

Digital Realty Trust, Inc.  
Form 8-K/A  
June 28, 2010  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 8-K/A**

**CURRENT REPORT**

Pursuant to Section 13 OR 15(d) of The

Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 22, 2010

**DIGITAL REALTY TRUST, INC.**

(Exact name of registrant as specified in its charter)

Maryland  
(State or other jurisdiction)

001-32336  
(Commission)

26-0081711  
(I.R.S. Employer)

Edgar Filing: Digital Realty Trust, Inc. - Form 8-K/A

of incorporation)

File Number)

Identification No.)

**560 Mission Street, Suite 2900**

**San Francisco, California**  
(Address of principal executive offices)

**(415) 738-6500**

**94105**  
(Zip Code)

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Table of Contents**

This Form 8-K/A amends (1) our Form 8-K, filed on January 22, 2010, as amended by our Form 8-K/A, filed on March 24, 2010, to provide additional financial information in connection with the acquisition of the New England Portfolio and (2) our Form 8-K, filed on June 2, 2010, to provide the financial information required in connection with the proposed acquisition of the Rockwood Capital/365 Main Portfolio. The following financial statements are filed as part of this report:

**Item 9.01 Financial Statements and Exhibits.**

	<b>Page</b>
<b>(a) Financial Statements under Rule 3-14 of Regulation S-X (New England Portfolio)</b>	
<u>Independent Auditors Report</u>	3
<u>Combined Statement of Revenue and Certain Expenses for the Year Ended December 31, 2009</u>	4
<u>Notes to the Combined Statement of Revenue and Certain Expenses</u>	5
<b>(b) Unaudited Pro Forma Condensed Consolidated Financial Information</b>	
<u>Pro Forma Condensed Consolidated Financial Statements</u>	7
<u>Pro Forma Condensed Consolidated Balance Sheet as of March 31, 2010</u>	8
<u>Pro Forma Condensed Consolidated Statements of Operations for the Three Months Ended March 31, 2010 and for the Year Ended December 31, 2009</u>	9
<u>Notes to Pro Forma Condensed Consolidated Financial Statements</u>	11
<b>(d) Exhibits</b>	

**Exhibit**

<b>No.</b>	<b>Description</b>
2.1	First Amendment to Asset Purchase Agreement, dated as of June 16, 2010, by and among MainRock II Chandler, LLC, MainRock II Chantilly, LLC, MainRock, LLC, 365 Jack London Square, LLC and Rincon 365 Borrower, LLC, collectively, as the Sellers, and Digital Realty Trust, L.P., as the Purchaser (incorporated by reference to Exhibit 2.5 to Digital Realty Trust, L.P.'s General Form for Registration of Securities on Form 10 filed on June 25, 2010).
2.2	Second Amendment to Asset Purchase Agreement, dated as of June 17, 2010, by and among MainRock II Chandler, LLC, MainRock II Chantilly, LLC, MainRock, LLC, 365 Jack London Square, LLC and Rincon 365 Borrower, LLC, collectively, as the Sellers, and Digital Realty Trust, L.P., as the Purchaser (incorporated by reference to Exhibit 2.6 to Digital Realty Trust, L.P.'s General Form for Registration of Securities on Form 10 filed on June 25, 2010).
2.3	Third Amendment to Asset Purchase Agreement, dated as of June 18, 2010, by and among MainRock II Chandler, LLC, MainRock II Chantilly, LLC, MainRock, LLC, 365 Jack London Square, LLC and Rincon 365 Borrower, LLC, collectively, as the Sellers, and Digital Realty Trust, L.P., as the Purchaser (incorporated by reference to Exhibit 2.7 to Digital Realty Trust, L.P.'s General Form for Registration of Securities on Form 10 filed on June 25, 2010).
23.1	Consent of KPMG LLP, Independent Auditors.

**Table of Contents**

**Independent Auditors Report**

The Board of Directors

Digital Realty Trust, Inc.:

We have audited the accompanying combined statement of revenue and certain expenses of the New England Portfolio (the Portfolio), for the year ended December 31, 2009. This combined statement is the responsibility of the Portfolio's management. Our responsibility is to express an opinion on this combined statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Portfolio's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement. We believe that our audit provides a reasonable basis for our opinion.

The accompanying combined statement of revenue and certain expenses was prepared for the purpose of complying with the rules and regulations of the U.S. Securities and Exchange Commission and for inclusion in the current report on Form 8-K/A of Digital Realty Trust, Inc., as described in note 1. The presentation is not intended to be a complete presentation of the Portfolio's combined revenues and expenses.

In our opinion, the combined statement of revenue and certain expenses referred to above present fairly, in all material respects, the combined revenue and certain expenses described in note 1 of the New England Portfolio for the year ended December 31, 2009, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

San Francisco, California

May 20, 2010

**Table of Contents**

**New England Portfolio**

**Combined Statement of Revenue and Certain Expenses**

**For the Year Ended December 31, 2009**

**(in thousands)**

<b>Revenue:</b>	
Rental	\$ 42,695
Tenant reimbursements	20,633
	63,328
<b>Certain expenses:</b>	
Utilities	16,291
Property operating costs	5,298
Property taxes	1,846
Insurance	418
	23,853
<b>Revenue in excess of certain expenses</b>	<b>\$ 39,475</b>

See accompanying notes to the combined statement of revenue and certain expenses.

**Table of Contents**

**New England Portfolio**

**Notes to the Combined Statement of Revenue and Certain Expenses**

**For the Year Ended December 31, 2009**

**(1) Basis of Presentation**

The accompanying combined statement of revenue and certain expenses includes the revenue and certain expenses of the New England Portfolio, a three-property data center portfolio located in Massachusetts and Connecticut (the Portfolio). The Portfolio consists of 55 Middlesex Turnpike, Bedford, Massachusetts and a 100% condominium interest that represents 87.5% of the square footage of 128 First Avenue, Needham, Massachusetts, both located in the Boston metropolitan area, as well as 60-80 Merritt Boulevard, Trumbull, Connecticut.

The accompanying combined statement of revenue and certain expenses, the Portfolio was owned by Sentinel Portfolio, LLC (the Seller) for the period presented. The accompanying combined statement of revenue and certain expenses includes the accounts of the Portfolio, and all significant intercompany amounts have been eliminated.

Digital Realty Trust, Inc., through its consolidated operating partnership, Digital Realty Trust, L.P. (collectively the Company), acquired the Portfolio on January 22, 2010 for a purchase price of approximately \$375.0 million.

The accompanying combined statement of revenue and certain expenses has been prepared for the purpose of complying with Rule 3-14 of Regulation S-X of the U.S. Securities and Exchange Commission for the acquisition of one or more real estate properties which in aggregate are significant and, accordingly, are not representative of the actual results of operations for the periods presented. The Portfolio is considered a group of related properties as the individual properties are under common control and management by the Seller and the acquisition of a single property in the Portfolio was conditional on the acquisition of the other properties. Therefore, a single combined statement of revenue and certain expenses is presented. The combined statement of revenue and certain expenses excludes the following expenses which may not be comparable to the proposed future operations of the Portfolio:

Depreciation and amortization

Income taxes

Interest expense

Management fees paid to related parties

Payroll and other costs not directly related to the proposed future operations of the Portfolio.

Management is not aware of any material factors relating to the Portfolio other than those already described above that would cause the reported financial information not to be necessarily indicative of future operating results.

**(2) Summary of Significant Accounting Policies and Practices**

***(a) Revenue Recognition***

Rental revenue is recognized on a straight-line basis over the term of the respective leases. The straight-line rent adjustment for minimum rents increased base contractual rental revenue by \$3.5 million for the year ended December 31, 2009.

***(b) Use of Estimates***

## Edgar Filing: Digital Realty Trust, Inc. - Form 8-K/A

Management has made a number of estimates and assumptions relating to the reporting and disclosure of revenue and certain expenses during the reporting period to prepare the combined statement of revenue and certain expenses in conformity with U.S. generally accepted accounting principles. Actual results could differ from those estimates.

**Table of Contents****(3) Minimum Future Lease Rentals**

Future minimum rentals to be received under non-cancelable agreements in effect as of December 31, 2009 are as follows:

<b>Year ended December 31:</b>	
<b>(in thousands)</b>	
2010	\$ 41,390
2011	40,408
2012	38,628
2013	35,726
2014	33,874
Thereafter	170,283
	<b>\$ 360,309</b>

**(4) Tenant Concentrations**

Pfizer and RBS Greenwich accounted for \$12.0 million and \$7.2 million or 19.0% and 11.4% , respectively, of the Portfolio s combined revenues for the year ended December 31, 2009. No other tenant comprised more than 10% of the Portfolio s combined revenues for the year ended December 31, 2009.

**(5) Related Party Transactions**

An affiliate entity of the Seller, Sentinel Critical Operations, LLC, served as the employer of employees that worked at the Portfolio properties. Employee payroll costs were charged to each property based on time worked at each property. Property operating costs in the accompanying combined statement of revenue and certain expenses include approximately \$3.0 million of employee payroll costs for the year ended December 31, 2009.

**(6) Subsequent Events**

The Company has evaluated subsequent events related to the Portfolio for recognition or disclosure through May 20, 2010, which is the date the combined statement was available to be issued and determined that there are no other items to disclose.



**Table of Contents**

**DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES**

**Pro Forma Condensed Consolidated Financial Statements**

**(Unaudited)**

The following unaudited pro forma condensed consolidated financial statements give effect to the acquisitions of the New England Portfolio, a three-property data center portfolio located in Massachusetts and Connecticut that was acquired on January 22, 2010, and the Rockwood Capital/365 Main Portfolio, a five-property data center portfolio located in California, Arizona, and Virginia, that is expected to be acquired on or about July 7, 2010, along with the related financings.

The unaudited pro forma condensed consolidated balance sheet of Digital Realty Trust, Inc. and subsidiaries (the Company) as of March 31, 2010 is presented as if the acquisition of the Rockwood Capital/365 Main Portfolio along with the related financings occurred on March 31, 2010. The acquisition is expected to close on or about July 7, 2010; however, the possibility exists that it may not close. Our financings consist of the sale of 6.9 million shares of our common stock in an underwritten public offering that closed on June 8, 2010 and expected additional borrowings under our existing revolving credit facility. The acquisition of the New England Portfolio and related financings took place on January 22, 2010 and January 28, 2010, respectively, and are therefore included in the Company's historical condensed consolidated balance sheet as of March 31, 2010. The unaudited pro forma condensed consolidated statements of operations for the three months ended March 31, 2010 and the year ended December 31, 2009 are presented as if the acquisitions of the New England Portfolio and the Rockwood Capital/365 Main Portfolio occurred on January 1, 2009, along with the related financings. Our financings consist of the issuance of \$500 million aggregate principal amount of 5.875% notes due 2020 and additional borrowings under our existing revolving credit facility.

This pro forma information should be read in conjunction with the consolidated historical financial statements of the Company as of March 31, 2010 and December 31, 2009, and the notes thereto. The unaudited pro forma condensed consolidated financial statements are prepared for informational purposes only and are not necessarily indicative of what the actual financial position or results of operations would have been had we completed these transactions as of the beginning of the periods presented, nor is it necessarily indicative of future results. In addition, the pro forma condensed consolidated balance sheet includes pro forma allocations of the purchase price of the Rockwood Capital/365 Main Portfolio based upon preliminary estimates of the fair value of the assets and liabilities acquired in connection with the acquisition. These allocations may be adjusted in the future upon completion of the acquisition and finalization of these preliminary estimates.

**Table of Contents****DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES****Pro Forma Condensed Consolidated Balance Sheet****March 31, 2010****(unaudited in thousands)**

<b>Assets</b>	<b>Company Historical (A)</b>	<b>Acquisition of Rockwood Capital/365 Main Portfolio (B)</b>	<b>Financing Transactions (C)</b>	<b>Company Pro Forma</b>
Net investments in real estate	\$ 3,501,382	\$ 650,219	\$	\$ 4,151,601
Cash and cash equivalents	50,809	(725,000)	725,000	50,809
Accounts and other receivables, net	54,090			54,090
Deferred rent	155,633			155,633
Acquired above market leases, net	33,745	26,973		60,718
Acquired in place lease value and deferred leasing costs, net	266,008	80,418		346,426
Deferred financing costs, net	23,294			23,294
Restricted Cash	40,145			40,145
Other assets	22,480			22,480
<b>Total assets</b>	<b>\$ 4,147,586</b>	<b>\$ 32,610</b>	<b>\$ 725,000</b>	<b>\$ 4,905,196</b>
<b>Liabilities and Equity</b>				
Revolving credit facility	\$	\$	\$ 347,907	\$ 347,907
Unsecured senior notes	200,000			200,000
Mortgage loans	1,043,361			1,043,361
5.875% notes due 2020, net of discount	491,589			491,589
4.125% exchangeable senior debentures due 2026, net of discount	166,859			166,859
5.50% exchangeable senior debentures due 2029	266,400			266,400
Accounts payable and other accrued liabilities	165,615			165,615
Acquired below market leases, net	91,034	32,610		123,644
Security deposits and prepaid rents	74,223			74,223
<b>Total liabilities</b>	<b>2,499,081</b>	<b>32,610</b>	<b>347,907</b>	<b>2,879,598</b>
<b>Stockholders' Equity:</b>				
Preferred stock, series A, B, C, and D	662,338			662,338
Common stock	779		69	848
Additional paid-in capital	1,213,766		377,024	1,590,790
Dividends in excess of earnings	(254,639)			(254,639)
Accumulated other comprehensive loss, net	(47,557)			(47,557)
<b>Total stockholders' equity</b>	<b>1,574,687</b>		<b>377,093</b>	<b>1,951,780</b>
<b>Noncontrolling interests:</b>				
Noncontrolling interests in operating partnership	56,384			56,384
Noncontrolling interests in consolidated joint ventures	17,434			17,434
<b>Total noncontrolling interests</b>	<b>73,818</b>			<b>73,818</b>

Edgar Filing: Digital Realty Trust, Inc. - Form 8-K/A

Total equity	1,648,505		377,093	2,025,598
Total liabilities and equity	\$ 4,147,586	\$ 32,610	\$ 725,000	\$ 4,905,196

See accompanying notes to the pro forma condensed consolidated financial statements.

**Table of Contents****DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES****Pro Forma Condensed Consolidated Statement of Operations****For the Three Months Ended March 31, 2010****(unaudited)****(in thousands, except share and per share data)**

	<b>Company Historical (AA)</b>	<b>Acquisition of New England Portfolio (BB)</b>	<b>Acquisition of Rockwood Capital/365 Main Portfolio (CC)</b>	<b>Financing Transactions (DD)</b>	<b>Noncontrolling Interests (EE)</b>	<b>Company Pro Forma</b>
<b>Operating Revenues:</b>						
Rental	\$ 152,574	\$ 3,001	\$ 23,711	\$	\$	\$ 179,286
Tenant reimbursements	39,205	977	7,962			48,144
<b>Total operating revenues</b>	<b>191,779</b>	<b>3,978</b>	<b>31,673</b>			<b>227,430</b>
<b>Operating Expenses:</b>						
Rental property operating and maintenance	53,242	1,393	10,482			65,117
Property taxes	12,721	383	2,021			15,125
Insurance	1,735	12	176			