwise substantively identical to the Amended Complaint, and all motions to dismiss the Amended Complaint have been treated as responsive to the SAC. On September 1, 2009, the Court heard Defendants' motions to dismiss the SAC and ruled at the hearing that all claims against all Defendants are time-barred. The Court also considered whether there were further independent grounds for dismissing the claims, and supplemental briefing has been submitted with respect to claims against one defendant. The Court has not yet entered a final Order on the motions to dismiss. The Company believes that plaintiffs' claims and alleged damages are without merit and it intends to defend the litigation vigorously.

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

The Company believes that while an unfavorable outcome to these litigation matters described above is reasonably possible, a range of potential loss cannot be determined at this time. As a result, the Company has not accrued for any amounts in connection with these legal matters as of September 30, 2009. The Company and its officers and directors intend to continue to defend the actions vigorously.

Other Purchase Commitments

Primarily as a result of the Company's various IBX expansion projects, as of September 30, 2009, the Company was contractually committed for \$60,427,000 of unaccrued capital expenditures, primarily for IBX equipment not yet delivered and labor not yet provided, in connection with the work necessary to open these IBX centers and make them available to customers for installation. In addition, the Company had numerous other, non-capital purchase commitments in place as of September 30, 2009, such as commitments to purchase power in select locations, primarily in the U.S., Australia, Germany, Singapore and the United Kingdom, through the remainder of 2009 and thereafter, and other open purchase orders for goods or services to be delivered or provided during the remainder of 2009 and thereafter. Such other miscellaneous purchase commitments totaled \$86,302,000 as of September 30, 2009.

Table of Contents**EQUINIX, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****10. Other Comprehensive Income and Loss**

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Net income	\$ 18,812	\$ 5,556	\$ 51,709	\$ 10,061
Unrealized gain (loss) on available for sale securities, net of tax of \$56, \$0, \$462 and \$0, respectively	78	(717)	635	(964)
Unrealized gain (loss) on interest rate swaps, net of tax of \$161, \$0, \$532 and \$0, respectively	221	(3,584)	660	(2,345)
Foreign currency translation gain (loss)	(5,665)	(64,097)	52,618	(57,361)
Comprehensive income (loss)	\$ 13,446	\$ (62,842)	\$ 105,622	\$ (50,609)

Changes in foreign currencies, particularly the British pound and Euro, can have a significant impact to the Company's consolidated balance sheets (as evidenced above in the Company's foreign currency translation gain or loss), as well as its consolidated results of operations, as amounts in foreign currencies are generally translating into more U.S. dollars when the U.S. dollar weakens or less U.S. dollars when the U.S. dollar strengthens.

11. Segment Information

While the Company has a single line of business, which is the design, build-out and operation of network-neutral IBX centers, it has determined that it has three reportable segments comprised of its U.S., Europe and Asia-Pacific geographic regions. The Company's chief operating decision-maker evaluates performance, makes operating decisions and allocates resources based on the Company's revenue and adjusted EBITDA performance both on a consolidated basis and based on these three geographic regions.

Table of Contents**EQUINIX, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Total revenues:				
United States	\$ 136,334	\$ 114,859	\$ 390,974	\$ 321,302
Europe	60,806	47,297	163,662	132,339
Asia-Pacific	30,418	21,579	85,321	60,356
	\$ 227,558	\$ 183,735	\$ 639,957	\$ 513,997
Total depreciation and amortization:				
United States	\$ 25,473	\$ 26,940	\$ 78,317	\$ 74,083
Europe	13,471	10,340	34,239	29,061
Asia-Pacific	5,547	4,355	18,502	12,298
	\$ 44,491	\$ 41,635	\$ 131,058	\$ 115,442
Income from operations:				
United States	\$ 31,571	\$ 16,210	\$ 94,260	\$ 44,744
Europe	7,095	3,164	20,408	69
Asia-Pacific	6,892	2,119	15,625	3,932
	\$ 45,558	\$ 21,493	\$ 130,293	\$ 48,745
Capital expenditures:				
United States	\$ 32,865	\$ 36,971	\$ 103,216	\$ 129,852
Europe	68,109(1)	25,453	114,623(1)	123,703(2)
Asia-Pacific	15,857	33,021	50,777	75,232
	\$ 116,831	\$ 95,445	\$ 268,616	\$ 328,787

(1) Includes the purchase price for the Upminster Acquisition, net of cash acquired, which totaled \$28,176,000.

(2) Includes the purchase price for the Virtu Acquisition, net of cash acquired, which totaled \$23,241,000.

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

	September 30, 2009	December 31, 2008
United States	\$ 1,073,221	\$ 1,043,504
Europe	446,787	309,655

Edgar Filing: LAZARD GLOBAL TOTAL RETURN & INCOME FUND INC - Form N-CSRS

Asia-Pacific	183,001	139,671
	\$ 1,703,009	\$ 1,492,830

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

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Colocation	\$ 183,784	\$ 141,938	\$ 514,042	\$ 396,261
Interconnection	27,235	24,115	78,566	68,478
Managed infrastructure	7,020	7,210	21,528	21,720
Rental	295	254	798	812
Recurring revenues	218,334	173,517	614,934	487,271
Non-recurring revenues	9,224	10,218	25,023	26,726
	\$ 227,558	\$ 183,735	\$ 639,957	\$ 513,997

Table of Contents**EQUINIX, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

No single customer accounted for 10% or greater of the Company's revenues for the three and nine months ended September 30, 2009 and 2008. No single customer accounted for 10% or greater of the Company's gross accounts receivable as of September 30, 2009 and December 31, 2008.

12. Restructuring Charges

In February 2009, the Company decided to utilize space it previously abandoned in order to expand its original Los Angeles IBX center. Accordingly, the Company reversed \$5,833,000 of accrued restructuring charges associated with a Los Angeles lease during the three months ended March 31, 2009. The Company's excess space in the New York metro area remains abandoned and continues to be an accrued restructuring charge. During the three months ended June 30, 2009, the Company recorded a reduction to the restructuring charge of \$220,000 in connection with its excess space in the New York metro area as a result of revised sublease assumptions.

A summary of the movement in the Company's accrued restructuring charges from December 31, 2008 to September 30, 2009 is outlined as follows (in thousands):

	Accrued restructuring charge as of December 31, 2008	Accretion expense	Restructuring charge adjustment	Cash payments	Accrued restructuring charge as of September 30, 2009
Estimated lease exit costs	\$ 13,311	\$ 339	\$ (6,053)	\$ (1,359)	\$ 6,238
	13,311	\$ 339	\$ (6,053)	\$ (1,359)	6,238
Less current portion	(6,023)				(1,967)
	\$ 7,288				\$ 4,271

As the Company currently has no plans to enter into a lease termination with the landlord associated with the excess space lease in the New York metro area, the Company has reflected its accrued restructuring liability as both a current and non-current liability. The Company reports accrued restructuring charges within other current liabilities and other liabilities on the accompanying condensed consolidated balance sheets as of September 30, 2009 and December 31, 2008. The Company is contractually committed to this excess space lease through 2015.

13. Subsequent Events

In October 2009, the Company announced that it had entered into an agreement with Switch & Data Facilities Company, Inc. (Switch and Data) under which the Company will acquire Switch and Data (the Switch and Data Acquisition). Under the terms of the Switch and Data Acquisition, Switch and Data stockholders will have the opportunity to elect to receive either 0.19409 shares of Equinix common stock or \$19.06 in cash for each share of Switch and Data stock, valuing the equity of Switch and Data at approximately \$689,000,000 based on the closing price of Equinix common stock as of October 20, 2009. The overall consideration to be paid by the Company in the Switch and Data Acquisition will be 80% Equinix common stock and 20% cash. In the event that holders of more than 80% of Switch and Data's stock elect to receive Equinix common stock or holders of more than 20% of Switch and Data's stock elect to receive cash, the consideration of the Switch and Data Acquisition will be pro-rated to achieve these proportions. In addition, a portion of the cash consideration payable to Switch and Data stockholders may be replaced by an equivalent amount of Equinix common stock to the extent necessary to enable the Switch and Data Acquisition to qualify as a tax-free exchange. Switch and Data operates 34 data centers in the U.S. and Canada. The combined company will operate under the Equinix name. The Switch and Data Acquisition will be accounted for using the acquisition method of accounting in accordance with the

Table of Contents

EQUINIX, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

accounting standard related to the accounting for business combinations. The Company anticipates closing the Switch and Data Acquisition in the first quarter of 2010; however, the closing and its timing are subject to the approval of Switch and Data's stockholders as well as the satisfaction or waiver of other closing conditions.

The Company has evaluated subsequent events through October 23, 2009, which is the date the consolidated financial statements were issued, and determined that there are no subsequent events that would impact the Company's condensed consolidated financial statements for the quarterly period ended September 30, 2009.

Table of Contents

Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

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

Overview

Results of Operations

Liquidity and Capital Resources

Contractual Obligations and Off-Balance-Sheet Arrangements

Critical Accounting Estimates

Recent Accounting Pronouncements

In January 2009, we adopted a FASB amendment related to the accounting for convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) and a FASB amendment related to the accounting for instruments granted in share-based payment transactions that are considered participating securities and, therefore, should be included in the calculation of earnings per share, or EPS. These FASB amendments were applied retrospectively; as a result, we adjusted our previously issued comparative condensed consolidated financial statements. See Note 2 of Notes to Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q.

During the three months ended September 30, 2009, we assessed and changed the estimated useful lives of certain of our property, plant and equipment. This change is accounted for as a change in accounting estimate on a prospective basis from the three months ended September 30, 2009. See Property, Plant and Equipment in Note 1 of Notes to Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q.

In October 2009, as more fully described in Note 13 of Notes to Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q, we announced our offer to acquire Switch & Data Facilities Company, Inc., which operates 34 data centers in the U.S. and Canada. We refer to this transaction as the Switch and Data acquisition. The Switch and Data acquisition, which is expected to close in the first quarter of 2010, will have a significant impact to our financial position, results of operations and cash flows.

Overview

Edgar Filing: LAZARD GLOBAL TOTAL RETURN & INCOME FUND INC - Form N-CSRS

Equinix provides global data center services that protect and connect the world's most valued information assets. Global enterprises, financial services companies, and content and network service providers rely upon Equinix's leading insight and the company's 45 data centers in 18 markets around the world for the safeguarding of their critical IT equipment and the ability to directly connect to the networks that enable today's information-driven economy. Equinix offers the following data center services: premium data center colocation, interconnection and exchange services, and outsourced IT infrastructure services. As of September 30, 2009, we operated IBX centers in the Chicago, Dallas, Los Angeles, New York, Silicon

Table of Contents

Valley and Washington, D.C. metro areas in the United States; France, Germany, the Netherlands, Switzerland and the United Kingdom in the Europe region; and Australia, Hong Kong, Japan and Singapore in the Asia-Pacific region. In February 2008, we acquired Virtu Secure Webservices B.V., or Virtu, based in the Netherlands to supplement our European operations. We refer to this transaction as the Virtu acquisition. In July 2009, we acquired Upminster GmbH, or Upminster, based in Germany to supplement our European operations. We refer to this transaction as the Upminster acquisition.

Equinix leverages our global data centers in 18 markets around the world as a global service delivery platform which serve more than 90% of the world's Internet routes and allows our customers to increase information and application delivery performance while significantly reducing costs. Based on our global delivery platform and the quality of our IBX centers, we believe we have established a critical mass of customers. As more customers locate in our IBX centers, it benefits their suppliers and business partners to collocate as well in order to gain the full economic and performance benefits of our services. These partners, in turn, pull in their business partners, creating a marketplace for their services. Our global delivery platform enables scalable, reliable and cost-effective collocation, interconnection and traffic exchange thus lowering overall cost and increasing flexibility. Our focused business model is based on our critical mass of customers and the resulting marketplace effect. This global delivery platform, combined with our strong financial position, continue to drive new customer growth and bookings as we drive scale into our global business.

Historically, our market has been served by large telecommunications carriers who have bundled their telecommunications products and services with their collocation offerings. The data center services market landscape has evolved to include cloud computing/utility providers, application hosting providers and systems integrators, managed infrastructure hosting providers and collocation providers with over 350 companies providing data center services in the United States alone. Each of these data center services providers can bundle various collocation, interconnection and network services, and outsourced IT infrastructure services. We are able to offer our customers a global platform that supports global reach to 10 countries, proven operational reliability, improved application performance and network choice, and a highly scalable set of services. We believe this is a distinct and sustainable competitive advantage.

Our customer count increased to 2,966 as of September 30, 2009 versus 2,203 as of September 30, 2008, an increase of 35%. 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 increased to 81% as of September 30, 2009 versus approximately 78% as of September 30, 2008; however, excluding the impact of our IBX center expansion projects that have opened during the last 12 months, our utilization rate would have been approximately 86% as of September 30, 2009. Our utilization rate varies from market to market among our IBX centers across the U.S., Europe 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 centers to support power and cooling needs twice that of previous IBX centers. We could face power limitations in our centers even though we may have additional physical cabinet capacity available within a specific IBX center. This could have a negative impact on the available utilization capacity of a given center, which could have a negative impact on our ability to grow revenues, affecting our financial performance, operating results and cash flows.

Strategically, we will continue to look at attractive opportunities to grow our market share and selectively improve our footprint and service offerings such as our recent announcement of the Switch and Data acquisition. As was the case with our recent expansions and acquisitions, our expansion criteria will be dependent on a number of factors such as demand from new and existing customers, quality of the design, power capacity, access to networks, capacity availability in the current market location, amount of incremental investment required by us in the targeted property, lead-time to break-even and in-place customers. Like our recent expansions and acquisitions, the right combination of these factors may be attractive to us. Depending on the circumstances, these transactions may require additional capital

Table of Contents

expenditures funded by upfront cash payments or through long-term financing arrangements in order to bring these properties up to Equinix standards. Property expansion may be in the form of purchases of real property, long-term leasing arrangements or acquisitions. Future purchases, construction or acquisitions may be completed by us or with partners or potential customers to minimize the outlay of cash, which can be significant.

Our business is based on a recurring revenue model comprised of colocation, interconnection and managed infrastructure services. We consider these services recurring as our customers are generally billed on a fixed and recurring basis each month for the duration of their contract, which is generally one to three years in length. Our recurring revenues comprise greater than 90% of our total revenues. Over the past few years, greater than half of our then existing customers ordered new services in any given quarter representing greater than half of the new orders received in each quarter, contributing to our revenue growth.

Our non-recurring revenues are primarily comprised of installation services related to a customer's initial deployment and professional services that we perform. These services are considered to be non-recurring as they are billed typically once and upon completion of the installation or professional services work performed. The majority of these non-recurring revenues are typically billed on the first invoice distributed to the customer in connection with their initial installation. However, revenues from installation services are deferred and recognized ratably over the longer of the term of the related contract or expected life of the services. As a percentage of total revenues, we expect non-recurring revenues to represent less than 10% of total revenues for the foreseeable future.

Our U.S. revenues are derived primarily from colocation and interconnection services while our Europe and Asia-Pacific revenues are derived primarily from colocation and managed infrastructure services.

The largest components of our cost of revenues are depreciation, rental payments related to our leased IBX centers, utility costs, including electricity and bandwidth, IBX 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 centers or open new IBX centers. However, there are certain costs which are considered more variable in nature, including utilities and supplies, that are directly related to growth in our existing and new customer base. We expect the cost of our utilities, specifically electricity, will increase in the future on a per-unit or fixed basis in addition to the variable increase related to the growth of consumption by the customer. In addition, the cost of electricity is generally higher in the summer months as compared to other times of the year.

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 headquarters office lease and some depreciation expense.

Due to our recurring revenue model, and a cost structure which has a large base that is fixed in nature and generally does not grow in proportion to revenue growth, we expect our cost of revenues, sales and marketing expenses and general and administrative expenses to decline as a percentage of revenue over time, although we expect each of them to grow in absolute dollars in connection with our growth. This is evident in the trends noted below in our discussion on our results of operations. However, for cost of revenues, this trend may periodically be impacted when a large expansion project opens and before it starts generating any meaningful revenue.

Results of Operations

Our results of operations for the nine months ended September 30, 2008 include the operations of Virtu from February 5, 2008 to September 30, 2008. Our results of operations for the three and nine months ended September 30, 2009 include the operations of Upminster from July 22, 2009 to September 30, 2009.

Table of Contents**Three Months Ended September 30, 2009 and 2008**

Revenues. Our revenues for the three months ended September 30, 2009 and 2008 were generated from the following revenue classifications and geographic regions (dollars in thousands):

	Three months ended September 30,				Change	
	2009	%	2008	%	\$	%
U.S:						
Recurring revenues	\$ 132,307	58%	\$ 109,422	60%	\$ 22,885	21%
Non-recurring revenues	4,027	2%	5,437	3%	(1,410)	(26)%
	136,334	60%	114,859	63%	21,475	19%
Europe:						
Recurring revenues	56,913	25%	44,174	23%	12,739	29%
Non-recurring revenues	3,893	2%	3,123	2%	770	25%
	60,806	27%	47,297	25%	13,509	29%
Asia-Pacific:						
Recurring revenues	29,114	13%	19,921	11%	9,193	46%
Non-recurring revenues	1,304	0%	1,658	1%	(354)	(21)%
	30,418	13%	21,579	12%	8,839	41%
Total:						
Recurring revenues	218,334	96%	173,517	94%	44,817	26%
Non-recurring revenues	9,224	4%	10,218	6%	(994)	(10)%
	\$ 227,558	100%	\$ 183,735	100%	\$ 43,823	24%

U.S. Revenues. The period over period growth in recurring revenues was primarily the result of 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 centers, as well as selective price increases in each of our IBX markets. During the three months ended September 30, 2009, we recorded approximately \$17.6 million of revenue generated from our recently-opened IBX centers or IBX center expansions in the Chicago, Los Angeles and New York metro areas. We expect that our U.S. revenues will continue to grow in future periods as a result of continued growth in these recently-opened IBX centers and additional expansions currently taking place in the Chicago, Los Angeles, New York, Silicon Valley and Washington, D.C. metro areas, all of which are expected to open in 2010.

Europe Revenues. Our revenues from the United Kingdom, the largest revenue contributor in the Europe region, represented approximately 36% and 37%, respectively, of the regional revenues for the three months ended September 30, 2009 and 2008. As in the U.S., Europe revenue growth was due to an increase in orders from both our existing customers and new customers during the period as reflected in the growth in our customer count and utilization rate, as discussed above, in both our new and existing IBX centers. During the three months ended September 30, 2009, we recorded approximately \$2.5 million of revenue from our recently-opened IBX centers or IBX center expansions in the Amsterdam, Frankfurt and Paris metro areas. We expect that our Europe revenues will continue to grow in future periods as a result of continued growth in recently-opened IBX centers or IBX center expansions and additional expansions currently taking place in the Frankfurt, Geneva, London and Zurich metro areas, all of which are expected to open during the remainder of 2009 and the first half of 2010.

Asia-Pacific Revenues. Our revenues from Singapore, the largest revenue contributor in the Asia-Pacific region, represented approximately 37% and 38%, respectively, of the regional revenues for the three months ended September 30, 2009 and 2008. As in the U.S., Asia-Pacific revenue growth was due to an increase in orders from both our existing customers and new customers during the period as reflected in the growth in our customer count and utilization rate, as discussed above, in both our new and existing IBX centers, as well as selective price increases in each of our IBX markets. During the three months ended September 30, 2009, we recorded approximately \$7.1 million of revenue generated from our IBX centers or IBX center expansions in the Hong Kong, Singapore and Sydney metro areas. 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 centers or IBX center expansions.

Table of Contents

Cost of Revenues. Our cost of revenues for the three months ended September 30, 2009 and 2008 were split among the following geographic regions (dollars in thousands):

	Three months ended September 30,				Change	
	2009	%	2008	%	\$	%
U.S.	\$ 69,223	55%	\$ 63,832	58%	\$ 5,391	8%
Europe	40,358	32%	32,727	30%	7,631	23%
Asia-Pacific	16,426	13%	13,346	12%	3,080	23%
Total	\$ 126,007	100%	\$ 109,905	100%	\$ 16,102	15%

	Three months ended September 30,	
	2009	2008
<i>Cost of revenues as a percentage of revenues:</i>		
U.S.	51%	56%
Europe	66%	69%
Asia-Pacific	54%	62%
Total	55%	60%

U.S. Cost of Revenues. U.S. cost of revenues for the three months ended September 30, 2009 and 2008 included \$24.4 million and \$24.9 million, respectively, of depreciation expense. During the three months ended September 30, 2009, we revised the estimated useful lives of certain of our property, plant and equipment. As a result, our U.S. depreciation expense decreased by \$2.3 million during the three months ended September 30, 2009; however, this decrease was mostly offset by additional depreciation expense of \$1.8 million due to our IBX center expansion activity. Excluding depreciation, the increase in U.S. cost of revenues was primarily due to overall growth related to our revenue growth and costs associated with our expansion projects, including an increase of \$3.2 million in rent and facility costs and an increase of \$1.8 million in utility costs as a result of increased customer installations. We expect U.S. cost of revenues to increase as we continue to grow our business.

Europe Cost of Revenues. Europe cost of revenues for the three months ended September 30, 2009 and 2008 included \$11.8 million and \$8.3 million, respectively, of depreciation expense. Growth in depreciation expense of \$3.8 million was primarily due to our IBX center expansion activity; however, this growth was partially offset by a \$307,000 decrease in depreciation expense as we revised the estimated useful lives of certain of our property, plant and equipment during the three months ended September 30, 2009. Excluding depreciation expense, the increase in Europe cost of revenues was primarily the result of costs associated with our expansion projects and overall growth in connection with revenue growth, such as \$2.2 million of higher utility costs arising from increased customer installations and revenues attributed to customer growth. We expect Europe cost of revenues to increase as we continue to grow our business.

Asia-Pacific Cost of Revenues. Asia-Pacific cost of revenues for the three months ended September 30, 2009 and 2008 included \$5.3 million and \$4.2 million, respectively, of depreciation expense. Growth in depreciation expense of \$3.3 million was primarily due to our IBX center expansion activity; however, this growth was partially offset by a \$2.2 million decrease in depreciation expense as we revised the estimated useful lives of certain of our property, plant and equipment during the three months ended September 30, 2009. Excluding depreciation expense, the increase in Asia-Pacific cost of revenues was primarily the result of costs associated with our expansion projects and overall growth in connection with revenue growth. We expect Asia-Pacific cost of revenues to increase as we continue to grow our business.

Table of Contents

Sales and Marketing Expenses. Our sales and marketing expenses for the three months ended September 30, 2009 and 2008 were split among the following geographic regions (dollars in thousands):

	Three months ended September 30,				Change	
	2009	%	2008	%	\$	%
U.S.	\$ 8,833	57%	\$ 9,628	60%	\$ (795)	(8)%
Europe	4,094	26%	4,181	26%	(87)	(2)%
Asia-Pacific	2,616	17%	2,200	14%	416	19%
Total	\$ 15,543	100%	\$ 16,009	100%	\$ (466)	(3)%

	Three months ended September 30,	
	2009	2008
<i>Sales and marketing expenses as a percentage of revenues:</i>		
U.S.	6%	8%
Europe	7%	9%
Asia-Pacific	9%	10%
Total	7%	9%

U.S. Sales and Marketing Expenses. Our U.S. sales and marketing expenses did not change significantly. We generally expect U.S. sales and marketing expenses to increase as we continue to grow our business and invest further in various branding initiatives; however, as a percentage of revenues, we expect them to decrease.

Europe Sales and Marketing Expenses. Our Europe sales and marketing expenses did not change significantly. We generally expect Europe sales and marketing expenses to increase as we continue to grow our business; however, as a percentage of revenues, we expect them to decrease.

Asia-Pacific Sales and Marketing Expenses. The increase in our Asia-Pacific sales and marketing expenses was primarily due to higher compensation costs, including general salaries, bonuses and stock-based compensation expense. We expect Asia-Pacific sales and marketing expenses to increase as we continue to grow our business; however, as a percentage of revenues, we expect them to decrease.

General and Administrative Expenses. Our general and administrative expenses for the three months ended September 30, 2009 and 2008 were split among the following geographic regions (dollars in thousands):

	Three months ended September 30,				Change	
	2009	%	2008	%	\$	%
U.S.	\$ 26,387	68%	\$ 24,390	69%	\$ 1,997	8%
Europe	8,200	21%	7,225	20%	975	13%
Asia-Pacific	4,484	11%	3,914	11%	570	15%
Total	\$ 39,071	100%	\$ 35,529	100%	\$ 3,542	10%

	Three months ended September 30,	
	2009	2008
<i>General and administrative expenses as a percentage of revenues:</i>		
U.S.	19%	21%
Europe	13%	15%

Edgar Filing: LAZARD GLOBAL TOTAL RETURN & INCOME FUND INC - Form N-CSRS

Asia-Pacific	15%	18%
Total	17%	19%

Table of Contents

U.S. General and Administrative Expenses. The increase in U.S. general and administrative expenses was primarily due to higher compensation costs, including general salaries, bonuses and headcount growth (295 U.S. general and administrative employees as of September 30, 2009 versus 251 as of September 30, 2008). Going forward, although we are carefully monitoring our spending given the current economic environment, we expect U.S. general and administrative expenses to increase as we continue to scale our operations to support our growth; however, as a percentage of revenues, we expect them to decrease.

Europe General and Administrative Expenses. The increase in Europe general and administrative expenses was primarily due to higher compensation costs, including general salaries, bonuses, stock-based compensation expense and headcount growth (105 Europe general and administrative employees as of September 30, 2009 versus 85 as of September 30, 2008). Going forward, although we are carefully monitoring our spending given the current economic environment, we expect our Europe general and administrative expenses to increase in future periods as we continue to scale our operations to support our growth and in connection with various ongoing integration initiatives related to investments in systems and internal control compliance; however, as a percentage of revenues, we expect them to decrease.

Asia-Pacific General and Administrative Expenses. The increase in our Asia-Pacific general and administrative expenses was primarily due to higher compensation costs, including stock-based compensation expense and headcount growth (105 Asia-Pacific general and administrative employees as of September 30, 2009 versus 83 as of September 30, 2008). Going forward, although we are carefully monitoring our spending given the current economic environment, we expect Asia-Pacific general and administrative expenses to increase as we continue to scale our operations to support our growth; however, as a percentage of revenues, we expect them to decrease.

Restructuring Charges. During the three months ended September 30, 2008, we recorded a restructuring charge adjustment of \$799,000 from revised sublease assumptions on our excess space lease in the Los Angeles metro area. During the three months ended September 30, 2009, no restructuring charge was recorded.

Acquisition Costs. During the three months ended September 30, 2009, we recorded acquisition costs totaling \$1.4 million, primarily related to the Upminster acquisition. During the three months ended September 30, 2008, no acquisition costs were recorded.

Interest Income. Interest income decreased to \$353,000 for the three months ended September 30, 2009 from \$2.0 million for the three months ended September 30, 2008. Interest income decreased primarily due to lower yields on invested balances. The average yield for the three months ended September 30, 2009 was 0.36% versus 2.23% for the three months ended September 30, 2008. We expect our interest income to remain at these low levels for the foreseeable future due to a low interest rate environment and as we continue to utilize our cash to finance our expansion activities.

Interest Expense. Interest expense increased to \$22.3 million for the three months ended September 30, 2009 from \$15.7 million for the three months ended September 30, 2008. The increase in interest expense was primarily due to higher loan balances as a result of loan drawdowns and new financings entered into during 2008 and 2009 consisting of (i) our \$373.8 million 4.75% convertible subordinated notes offering in June 2009, (ii) our Netherlands financing, of which \$10.2 million was outstanding as of September 30, 2009 with an approximate interest rate of 3.6% per annum as compared to \$6.1 million outstanding as of September 30, 2008 with an approximate interest rate of 6.5% per annum and (iii) our Asia-Pacific financing, of which \$73.0 million was outstanding as of September 30, 2009 with an approximate blended interest rate of 3.0% per annum as compared to \$65.4 million outstanding as of September 30, 2008 with an approximate blended interest rate of 4.28% per annum. The increase was partially offset by higher capitalized interest expense, repayment of some loans and the partial conversions of certain of our convertible subordinated debentures in November 2008 and June 2009. During the three months ended September 30, 2009 and 2008, we capitalized \$2.6 million and \$2.0 million, respectively, of interest expense to construction in progress. Going forward, we expect to incur higher interest expense as we fully utilize or recognize the full impact of our existing financings and as we complete expansion efforts and cease to capitalize interest expense.

Table of Contents

Other-Than-Temporary Impairment Loss On Investments. For the three months ended September 30, 2008, we recorded a \$1.5 million other-than-temporary impairment loss on one of our money market accounts as more fully described in Note 7 of Notes to Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report. During the three months ended September 30, 2009, we did not record any other-than-temporary impairment losses on our investments.

Other Income (Expense). For the three months ended September 30, 2009, we recorded \$2.5 million of other income, primarily attributable to foreign currency exchange gains during the period. For the three months ended September 30, 2008, we recorded \$520,000 of other expense, primarily attributable to foreign currency exchange losses during the period.

Income Taxes. For the three months ended September 30, 2009, we recorded \$7.3 million of income tax expense. The tax expense recorded in the three months ended September 30, 2009 was a result of applying the annual effective tax rates estimated for the year to the operating results of the period, partially offset by income tax benefits due to the release of valuation allowance of \$4.0 million associated with our Hong Kong operations. For the three months ended September 30, 2008, we recorded \$187,000 of income tax expense attributable to our foreign operations. Our effective tax rates were 28.0% and 3.3% for the three months ended September 30, 2009 and 2008, respectively. The increase in our effective tax rate is primarily a result of our domestic operations no longer carrying a valuation allowance against the net deferred tax assets of those operations which achieved sufficient profitability in the fourth quarter of 2008. We have not incurred any meaningful cash income tax expense since inception and we do not expect to incur any significant cash income tax expense during the remainder of 2009 because we still have a large amount of net operating loss carry-forwards in all of the jurisdictions in which we operate, which can be used to offset the taxable profit generated in 2009. The cash tax for 2009 is primarily for the U.S. Alternative Minimum Tax, the foreign income tax in the United Kingdom and the California state income tax as a result of California temporarily suspending the utilization of net operating loss carry-forwards. Additionally, we may recognize income tax benefits attributable to certain of our foreign operations in future periods as a result of the release of our remaining valuation allowances.

Nine Months Ended September 30, 2009 and 2008

Revenues. Our revenues for the nine months ended September 30, 2009 and 2008 were generated from the following revenue classifications and geographic regions (dollars in thousands):

	Nine months ended September 30,				Change	
	2009	%	2008	%	\$	%
U.S.:						
Recurring revenues	\$ 380,490	59%	\$ 308,319	60%	\$ 72,171	23%
Non-recurring revenues	10,484	2%	12,983	2%	(2,499)	(19)%
	390,974	61%	321,302	62%	69,672	22%
Europe:						
Recurring revenues	153,328	24%	123,365	24%	29,963	24%
Non-recurring revenues	10,334	2%	8,974	2%	1,360	15%
	163,662	26%	132,339	26%	31,323	24%
Asia-Pacific:						
Recurring revenues	81,116	13%	55,587	11%	25,529	46%
Non-recurring revenues	4,205	0%	4,769	1%	(564)	(12)%
	85,321	13%	60,356	12%	24,965	41%
Total:						
Recurring revenues	614,934	96%	487,271	95%	127,663	26%
Non-recurring revenues	25,023	4%	26,726	5%	(1,703)	(6)%
	\$ 639,957	100%	\$ 513,997	100%	\$ 125,960	25%

U.S. Revenues. The period over period growth in recurring revenues was primarily the result of 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 centers, as well as selective price increases in each of our IBX markets. During the nine months ended September 30, 2009, we recorded approximately \$47.3 million of revenue generated from our recently-

Table of Contents

opened IBX centers or IBX center expansions in the Chicago, Los Angeles and New York metro areas. We expect that our U.S. revenues will continue to grow in future periods as a result of continued growth in these recently-opened IBX centers or IBX center expansions and additional expansions currently taking place in the Chicago, Los Angeles, New York, Silicon Valley and Washington, D.C. metro areas, all of which are expected to open during 2010.

Europe Revenues. Our revenues from the United Kingdom, the largest revenue contributor in the Europe region, represented approximately 37% and 39%, respectively, of the regional revenues for the nine months ended September 30, 2009 and 2008. As in the U.S., Europe revenue growth was due to an increase in orders from both our existing customers and new customers during the period as reflected in the growth in our customer count and utilization rate, as discussed above, in both our new and existing IBX centers. During the nine months ended September 30, 2009, we recorded approximately \$28.2 million of revenue from our recently-opened IBX centers or IBX center expansions in the Amsterdam, Frankfurt, London and Paris metro areas. We expect that our Europe revenues will continue to grow in future periods as a result of continued growth in recently-opened IBX centers or IBX center expansions and additional expansions currently taking place in the Amsterdam, Geneva, Frankfurt, London and Zurich metro areas, all of which are expected to open during the remainder of 2009 and the first half of 2010.

Asia-Pacific Revenues. Our revenues from Singapore, the largest revenue contributor in the Asia-Pacific region, represented approximately 36% of the regional revenues for both the nine months ended September 30, 2009 and 2008. As in the U.S., Asia-Pacific revenue growth was due to an increase in orders from both our existing customers and new customers during the period as reflected in the growth in our customer count and utilization rate, as discussed above, in both our new and existing IBX centers, as well as selective price increases in each of our IBX markets. During the nine months ended September 30, 2009, we recorded approximately \$17.4 million of revenue generated from our IBX centers or IBX center expansions in the Hong Kong, Singapore and Sydney metro areas. 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 centers or IBX center expansions.

Cost of Revenues. Our cost of revenues for the nine months ended September 30, 2009 and 2008 were split among the following geographic regions (dollars in thousands):

	Nine months ended September 30,				Change	
	2009	%	2008	%	\$	%
U.S.	\$ 199,701	56%	\$ 175,721	57%	\$ 23,980	14%
Europe	106,798	30%	92,608	30%	14,190	15%
Asia-Pacific	49,847	14%	38,124	13%	11,723	31%
Total	\$ 356,346	100%	\$ 306,453	100%	\$ 49,893	16%

	Nine months ended September 30,	
	2009	2008
<i>Cost of revenues as a percentage of revenues:</i>		
U.S.	51%	55%
Europe	65%	70%
Asia-Pacific	58%	63%
Total	56%	60%

U.S. Cost of Revenues. U.S. cost of revenues for the nine months ended September 30, 2009 and 2008 included \$73.9 million and \$67.7 million, respectively, of depreciation expense. Growth in depreciation expense of \$8.5 million was due to our IBX center expansion activity; however, this growth was partially offset by a \$2.3 million decrease in depreciation expense as we revised the estimated useful lives of certain of our property, plant and equipment during the three months ended September 30, 2009. Excluding depreciation, the increase in U.S. cost of revenues was primarily due to overall growth related to our revenue growth and costs associated with our expansion projects, including (i) an increase of \$8.1 million in utility costs as a result of increased customer installations, (ii) an increase of \$6.7 million in rent and facility

Table of Contents

costs and (iii) \$3.9 million in higher compensation costs, primarily as a result of headcount growth (302 U.S. employees as of September 30, 2009 versus 275 as of September 30, 2008). We expect U.S. cost of revenues to increase as we continue to grow our business.

Europe Cost of Revenues. Europe cost of revenues for the nine months ended September 30, 2009 and 2008 included \$29.5 million and \$23.1 million, respectively, of depreciation expense. Growth in depreciation expense of \$6.7 million was primarily due to our IBX center expansion activity; however, this growth was partially offset by a \$307,000 decrease in depreciation expense as we revised the estimated useful lives of certain of our property, plant and equipment during the three months ended September 30, 2009. Excluding depreciation expense, the increase in Europe cost of revenues was primarily the result of costs associated with our expansion projects and overall growth in connection with revenue growth, such as \$6.5 million of higher utility costs arising from increased customer installations and revenues attributed to customer growth. We expect Europe cost of revenues to increase as we continue to grow our business.

Asia-Pacific Cost of Revenues. Asia-Pacific cost of revenues for the nine months ended September 30, 2009 and 2008 included \$18.0 million and \$11.9 million, respectively, of depreciation expense. Growth in depreciation expense of \$8.3 million was primarily due to our IBX center expansion activity; however, this growth was partially offset by a \$2.2 million decrease in depreciation expense as we revised the estimated useful lives of certain of our property, plant and equipment during the three months ended September 30, 2009. Excluding depreciation expense, the increase in Asia-Pacific cost of revenues was primarily the result of costs associated with our expansion projects and overall growth in connection with revenue growth, such as \$3.1 million of higher utility costs arising from increased customer installations and revenues attributed to customer growth. We expect Asia-Pacific cost of revenues to increase as we continue to grow our business.

Sales and Marketing Expenses. Our sales and marketing expenses for the nine months ended September 30, 2009 and 2008 were split among the following geographic regions (dollars in thousands):

	Nine months ended September 30,				Change	
	2009	%	2008	%	\$	%
U.S.	\$ 26,297	57%	\$ 26,799	57%	\$ (502)	(2)%
Europe	12,756	28%	13,361	29%	(605)	(5)%
Asia-Pacific	7,262	15%	6,490	14%	772	12%
Total	\$ 46,315	100%	\$ 46,650	100%	\$ (335)	(1)%

	Nine months ended September 30,	
	2009	2008
<i>Sales and marketing expenses as a percentage of revenues:</i>		
U.S.	7%	8%
Europe	8%	10%
Asia-Pacific	9%	11%
Total	7%	9%

U.S. Sales and Marketing Expenses. Our U.S. sales and marketing expenses did not change significantly. We generally expect U.S. sales and marketing expenses to increase as we continue to grow our business and invest further in various branding initiatives; however, as a percentage of revenues, we expect them to decrease.

Europe Sales and Marketing Expenses. Our Europe sales and marketing expenses did not change significantly. We generally expect Europe sales and marketing expenses to increase as we continue to grow our business; however, as a percentage of revenues, we expect them to decrease.

Asia-Pacific Sales and Marketing Expenses. The increase in our Asia-Pacific sales and marketing expenses was primarily due to higher compensation costs, including general salaries, bonuses and stock-based compensation expense. We expect Asia-Pacific sales and marketing expenses to increase as we continue to grow our business; however, as a percentage of revenues, we expect them to decrease.

Table of Contents

General and Administrative Expenses. Our general and administrative expenses for the nine months ended September 30, 2009 and 2008 were split among the following geographic regions (dollars in thousands):

	Nine months ended September 30,				Change	
	2009	%	2008	%	\$	%
U.S.	\$ 76,449	69%	\$ 73,239	65%	\$ 3,210	4%
Europe	22,641	20%	26,301	24%	(3,660)	(14)%
Asia-Pacific	12,587	11%	11,810	11%	777	7%
Total	\$ 111,677	100%	\$ 111,350	100%	\$ 327	0%

	Nine months ended September 30,	
	2009	2008
<i>General and administrative expenses as a percentage of revenues:</i>		
U.S.	20%	23%
Europe	14%	20%
Asia-Pacific	15%	20%
Total	17%	22%

U.S. General and Administrative Expenses. The increase in our U.S. general and administrative expenses was primarily due to compensation costs, including general salaries, bonuses and headcount growth (295 U.S. general and administrative employees as of September 30, 2009 versus 251 as of September 30, 2008). Going forward, although we are carefully monitoring our spending given the current economic environment, we expect U.S. general and administrative expenses to increase as we continue to scale our operations to support our growth; however, as a percentage of revenues, we expect them to decrease.

Europe General and Administrative Expenses. The decrease in our Europe general and administrative expenses was primarily due to a \$3.1 million one-time stock-based compensation charge due to equity award modifications related to the resignation of two senior officers in Europe during the nine months ended September 30, 2008. Going forward, although we are carefully monitoring our spending given the current economic environment, we expect our Europe general and administrative expenses to increase in future periods as we continue to scale our operations to support our growth and in connection with various ongoing integration initiatives related to investments in systems and internal control compliance; however, as a percentage of revenues, we expect them to decrease.

Asia-Pacific General and Administrative Expenses. Our Asia-Pacific general and administrative expenses did not change significantly. Going forward, although we are carefully monitoring our spending given the current economic environment, we expect Asia-Pacific general and administrative expenses to increase as we continue to scale our operations to support our growth; however, as a percentage of revenues, we expect them to decrease.

Restructuring Charges. During the nine months ended September 30, 2009, we recorded reductions of restructuring charges totaling \$6.1 million, primarily due to a reversal of a restructuring charge accrual of \$5.8 million for our excess space in the Los Angeles metro area as a result of our decision to utilize this space to expand our original Los Angeles IBX center. Our excess space lease in the New York metro area remains abandoned and continues to carry a restructuring charge. During the nine months ended September 30, 2008, we recorded a restructuring charge adjustment of \$799,000 from revised sublease assumptions on our excess space lease in the Los Angeles metro area.

Acquisition Costs. During the nine months ended September 30, 2009, we recorded acquisition costs totaling \$1.4 million, primarily related to the Upminster acquisition. During the nine months ended September 30, 2008, we did not expense direct acquisition costs pursuant to the accounting standard applicable to that period.

Table of Contents

Interest Income. Interest income decreased to \$1.9 million for the nine months ended September 30, 2009 from \$7.8 million for the nine months ended September 30, 2008. Interest income decreased primarily due to lower yields on invested balances. The average yield for the nine months ended September 30, 2009 was 0.64% versus 3.0% for the nine months ended September 30, 2008. We expect our interest income to remain at these low levels for the foreseeable future due to a low interest rate environment and as we continue to utilize our cash to finance our expansion activities.

Interest Expense. Interest expense was \$51.6 million and \$45.2 million, respectively, for the nine months ended September 30, 2009 and 2008. The increase in interest expense was primarily due to higher loan balances as a result of loan drawdowns and new financings entered into during 2008 and 2009 consisting of (i) our \$373.8 million 4.75% convertible subordinated notes offering in June 2009, (ii) our Netherlands financing, of which \$10.2 million was outstanding as of September 30, 2009 with an approximate interest rate of 3.6% per annum as compared to \$6.1 million outstanding as of September 30, 2008 with an approximate interest rate of 6.5% per annum and (iii) our Asia-Pacific financing, of which \$73.0 million was outstanding as of September 30, 2009 with an approximate blended interest rate of 3.0% per annum as compared to \$65.4 million outstanding as of September 30, 2008 with an approximate blended interest rate of 4.28% per annum. The increase was partially offset by higher capitalized interest expense, repayment of some loans and the partial conversions of certain of our convertible subordinated debentures in November 2008 and June 2009. During the nine months ended September 30, 2009 and 2008, we capitalized \$10.4 million and \$6.7 million, respectively, of interest expense to construction in progress. Going forward, we expect to incur higher interest expense as we fully utilize or recognize the full impact of our existing financings, including the \$373.8 million 4.75% convertible subordinated notes offering and the Singapore financing, and as we complete expansion efforts and cease to capitalize interest expense.

Other-Than-Temporary Impairment Loss On Investments. For the nine months ended September 30, 2009 and 2008, we recorded \$2.7 million and \$1.5 million, respectively, of other-than-temporary impairment losses on one of our money market accounts as more fully described in Note 7 of Notes to Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report.

Other Income (Expense). For the nine months ended September 30, 2009 and 2008, we recorded \$3.7 million and \$602,000, respectively, of other income, primarily attributable to foreign currency exchange gains during the periods.

Income Taxes. For the nine months ended September 30, 2009 and 2008, we recorded \$29.9 million and \$400,000, respectively, of income tax expense. The tax expense recorded in the nine months ended September 30, 2009 was a result of applying the annual effective tax rates estimated for the year to the operating results of the period, partially offset by income tax benefits due to the release of valuation allowance of \$4.0 million associated with our Hong Kong operations. The income tax expense recorded in the nine months ended September 30, 2008 was attributable to our foreign operations. Our effective tax rates were 36.6% and 3.8% for the nine months ended September 30, 2009 and 2008, respectively. The increase in our effective tax rate is primarily a result of our domestic operations no longer carrying a valuation allowance against the net deferred tax assets of those operations which achieved sufficient profitability in the fourth quarter of 2008. We have not incurred any meaningful cash income tax expense since inception and we do not expect to incur any significant cash income tax expense during the remainder of 2009 because we still have a large amount of net operating loss carry-forwards in all the jurisdictions in which we operate, which can be used to offset the taxable profit generated in 2009. The cash tax for 2009 is primarily for the U.S. Alternative Minimum Tax, the foreign income tax in the United Kingdom and the California state income tax as a result of California temporarily suspending the utilization of net operating loss carry-forwards. Additionally, we may recognize income tax benefits attributable to certain of our foreign operations in future periods as a result of the release of our remaining valuation allowances.

Table of Contents**Liquidity and Capital Resources**

As of September 30, 2009, our total indebtedness was comprised of (i) convertible debt principal totaling \$1.0 billion from our 2.50% convertible subordinated notes (gross of discount), our 3.00% convertible subordinated notes and our 4.75% convertible subordinated notes (gross of discount) and (ii) non-convertible debt and financing obligations totaling \$607.9 million of principal from our Washington D.C. metro area IBX capital lease, San Jose IBX equipment and fiber financing, Chicago IBX equipment financing, Los Angeles IBX financing, Paris metro area IBX capital lease, Ashburn campus mortgage payable, Chicago IBX financing, Asia-Pacific financing, European financing, Netherlands financing, Singapore financing 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 our current portion of debt due, and to complete our publicly-announced expansion projects, as well as the Switch and Data acquisition, of which 20% of the total purchase price is payable in cash, for at least the next 12 months. As of September 30, 2009, we had \$627.4 million of cash, cash equivalents and short-term and long-term investments. Besides our investment portfolio and any financing activities we may pursue, customer collections are our primary source of cash. While we believe we have a strong customer base and have continued to experience relatively strong collections, if the current market conditions were to deteriorate further, some of our customers may have difficulty paying us and we may experience increased churn in our customer base, including reductions in their commitments to us, all of which could have a material adverse effect on our liquidity.

As of September 30, 2009, we had a total of approximately \$16.0 million of additional liquidity available to us, which consists of (i) \$3.2 million under the European financing for general working capital purposes, (ii) \$10.3 million under the \$25.0 million Bank of America revolving credit line and (iii) \$2.5 million under the Singapore financing. Our indebtedness as of September 30, 2009, as noted above, consisted of \$607.9 million of non-convertible senior debt. Although these are committed facilities, most of which are fully drawn or utilized and for which we are amortizing debt repayments of either principal and/or interest only, and we are in full compliance with all covenants related to them effective September 30, 2009, deteriorating market and liquidity conditions may give rise to issues which may impact the lenders' ability to hold these debt commitments to their full term.

While we believe we have sufficient liquidity and capital resources to meet our current operating requirements and to complete our publicly-announced IBX expansion plans, we may pursue additional expansion opportunities, primarily the build-out of new IBX centers, in certain of our existing markets which are at or near capacity within the next year, as well as potential acquisitions. While we will be able to fund some of these expansion plans with our existing resources, additional financing, either debt or equity, may be required to pursue certain of these additional expansion plans. However, if current market conditions were to deteriorate further, we may be unable to secure additional financing or any such additional financing may be available to us on unfavorable terms. An inability to pursue additional expansion opportunities will have a material adverse effect on our ability to maintain our desired level of revenue growth in future periods.

Sources and Uses of Cash

	Nine Months Ended	
	September 30,	
	2009	2008
	(in thousands)	
Net cash provided by operating activities	\$ 272,982	\$ 191,263
Net cash used in investing activities	(542,494)	(434,850)
Net cash provided by financing activities	326,520	112,950

Operating Activities. The increase in net cash provided by operating activities was primarily due to improved operating results as discussed above, strong collections of accounts receivable and management of vendor payments. We expect that we will continue to generate cash from our operating activities during the remainder of 2009 and beyond.

Table of Contents

Investing Activities. The increase in net cash used in investing activities was primarily due to higher purchase of investments, partially offset by lower capital expenditures. We expect that our IBX expansion activity during 2009 will be less than in 2008 as we carefully manage investing activities during the current economic environment.

Financing Activities. Net cash provided by financing activities during the nine months ended September 30, 2009 was primarily the result of \$373.8 million in gross proceeds from our 4.75% convertible notes offering and proceeds from our Singapore financing and employee equity awards, partially offset by repayments of our debt facilities and the costs of our capped call transactions entered into in connection with our \$373.8 million 4.75% convertible subordinated notes offering. Net cash provided by financing activities during the nine months ended September 30, 2008 was primarily due to loan drawdowns for ongoing expansion projects. We expect that our financing activities will consist primarily of repayment of our debt during the remainder of 2009.

Debt Obligations

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, beginning 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. As of September 30, 2009, the 4.75% convertible subordinated notes were convertible into 4.4 million shares of our common stock.

Holders of the 4.75% convertible subordinated notes may convert their notes under certain defined circumstances, including during any fiscal quarter (and only during that fiscal quarter) ending after September 30, 2009, if the sale price of our common stock, for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the previous fiscal quarter, is greater than 130% of the conversion price per share of common stock on such last trading day, which was \$119.60 per share as of September 30, 2009 or at any time on or after March 15, 2016.

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).

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

2.50% Convertible Subordinated Notes. In January 2009, we adopted a FASB amendment related to the accounting for convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement). As a result, we have separately accounted for the liability and equity components of our 2.50% convertible subordinated notes. See 2.50% Convertible Subordinated Notes in Note 8 of Notes to Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q.

Convertible Subordinated Debentures. In June 2009, we entered into agreements with the holders of the remaining \$19.2 million of these convertible subordinated debentures to exchange an aggregate of 484,809 newly issued shares of our common stock to settle the convertible subordinated debentures. The number of shares of common stock issued equals the amount issuable upon conversion of the convertible subordinated debentures in accordance with their original terms. As of September 30, 2009, there were no convertible subordinated debentures outstanding.

Table of Contents

Singapore Financing. In September 2009, our wholly-owned subsidiary in Singapore entered into a 37.0 million Singapore dollar, or approximately \$26.2 million (using the exchange rate as of September 30, 2009) credit facility agreement, which is referred to as the Singapore financing. The Singapore financing is comprised of two tranches: (i) Facility A, which is available for drawing upon through March 18, 2010, provides a term loan of up to 34.5 million Singapore dollars and (ii) Facility B, which is available for drawing upon through September 12, 2010, provides a term loan of up to 2.5 million Singapore dollars. The loans payable under the Singapore financing bear interest at a floating rate (Swap offer rate plus 3.65% per annum). Facility A will be repaid in nine semi-annual installments beginning August 2010 and Facility B will be repaid in eight semi-annual installments beginning February 2011. The Singapore financing has a final maturity date of August 31, 2014 and interest is payable in periods of one, three or six months at the election of our Singaporean subsidiary. The Singapore financing is guaranteed by the parent, Equinix, and is secured by the assets of our second IBX center in Singapore. The Singapore financing has several financial covenants specific to our operations in Singapore, with which we must comply periodically. As of September 30, 2009, we had borrowings under the Facility A tranche of 33.5 million Singapore dollars, or approximately \$23.8, at an approximate interest rate per annum of 4.15%, leaving 3.5 million Singapore dollars, or approximately \$2.5 million, available for future borrowings under the Singapore financing.

Netherlands Financing. In June 2009, our wholly-owned subsidiary in the Netherlands amended a 5.5 million Euro senior credit facility, which is referred to as the Netherlands financing, which was assumed as a result of the Virtu acquisition, by entering into a 7.0 million Euro term loan to replace the previously outstanding senior credit facility. The Netherlands financing contains several financial covenants, which we must comply with annually, is guaranteed by us and is collateralized by substantially all of our operations in the Netherlands. The Netherlands financing has a final maturity date of June 30, 2016 with repayment to occur over the remaining seven years in 28 equal quarterly installments starting September 30, 2009. The Netherlands financing bears interest at a floating rate (three month EURIBOR plus 3.60% per annum). As of September 30, 2009, a total of 7.0 million Euros, or approximately \$10.2 million, was outstanding under the Netherlands financing.

\$25.0 Million Bank of America Revolving Credit Line. In February 2009, we entered into a \$25.0 million one-year revolving credit facility with Bank of America, which is referred to as the \$25.0 million Bank of America revolving credit line. The \$25.0 million Bank of America revolving credit line will be used primarily to fund our working capital and to enable us to issue letters of credit. The effect of issuing letters of credit under the \$25.0 million Bank of America revolving credit line will be to reduce the amount available for borrowing under the \$25.0 million Bank of America revolving credit line. We may borrow, repay and reborrow under the \$25.0 million Bank of America revolving credit line at either the prime rate or at a borrowing margin of 2.75% over one, three or six month LIBOR, subject to a minimum borrowing cost of 3.00%. The \$25.0 million Bank of America revolving credit line contains three financial covenants, which we must comply with quarterly, consisting of a tangible net worth ratio, a debt service ratio and a senior leverage ratio and is collateralized by our domestic accounts receivable balances. As of September 30, 2009, we were in compliance with all financial covenants in connection with the Bank of America revolving credit line. The \$25.0 million Bank of America revolving credit line is available for renewal subject to mutual agreement by both parties. During the nine months ended September 30, 2009, we entered into nine irrevocable letters of credit totaling \$14.7 million under the \$25.0 million Bank of America revolving credit line, which resulted in our release of restricted cash to unrestricted cash. As a result, the amount available to borrow was \$10.3 million as of September 30, 2009.

Table of Contents**Contractual Obligations and Off-Balance Sheet Arrangements**

We lease a majority of our IBX centers and certain equipment under non-cancelable lease agreements expiring through 2027. The following represents our debt maturities, financings, leases and other contractual commitments as of September 30, 2009 (in thousands):

	2009 (3 months)	2010	2011	2012	2013	2014 and thereafter	Total
Convertible debt (1)	\$	\$	\$	\$ 250,000	\$	\$ 769,736	\$ 1,019,736
Chicago IBX financing (1)				109,991(5)			109,991
Asia-Pacific financing (1)	8,116	32,463	28,379	4,032			72,990
European financing (1)	4,403	15,923	17,685	21,243	25,646	50,555	135,455
Netherlands financing (1)	732	1,464	1,464	1,464	1,464	3,659	10,247
Singapore financing (1)		1,188	5,941	5,941	5,941	4,753	23,764
Interest (2)	13,254	52,184	44,952	34,090	31,298	53,793	229,571
Mortgage payable (3)	2,541	10,164	10,164	10,164	10,165	123,339	166,537
Other note payable (3)	2,500						2,500
Capital lease and other financing obligations (3)	4,317	17,596	19,605	19,486	19,587	182,801	263,392
Operating leases under accrued restructuring charges (3)	642	2,193	2,266	2,455	2,471	3,946	13,973
Operating leases (4)	14,613	64,368	62,539	61,503	62,563	322,627	588,213
Other contractual commitments (4)	94,482	34,464	17,011	771			146,728
	\$ 145,600	\$ 232,007	\$ 210,006	\$ 521,140	\$ 159,135	\$ 1,515,209	\$ 2,783,097

(1) Represents principal only.

(2) Represents interest on convertible debt, Chicago IBX financing, Asia-Pacific financing, European financing and Netherlands financing based on their approximate interest rates as of September 30, 2009.

(3) Represents principal and interest.

(4) Represents off-balance sheet arrangements. Other contractual commitments are described below.

(5) The loan payable under the Chicago IBX financing has a maturity date of January 31, 2010, with options to extend for up to an additional two years, in one-year increments, upon satisfaction of certain extension conditions. We intend to extend the maturity of the loan payable under the Chicago IBX financing.

In connection with six of our IBX leases, we entered into nine irrevocable letters of credit totaling \$14.7 million with Bank of America. These letters of credit were provided in lieu of cash deposits under the \$25.0 million Bank of America revolving credit line and automatically renew in successive one-year periods until the final lease expiration date. If the landlords for these IBX leases decide to drawdown 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 \$25.0 million Bank of America revolving credit line. These contingent commitments are not reflected in the table above.

Primarily as a result of our various IBX expansion projects, as of September 30, 2009, we were contractually committed for \$60.4 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 centers prior to making them available to customers for installation. This amount, which is expected to be paid during the remainder of 2009 and 2010, is reflected in the table above as other contractual commitments.

We have other non-capital purchase commitments in place as of September 30, 2009, such as commitments to purchase power in select locations, primarily in the U.S., Australia, Germany, Singapore and the United Kingdom, through the remainder of 2009 and thereafter, and other open purchase orders, which contractually bind us for goods or services to be delivered or provided during the remainder of 2009 and beyond. Such other purchase commitments as of September 30, 2009, which total \$86.3 million, are also reflected in the table above as other contractual commitments.

In addition, although we are not contractually obligated to do so, we expect to incur additional capital expenditures of approximately \$380.0 million to \$420.0 million, in addition to the \$60.4 million in contractual commitments discussed above as of September 30, 2009, in our various IBX expansion projects during the remainder of 2009 and 2010 in order to complete the work needed to open these IBX centers. These

non-contractual capital expenditures are not reflected in the table above. If the current economic environment persists, we could delay these non-contractual capital expenditure commitments to preserve liquidity.

Table of Contents

Critical Accounting Estimates

Equinix's financial statements and accompanying notes are prepared in accordance with generally accepted accounting principles in the United States of America. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are affected by management's application of accounting policies. During the three months ended September 30, 2009, we revised the estimated useful lives of certain of our property, plant and equipment. This change resulted in higher income from operations, net income and basic and diluted earnings per share. See Property, Plant and Equipment in Note 1 of Notes to Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q. On an on-going basis, management evaluates its estimates and judgments. Critical accounting policies for Equinix that affect our more significant judgments and estimates used in the preparation of our condensed consolidated financial statements include accounting for income taxes, accounting for impairment of goodwill and accounting for property, plant and equipment, which are discussed in more detail under the caption Critical Accounting Estimates in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our report on Form 8-K as filed with the SEC on June 8, 2009.

Recent Accounting Pronouncements

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

As more fully described in Cash, Cash Equivalents and Short-Term and Long-Term Investments in Note 7 of Notes to Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q, during the nine months ended September 30, 2009, we incurred an additional \$2.7 million of other-than-temporary impairment loss from our investment portfolio (consisting of a single money market account) in the Reserve Primary Fund. We issued additional convertible debt in June 2009, the fair value of which is subject to interest rate risk. The fair value of our convertible debt is disclosed in Note 1 of Notes to Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q. There have been no other significant changes in our market risk, investment portfolio risk, interest rate risk, foreign currency risk and commodity price risk exposures and procedures during the nine months ended September 30, 2009 as compared to the respective risk exposures and procedures disclosed in Quantitative and Qualitative Disclosures About Market Risk, set forth in Part II Item 7A, of our Annual Report on Form 10-K for the year ended December 31, 2008.

Item 4. Controls and Procedures

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

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

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.

Table of Contents

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

PART II - OTHER INFORMATION**Item 1. Legal Proceedings**

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

The parties in the approximately 300 coordinated cases, including Equinix, the Underwriter Defendants in the Equinix class action lawsuit, and the plaintiff class in the Equinix class action lawsuit, reached a settlement. The insurers for the issuer defendants in the coordinated cases will make the settlement payment on behalf of the issuers, including Equinix. On October 6, 2009, the Court granted final approval to the settlement. The time to appeal the final approval decision will run on November 5, 2009. Due to the inherent uncertainties of litigation, we cannot accurately predict the ultimate outcome of the matter. We are unable at this time to determine whether the outcome of the litigation would have a material impact on our results of operations, financial condition or cash flows. We intend to continue to defend the action vigorously if the settlement is appealed and does not survive the appeal.

On August 22, 2008, a complaint was filed against Equinix, certain former officers and directors of Pihana Pacific, Inc. (Pihana), certain investors in Pihana, and others. The lawsuit was filed in the First Circuit Court of the State of Hawaii, and arises out of December 2002 agreements pursuant to which Equinix merged Pihana and i-STT (a subsidiary of Singapore Technologies Telemedia Pte Ltd) into the internet exchange services business of Equinix. Plaintiffs, who were allegedly holders of Pihana common stock, allege that their rights as shareholders were violated, and the transaction was effectuated improperly, by Pihana s majority shareholders, officers and directors, with the alleged assistance of Equinix and others. Among other things, plaintiffs contend that they effectively had a right to block the transaction, that this supposed right was disregarded, and that they improperly received no consideration when the deal was completed. The complaint seeks to recover unspecified punitive damages, equitable relief, fees and costs, and compensatory damages in an amount that plaintiffs allegedly believe may be all or a substantial portion of the approximately \$725.0 million value of Equinix held by Defendants (a group that includes

Table of Contents

more than 30 individuals and entities). An amended complaint, which adds new plaintiffs (other alleged holders of Pihana common stock) but is otherwise substantially similar to the original pleading, was filed on September 29, 2008 (the Amended Complaint). On October 13, 2008, a complaint was filed in a separate action by another purported holder of Pihana common stock, naming the same defendants and asserting substantially similar allegations as the August 22, 2008 and September 29, 2008 pleadings. On December 12, 2008, the court entered a stipulated order, which consolidated the two actions under one case number and set January 22, 2009 as the last day for Defendants to move to dismiss or otherwise respond to the Amended Complaint, the operative complaint in this case. On January 22, 2009, motions to dismiss the Amended Complaint were filed by Equinix and other Defendants. On April 24, 2009, plaintiffs filed a Second Amended Complaint (SAC) to correct the naming of certain parties. The SAC is otherwise substantively identical to the Amended Complaint, and all motions to dismiss the Amended Complaint have been treated as responsive to the SAC. On September 1, 2009, the Court heard Defendants' motions to dismiss the SAC and ruled at the hearing that all claims against all Defendants are time-barred. The Court also considered whether there were further independent grounds for dismissing the claims, and supplemental briefing has been submitted with respect to claims against one defendant. The Court has not yet entered a final Order on the motions to dismiss. We believe that plaintiffs' claims and alleged damages are without merit and we intend to defend the litigation vigorously.

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

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:

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

We have a significant amount of debt. As of September 30, 2009, our total indebtedness was approximately \$1.5 billion, our stockholders' equity was \$1.1 billion and our cash and investments totaled \$627.4 million.

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

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

make it more difficult for us to satisfy our obligations under our various debt instruments;

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

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

limit our ability to borrow additional funds, even when necessary to maintain adequate liquidity, which would also limit our ability to further expand our business; and

make us more vulnerable to increases in interest rates because of the variable interest rates on some of our borrowings to the extent we have not entirely hedged such variable rate debt.

Edgar Filing: LAZARD GLOBAL TOTAL RETURN & INCOME FUND INC - Form N-CSRS

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 and financial condition.

Table of Contents

In addition, of our total indebtedness as of September 30, 2009, \$607.9 million was non-convertible senior debt. These are committed facilities, virtually all of which are fully drawn or advanced, for which we are amortizing debt repayments of either principal and/or interest only, and we were in compliance with the covenants related to this debt effective September 30, 2009. However, deteriorating market and liquidity conditions may give rise to issues which may impact the lenders' ability to hold these debt commitments to maturity. Accordingly, these lenders of committed and drawn facilities may refuse to fund advances under the undrawn facilities or attempt to call outstanding amounts, even though no call provisions exist absent a default. Loss of these facilities would have an adverse effect on our liquidity.

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.

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

In October 2009, we announced that we had entered into an agreement to acquire Switch and Data in a transaction valued at approximately \$689.0 million. Over the last several years, we have completed several other acquisitions (including our acquisitions of IXEurope plc in 2007, Virtu Secure Webservices B.V. in 2008 and Upminster GmbH in 2009). We may make additional acquisitions in the future, which may include acquisitions of businesses, products, services or technologies that we believe to be complementary, as well as acquisitions of new IBX centers or real estate for development of new IBX centers. 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 several 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;

the possibility that we may not be able to successfully integrate acquired businesses 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 will consist of our common stock;

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

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

Edgar Filing: LAZARD GLOBAL TOTAL RETURN & INCOME FUND INC - Form N-CSRS

the possibility that additional capital expenditures may be required or that transaction expenses associated with acquisitions may be higher than anticipated;

the possible loss or reduction in value of acquired businesses;

Table of Contents

the possibility that carriers may find it cost-prohibitive or impractical to bring fiber and networks into a new IBX 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 environmental or asbestos liability, for which insurance coverage may be insufficient or unavailable.

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

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

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

Our capital expenditures, together with ongoing operating expenses and obligations to service our debt, will be a substantial drain on our cash flow and may decrease our cash balances. The capital markets are currently limited for external financing opportunities. Additional debt or equity financing, especially in the current credit-constrained climate, may not be available when needed or, if available, may not be available on satisfactory terms. Our inability to obtain needed debt and/or equity financing or to generate sufficient cash from operations may require us to prioritize projects or curtail capital expenditures which could adversely affect our results of operations.

The global financial crisis may continue to have an impact on our business and financial condition.

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

The credit crisis could also have an impact on our foreign exchange forward contract and interest rate swap hedging 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.

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

We may experience gains and losses resulting from fluctuations in foreign currency exchange rates. To date, the majority of our revenues and costs are denominated in U.S. dollars; however, the majority of revenues and costs in our international operations are denominated in foreign currencies. Where our prices are denominated in U.S. dollars, our sales could be adversely affected by declines in foreign currencies relative to the U.S. dollar, thereby making our products and services more expensive in local currencies.

Table of Contents

We are also exposed to risks resulting from fluctuations in foreign currency exchange rates in connection with our international expansions. To the extent we are paying contractors in foreign currencies, our expansions could cost more than anticipated as a result of declines in the U.S. dollar relative to foreign currencies. In addition, fluctuating foreign currency exchange rates have a direct impact on how our international results of operations translate into U.S. dollars.

Although we have in the past, and may decide in the future, to undertake foreign exchange hedging transactions to reduce foreign currency transaction exposure, we do not currently intend to eliminate all foreign currency transaction exposure. For example, while we hedge certain of our foreign currency assets and liabilities on our balance sheet, we do not hedge revenue. During fiscal 2007 and the first half of 2008, the U.S. dollar had been generally weaker relative to certain of the currencies of the foreign countries in which we operate. This overall weakness of the U.S. dollar had a positive impact on our consolidated results of operations because the foreign denominations translated into more U.S. dollars. However, during the second half of 2008 and through the first quarter of 2009, the U.S. dollar strengthened relative to certain of the currencies of the foreign countries in which we operate. This significantly impacted our consolidated financial position and results of operations as amounts in foreign currencies are generally translating into less U.S. dollars. Overall, during the nine months ended September 30, 2009, the U.S. dollar weakened relative to certain of the currencies of the foreign countries in which we operate, which had a positive impact to our results of operations. In future periods, strengthening of the U.S. dollar 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. For additional information on foreign currency risk, refer to our discussion of foreign currency risk in *Quantitative and Qualitative Disclosures About Market Risk* included in Part I, Item 3 of this Quarterly Report.

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

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

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

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

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

As of September 30, 2009 our accumulated deficit was \$403.7 million. Although we generated net income during 2008, our first full year of net income since our inception, and during the first, second and third quarters of 2009, we are also currently investing heavily in our future growth through the build-out of several additional IBX centers and IBX center expansions. As a result, we will incur higher depreciation and other operating expenses, as well as interest expense, that may negatively impact our ability to sustain profitability in future periods unless and until these new IBX centers generate enough revenue to exceed their operating costs and cover our additional overhead needed to scale our business for this anticipated growth. The current global financial crisis may also impact our ability to sustain profitability if we cannot generate sufficient revenue to offset the increased costs of our recently-opened IBX centers or IBX 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.

Table of Contents

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 centers beyond those expansion projects already announced. We will be required to commit substantial operational and financial resources to these IBX 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 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 construction of additional new IBX centers could involve significant risks to our business.

In order to sustain our growth in certain of our existing and new markets, we must acquire suitable land with or without structures to build new IBX centers from the ground up. We call these greenfield builds. Greenfield builds are currently underway, or being contemplated, in several key markets. A greenfield build involves substantial planning and lead-time, much longer time to completion than an IBX retrofit of an existing data center, and significantly higher costs of construction, equipment and materials, which could have a negative impact on our returns. A greenfield build also requires us to carefully select and rely on the experience of one or more general contractors and associated subcontractors during the construction process. Should a general contractor or significant subcontractor experience financial or other problems during the construction process, we could experience significant delays, increased costs to complete the project and other negative impacts to our expected returns. Site selection is also a critical factor in our expansion plans, and there may not be suitable properties available in our markets with the necessary combination of high power capacity and fiber connectivity.

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

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

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

human error;

equipment failure;

physical, electronic and cybersecurity breaches;

fire, earthquake, flood, tornados and other natural disasters;

extreme temperatures;

water damage;

fiber cuts;

power loss;

Table of Contents

terrorist acts;

sabotage and vandalism; and

failure of business partners who provide our resale products.

Problems at one or more of our IBX 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 centers could result in difficulty maintaining service level commitments to these customers and potential claims related to such failures. Because our IBX centers are critical to many of our customers' businesses, service interruptions or significant equipment damage in our IBX 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 the result of a problem at one of our IBX centers.

We may incur significant liability to our customers in connection with a loss of power or our failure to meet other service level commitment obligations, or if we are held liable for a substantial damage award. 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 U.S., Asia-Pacific region, Europe and elsewhere, some of which have experienced significant system failures and electrical outages in the past. Users of our services may in the future experience difficulties due to system failures unrelated to our systems and services. If for any reason, these providers fail to provide the required services, our business, financial condition and results of operations could be materially and adversely impacted.

Environmental regulations may impose upon us new or unexpected costs.

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

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

Table of Contents

Fossil fuel combustion creates greenhouse gas emissions that are linked to global climate change. Regulations to limit greenhouse gas emissions are in force in the European Union in an effort to prevent or reduce climate change. In the United States, federal legislative proposals are being actively considered that would, if adopted, implement some form of regulation or taxation to reduce or mitigate greenhouse gas emissions. In addition, it is possible that the U.S. Environmental Protection Agency (EPA) will use its existing authority under the Clean Air Act to regulate greenhouse gas emissions.

Several states within the United States have adopted laws intended to limit fossil fuel consumption and/or encourage renewable energy development for the same purpose. For example, California enacted AB-32, the Global Warming Solutions Act of 2006 (GWSA), prescribing a statewide cap on global warming pollution with a goal of reaching 1990 greenhouse gas emission levels by 2020 and 80% below 1990 levels by 2050 and establishing a mandatory emissions reporting program.

Federal, regional and state regulatory programs are still developing. In their final form, they may include a tax on carbon, a carbon cap-and-trade market, and/or other restrictions on carbon and greenhouse gas emissions. The area of greenhouse gas limitations and regulation is rapidly changing and will continue to change as additional legislation is considered and adopted, and regulations are finalized that implement existing law.

We do not anticipate that climate change-related laws and regulations would directly limit the emissions of greenhouse gases by our operations. We could, however, be directly subject to taxes, fees or costs, or could indirectly be required to reimburse electricity providers for such costs that would represent the amount of greenhouse gases we emit. The expected controls on greenhouse gas emissions are likely to increase the costs of electricity or fossil fuels, and these cost increases could materially increase our costs of operation or limit the availability of electricity or emergency generator fuels. To the extent any environmental laws enacted or regulations passed by the United States, or any domestic or foreign jurisdiction we perform business in, impose new or unexpected costs, our business, results of operations or financial condition may be adversely affected.

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, 2008, the closing sale price of our common stock on the NASDAQ Global Select Market has ranged from \$35.14 to \$100.75 per share. The market price of the shares of our common stock has been and may continue to be highly volatile. General economic and market conditions, and market conditions for telecommunications stocks in general, may affect the market price of our common stock.

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

our operating results or forecasts;

new issuances of equity, debt or convertible debt by us;

developments in our relationships with corporate customers;

announcements by our customers or competitors;

changes in regulatory policy or interpretation;

governmental investigations;

changes in the ratings of our stock by securities analysts;

our purchase or development of real estate and/or additional IBX centers;

acquisitions by us of complementary businesses; or

the operational performance of our IBX centers.

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

Table of Contents

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 expect to 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 capital expenditures, financing or other expenses related to the acquisition, purchase or construction of additional IBX centers or the upgrade of existing IBX centers;

demand for space, power and services at our IBX centers;

changes in general economic conditions, such as the current economic downturn, and specific market conditions in the telecommunications and Internet industries, both of which may have an impact on our customer base;

costs associated with the write-off or exit of unimproved or underutilized property, or the reversal of prior exit costs due to a change in strategy;

charges to earnings resulting from past acquisitions due to, among other things, impairment of goodwill or intangible assets, reduction in the useful lives of intangible assets acquired, identification of additional assumed contingent liabilities or revised estimates to restructure an acquired company's operations;

the duration of the sales cycle for our services;

restructuring charges or reversals of existing restructuring charges, which may be necessary due to revised sublease assumptions, changes in strategy or otherwise;

acquisitions or dispositions we may make;

the financial condition and credit risk of our customers;

the provision of customer discounts and credits;

the mix of current and proposed products and services and the gross margins associated with our products and services;

the timing required for new and future centers to open or become fully utilized;

competition in the markets in which we operate;

conditions related to international operations;

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

lack of available capacity in our existing IBX centers to generate new revenue or delays in opening up new or acquired IBX 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 center leases in connection with extending their lease terms when their initial lease term expiration dates approach;

Table of Contents

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;

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. If this occurs, we could experience an immediate and significant decline in the trading price of our stock.

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

Although we received an unqualified opinion regarding the effectiveness of our internal controls over financial reporting as of December 31, 2008, in the course of our ongoing evaluation of our internal controls over financial reporting we have identified certain areas which we would like to improve and are in the process of evaluating and designing enhanced processes and controls to address these areas identified during our evaluation, none of which we believe constitutes a material change. However, we cannot be certain that our efforts will be effective or sufficient for us, or our independent registered public accounting firm, to issue unqualified reports in the future, especially as our business continues to grow and evolve.

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

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

For the years ended December 31, 2008, 2007 and 2006, we recognized 37%, 23% and 14%, respectively, of our revenues outside the U.S. For the nine months ended September 30, 2009, we recognized 39% of our revenues outside the U.S.

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

Table of Contents

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

the costs of customizing IBX centers for foreign countries;

protectionist laws and business practices favoring local competition;

greater difficulty or delay in accounts receivable collection;

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

political and economic instability;

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;

compliance with the Foreign Corrupt Practices Act; and

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

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

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

Customers are increasing their use of high-density electrical power equipment, such as blade servers, in our IBX centers which has significantly increased the demand for power on a per cabinet basis. Because many of our IBX centers were built a number of years ago, the current demand for electrical power may exceed the designed electrical capacity in these centers. As electrical power, not space, is typically the limiting factor in our IBX centers, our ability to fully utilize those IBX centers may be limited. The availability of sufficient power may also pose a risk to the successful operation of our new IBX centers. The ability to increase the power capacity of an IBX 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 center to deliver additional power to customers. Although we are currently designing and building to a much higher power specification, there is a risk that demand will continue to increase and our IBX centers could become obsolete sooner than expected.

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

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

Table of Contents

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

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

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

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

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

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

A small number of our stockholders has voting control over a substantial portion of our stock and has influence over matters requiring stockholder consent.

Certain of our stockholders each hold voting control over greater than 5% of our outstanding common stock. In addition, these stockholders are not prohibited from buying shares of our stock in public or private transactions. As a result, these stockholders are able to exercise significant control over all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, which could prevent or delay a third party from acquiring or merging with us.

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;

a super-majority voting requirement to effect business combinations or certain amendments to our certificate of incorporation and bylaws;

limits on the persons who may call special meetings of stockholders;

the prohibition of stockholder action by written consent; and

Table of Contents

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.

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

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

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

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

A party who is able to compromise the security measures on our networks or the security of our infrastructure could misappropriate either our proprietary information or the personal information of our customers, or cause interruptions or malfunctions in our operations. We may be required to expend significant capital and resources to protect against such threats or to alleviate problems caused by breaches in security. As techniques used to breach security change frequently, and are generally not recognized until launched against a target, we may not be able to implement security measures in a timely manner or, if and when implemented, we may not be certain whether 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.

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

While no single customer accounted for 10% or more of our revenues for the nine months ended September 30, 2009 and 2008, our top 10 customers accounted for approximately 20% of our revenues during these periods. We expect that a small percentage of our customers will continue to account for a significant portion of our revenues for the foreseeable future. We cannot guarantee that we will retain these customers or that they will maintain their commitments in our IBX centers at current levels. If we lose any of these key customers, or if any of them decide to reduce the level of their commitment to us, our business, financial condition and results of operations could be adversely affected.

Table of Contents

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

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

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

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

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

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

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

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

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

We may also face competition from persons seeking to replicate our IBX center concept by building new IBX centers or converting existing IBX centers that some of our competitors are in the process of divesting. We may continue to see increased competition for data center space and customers from large REITS who also operate in our market. We may experience competition from our landlords, some of which are REITS, in this regard. Rather than leasing available space in our buildings to large single tenants, they may decide to convert the space instead to smaller square foot units designed for multi-tenant colocation use. Landlords/REITS may enjoy a cost effective advantage in providing services similar to those provided by our IBX centers, and in addition to the risk of losing customers to these parties, this could also reduce

Table of Contents

the amount of space available to us for expansion in the future. Competitors may operate more successfully or form alliances to acquire significant market share. Furthermore, enterprises that have already invested substantial resources in outsourcing arrangements may be reluctant or slow to replace, limit or compete with their existing systems by becoming a customer. Customers may also decide it is cost-effective for them to build out their own data centers, which could have a negative impact on our results of operations. In addition, other companies may be able to attract the same potential customers that we are targeting. Once customers are located in competitors' facilities, it may be extremely difficult to convince them to relocate to our IBX centers.

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

Our success in retaining key employees and discouraging them from moving to a competitor is an important factor in our ability to remain competitive. As is common in our industry, our employees are typically compensated through grants of equity awards in addition to their regular salaries. In addition to granting equity awards to selected new hires, we periodically grant new equity awards to certain employees as an incentive to remain with us. To the extent we are unable to offer competitive compensation packages to our employees and adequately maintain equity incentives due to equity expensing or otherwise, and should employees decide to leave us, this may be disruptive to our business and may adversely affect our business, financial condition and results of operations.

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

Our ability to maximize revenues depends on our ability to develop and grow a balanced customer base, consisting of a variety of companies, including global enterprises, content providers, financial companies, and network service providers. The more balanced the customer base within each IBX center, the better we will be able to generate significant interconnection revenues, which in turn increases our overall revenues. Our ability to attract customers to our IBX centers will depend on a variety of factors, including the presence of multiple carriers, the mix of products and services offered by us, the overall mix of customers, the IBX center's operating reliability and security and our ability to effectively market our services. However, some of our customers are, and are likely to continue to be, Internet companies that face many competitive pressures and that may not ultimately be successful. If these customers do not succeed, they will not continue to use the IBX centers which may be disruptive to our business. Finally, the current economic downturn may harm our ability to attract and retain customers if customers slow spending, or delay decision-making, on our products and services or if customers begin to have difficulty paying us and we experience increased churn in our customer base. Any of these factors may hinder the development and growth of a balanced customer base and adversely affect our business, financial condition and results of operations.

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

While we own certain of our IBX centers, others are leased under long-term arrangements with lease terms expiring at various dates ranging from 2009 to 2027. These leased centers have all been subject to significant development by us in order to convert them from, in most cases, vacant buildings or warehouses into IBX centers. All of our IBX center leases have renewal options available to us. However, these renewal options provide for rent set at then-prevailing market rates. To the extent that then-prevailing market rates are higher than present rates, these higher costs may adversely impact our business and results of operations.

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

During the quarter ended September 30, 2001, putative shareholder class action lawsuits were filed against us, a number of our officers and directors, and several investment banks that were underwriters of our initial public offering. Similar complaints were filed against more than 300 other issuers, their officers and directors, and investment banks. The suits allege that the underwriter defendants agreed to allocate stock in our initial public offering to certain investors in exchange for excessive and undisclosed

Table of Contents

commissions and agreements by those investors to make additional purchases in the aftermarket at pre-determined prices. Plaintiffs allege that the prospectus for our initial public offering was false and misleading and in violation of the securities laws because it did not disclose these arrangements. The parties in the approximately 300 coordinated cases, including Equinix, the underwriter defendants in the Equinix class action lawsuit, and the plaintiff class in the Equinix class action lawsuit, have reached a settlement. The insurers for the issuer defendants in the coordinated cases will make the settlement payment on behalf of the issuers, including Equinix. On October 6, 2009, the Court granted final approval to the settlement. The time to appeal the final approval decision will run on November 5, 2009.

On August 22, 2008, a complaint was filed against Equinix, certain former officers and directors of Pihana Pacific, Inc. (Pihana), certain investors in Pihana, and others. The lawsuit was filed in the First Circuit Court of the State of Hawaii, and arises out of December 2002 agreements pursuant to which Equinix merged Pihana and i-STT (a subsidiary of Singapore Technologies Telemedia Pte Ltd) into the internet exchange services business of Equinix. Plaintiffs, who were allegedly holders of Pihana common stock, allege that their rights as shareholders were violated, and the transaction was effectuated improperly, by Pihana s majority shareholders, officers and directors, with the alleged assistance of Equinix and others. Among other things, plaintiffs contend that they effectively had a right to block the transaction, that this supposed right was disregarded, and that they improperly received no consideration when the deal was completed. The complaint seeks to recover unspecified punitive damages, equitable relief, fees and costs, and compensatory damages in an amount that plaintiffs allegedly believe may be all or a substantial portion of the approximately \$725 million value of Equinix held by Defendants (a group that includes more than 30 individuals and entities). An amended complaint, which adds new plaintiffs (other alleged holders of Pihana common stock), but is otherwise substantially similar to the original pleading, was filed on September 29, 2008 (the Amended Complaint). On October 13, 2008, a complaint was filed by another purported holder of Pihana common stock, naming the same defendants and asserting substantially similar allegations as the August 22, 2008 and September 29, 2008 pleadings. On December 12, 2008, the court entered a stipulated order, which consolidated the two actions under one case number and set January 22, 2009 as the last day for Defendants to move to dismiss or otherwise respond to the Amended Complaint, the operative complaint in this case. On January 22, 2009, motions to dismiss the Amended Complaint were filed by Equinix and other Defendants. On April 24, 2009, plaintiffs filed a Second Amended Complaint (SAC) to correct the naming of certain parties. The SAC is otherwise substantively identical to the Amended Complaint, and all motions to dismiss the Amended Complaint have been treated as responsive to the SAC. On September 1, 2009, the Court heard Defendants motions to dismiss the SAC and ruled at the hearing that all claims against all Defendants are time-barred. The Court also considered whether there were further independent grounds for dismissing the claims, and supplemental briefing has been submitted with respect to claims against one defendant. The Court has not yet entered a final Order on the motions to dismiss. We believe that plaintiffs claims and alleged damages are without merit and we intend to defend the litigation vigorously.

Due to the inherent uncertainties of litigation, we cannot accurately predict the ultimate outcomes of the above matters or whether such outcomes would have a material impact on our business, results of operations, financial condition or cash flows.

We continue to participate in the defense of the above matters, which may increase our expenses and divert management s attention and resources. In addition, we may, in the future, be subject to other litigation. For example, securities class action litigation has often been brought against a company following periods of volatility in the market price of its securities. Any adverse outcome in litigation could seriously harm our business, results of operations, financial condition or cash flows.

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

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

Table of Contents

If the use of the Internet does not continue to grow, our revenues may not grow.

Acceptance and use of the Internet may not continue to develop at historical rates. Demand for Internet services and products are subject to a high level of uncertainty and are subject to significant pricing pressure. As a result, we cannot be certain that a viable market for our IBX centers will be sustained. If the market for our IBX centers grows more slowly than we anticipate, our revenues may not grow and our operating results could suffer.

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

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

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

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

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

The September 11, 2001 terrorist attacks in the U.S., the ensuing declaration of war on terrorism and the continued threat of terrorist activity and other acts of war or hostility 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 centers. We may not have adequate property and liability insurance to cover catastrophic events or attacks.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Table of Contents

Item 5. Other Information

None.

Table of Contents**Item 6. Exhibits**

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Filing Date/ Period End Date	Exhibit	
2.1	Combination Agreement, dated as of October 2, 2002, by and among Equinix, Inc., Eagle Panther Acquisition Corp., Eagle Jaguar Acquisition Corp., i-STT Pte Ltd, STT Communications Ltd., Pihana Pacific, Inc. and Jane Dietze, as representative of the stockholders of Pihana Pacific, Inc.	Def. Proxy 14A	12/12/02		
2.2	Agreement and Plan of Merger dated October 21, 2009, by and among Equinix, Inc., Switch & Data Facilities Company, Inc. and Sundance Acquisition Corporation.	8-K	10/22/09	2.1	
2.3	Voting Agreement dated October 21, 2009, by and among Equinix, Inc. and certain directors, executive officers and significant stockholders of Switch & Data Facilities Company, Inc.	8-K	10/22/09	2.2	
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 Designation of Series A and Series A-1 Convertible Preferred Stock.	10-K/A	12/31/02	3.3	
3.3	Amended and Restated Bylaws of the Registrant.	8-K	12/22/08	3.2	
4.1	Reference is made to Exhibits 3.1, 3.2 and 3.3.				
4.2	Indenture dated March 30, 2007 by and between Equinix, Inc. and U.S. Bank National Association, as trustee.	8-K	3/30/07	4.4	
4.3	Form of 2.50% Convertible Subordinated Note Due 2012 (see Exhibit 4.2).				
4.4	Indenture dated September 26, 2007 by and between Equinix, Inc. and U.S. Bank National Association, as trustee.	8-K	9/26/07	4.4	
4.5	Form of 3.00% Convertible Subordinated Note Due 2014 (see Exhibit 4.4).				
4.6	Indenture dated June 12, 2009 by and between Equinix, Inc. and U.S. Bank National Association, as trustee.	8-K	6/12/09	4.1	

Table of Contents

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Filing Date/ Period End Date	Exhibit	
4.7	Form of 4.75% Convertible Subordinated Note Due 2016 (see Exhibit 4.6).				
10.1	Form of Indemnification Agreement between the Registrant and each of its officers and directors.	S-4 (File No. 333-93749)	12/29/99	10.5	
10.2	2000 Equity Incentive Plan, as amended.	10-K	12/31/07	10.3	
10.3	2000 Director Option Plan, as amended.	10-K	12/31/07	10.4	
10.4	2001 Supplemental Stock Plan, as amended.	10-K	12/31/07	10.5	
10.5+	Lease Agreement dated as of April 21, 2004 between Eden Ventures LLC and Equinix, Inc.	10-Q	6/30/04	10.103	
10.6	Equinix, Inc. 2004 International Employee Stock Purchase Plan effective as of June 3, 2004.	10-Q	6/30/04	10.105	
10.7	Equinix, Inc. Employee Stock Purchase Plan effective as of June 3, 2004.	10-Q	6/30/04	10.106	
10.8	Form of Restricted Stock Agreement for Equinix's executive officers under the Company's 2000 Equity Incentive Plan.	10-K	12/31/05	10.115	
10.9	Letter Agreement dated October 6, 2005 among Equinix, Inc., STT Communications Ltd. and I-STT Investments Pte. Ltd.	8-K	10/6/05	99.1	
10.10	Lease Agreement dated December 21, 2005 between Equinix Operating Co., Inc. and iStar El Segundo, LLC and associated Guaranty of Equinix, Inc.	10-K	12/31/05	10.126	
10.11+	Loan and Security Agreement and Note between Equinix RP II, LLC and SFT I, Inc. dated December 21, 2005 and associated Guaranty of Equinix, Inc.	10-K	12/31/05	10.127	
10.12	Lease Agreement dated as of December 21, 2005 between Equinix RP II, LLC and Equinix, Inc.	10-K	12/31/05	10.128	
10.13	First Omnibus Modification Agreement dated December 27, 2006 by and among SFT I, Inc. (SFT I), Equinix RP II, LLC (RP II) and Equinix, Inc. (Equinix), Amended and Restated Promissory Note dated December 27, 2006 by RP II in favor of SFT I and Reaffirmation of Guaranty dated December 27, 2006 by RP II and Equinix in favor of SFT I.	10-K	12/31/06	10.37	

Table of Contents

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Filing Date/ Period End Date	Exhibit	
10.14	First Amendment to Deed of Lease dated December 27, 2006 by and between Equinix RP II, LLC and Equinix Operating Co., Inc.	10-K	12/31/06	10.38	
10.15	Development Loan and Security Agreement dated February 2, 2007 by and between CHI 3, LLC and SFT I, Inc. and related Promissory Notes One through Four.	10-Q	3/31/07	10.37	
10.16	Guaranty dated February 2, 2007 by and between Equinix, Inc. and SFT I, Inc.	10-Q	3/31/07	10.38	
10.17	Completion and Payment Guaranty dated February 2, 2007 by and between Equinix, Inc. and SFT I, Inc.	10-Q	3/31/07	10.39	
10.18	Master Lease dated February 2, 2007 by and between CHI 3, LLC and Equinix Operating Co., Inc. and associated Guaranty of Lease by Equinix, Inc.	10-Q	3/31/07	10.40	
10.19	Form of Restricted Stock Agreements for Stephen M. Smith under the Equinix, Inc. 2000 Equity Incentive Plan.	10-Q	3/31/07	10.45	
10.20	Facility Agreement dated August 31, 2007 by and among Equinix Singapore Pte. Ltd., Equinix Japan K.K., the Additional Borrowers (as defined therein), the Lenders (as defined therein), and ABN AMRO BANK N.V., and related Guarantee dated August 31, 2007 by Equinix, Inc.	10-Q	9/30/07	10.47	
10.21	£82,000,000 Senior Facilities Agreement dated June 29, 2007 by and among IXEurope plc, CIT Bank Limited, as arranger, CIT Capital Finance (UK) Limited, as administrative agent and security trustee and the Lenders (as defined therein).	10-Q	9/30/07	10.49	

Table of Contents

Exhibit Number	Exhibit Description	Incorporated by Reference		
		Form	Filing Date/ Period End Date	Filed Herewith Exhibit
10.22	Amendment and Accession Agreement, dated as of January 31, 2008, by and among Equinix Singapore Pte. Ltd., Equinix Japan K.K. and Equinix Australia Pty. Limited, as Borrowers, ABN AMRO Bank N.V., Singapore Branch, ABN AMRO Bank N.V., Japan Branch and ABN AMRO Australia Pty Limited, as Lenders and ABN AMRO Bank N.V., as Facility Agent, Arranger and Collateral Agent and related Amendment No. 1 to Guarantee by Equinix, Inc.	10-K	12/31/07	10.32
10.23	Equinix, Inc. Sub-Plan to the 2004 International Employee Stock Purchase Plan for Participants Located in the European Economic Area.	10-Q	3/31/08	10.32
10.24	Letter Agreement, dated April 22, 2008, by and between Eric Schwartz and Equinix, Inc.	10-Q	6/30/08	10.34
10.25	Letter Amendment, dated May 6, 2008, to £82,000,000 Senior Facilities Agreement dated June 29, 2007, by and among Equinix Group Limited, CIT Bank Limited, as arranger, CIT Capital Finance (UK) Limited, as administrative agent and security trustee and the Lenders (as defined therein).	10-Q	6/30/08	10.37
10.26	Second Amendment and Accession Agreement, dated as of June 6, 2008, by and among Equinix Singapore Pte. Ltd., Equinix Japan K.K., Equinix Australia Pty. Limited and Equinix Hong Kong Limited, as Borrowers, ABN AMRO Bank N.V. and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., Hong Kong Branch, as Lenders and ABN AMRO Bank N.V., as Facility Agent, Arranger and Collateral Agent and related Amendment No. 2 to Guarantee by Equinix, Inc.	10-Q	6/30/08	10.38
10.27	Lease Agreement, dated September 30, 2008, by and between Equinix Paris SAS and Digital Realty (Paris 2) SCI, and related guarantee by Equinix, Inc.	10-Q	9/30/08	10.40
10.28	Agreement for Lease, dated October 21, 2008, by and between Equinix (London) Limited and Slough Trading Estate Limited, and related guarantee by Equinix, Inc.	10-K	12/31/08	10.29

Table of Contents

Exhibit Number	Exhibit Description	Incorporated by Reference		
		Form	Filing Date/ Period End Date	Filed Herewith
10.29	Letter of Approval & Consent, dated January 15, 2009, to £82,000,000 Senior Facilities Agreement dated June 29, 2007, by and among Equinix Group Limited, CIT Bank Limited, as arranger, CIT Capital Finance (UK) Limited, as administrative agent and security trustee and the Lenders (as defined therein).	10-K	12/31/08	10.30
10.30	Severance Agreement by and between Stephen Smith and Equinix, Inc. dated December 18, 2008.	10-K	12/31/08	10.31
10.31	Severance Agreement by and between Peter Van Camp and Equinix, Inc. dated December 10, 2008.	10-K	12/31/08	10.32
10.32	Severance Agreement by and between Keith Taylor and Equinix, Inc. dated December 19, 2008.	10-K	12/31/08	10.33
10.33	Severance Agreement by and between Peter Ferris and Equinix, Inc. dated December 17, 2008.	10-K	12/31/08	10.34
10.34	Change in Control Severance Agreement by and between Eric Schwartz and Equinix, Inc. dated December 19, 2008.	10-K	12/31/08	10.35
10.35	Change in Control Severance Agreement by and between Jarrett Appleby and Equinix, Inc. dated December 11, 2008.	10-K	12/31/08	10.36
10.36	Offer Letter from Equinix, Inc. to Jarrett Appleby dated November 6, 2008.	10-K	12/31/08	10.37
10.37	Restricted Stock Unit Agreement for Jarrett Appleby under the Equinix, Inc. 2000 Equity Incentive Plan.	10-K	12/31/08	10.38
10.38	Form of Restricted Stock Unit Agreement for CEO and CFO.	10-Q	3/31/09	10.39
10.39	Form of Restricted Stock Unit Agreement for all other executive officers.	10-Q	3/31/09	10.40
10.40	Equinix, Inc. 2009 Incentive Plan.	10-Q	3/31/09	10.41
10.41	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

Table of Contents

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Filing Date/ Period End Date	Exhibit	
10.42	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	
10.43	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	
10.44	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	
10.45	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	10.5	
10.46	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	
10.47	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	
10.48	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	
10.49	Master Terms and Conditions for Capped Call Transactions dated as of June 9, 2009 between Equinix, Inc. and Goldman, Sachs & Co.	8-K	6/12/09	10.9	
10.50	Turn Key Data Center Lease by and between Digital Lakeside, LLC and Equinix Operating Co., Inc., dated as of July 10, 2009.				X
21.1	Subsidiaries of Equinix, Inc.				X
31.1	Chief Executive Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.2	Chief Financial Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X

Table of Contents

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Filing Date/ Period End Date	Exhibit	
32.1	Chief Executive Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.2	Chief Financial Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X

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

Table of Contents

EQUINIX, INC.

SIGNATURES

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

EQUINIX, INC.

Date: October 26, 2009

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

77

Table of Contents

INDEX TO EXHIBITS

Exhibit Number	Description of Document
10.50	Turn Key Data Center Lease by and between Digital Lakeside, LLC and Equinix Operating Co., Inc., dated as of July 10, 2009.
21.1	Subsidiaries of Equinix, Inc.
31.1	Chief Executive Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Chief Financial Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Chief Executive Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Chief Financial Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.