Digital Realty Trust, Inc.
Form 10-K
February 29, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

x **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the fiscal year ended December 31, 2007.

¨ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Transition Period From to .

Commission file number 001-32336

DIGITAL REALTY TRUST, INC.

(Exact name of registrant as specified in its charter)

Maryland	**26-0081711**
(State or other jurisdiction of Incorporation or organization)	**(IRS employer identification number)**
560 Mission Street, Suite 2900 San Francisco, CA	**94105**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code (415) 738-6500

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

Title of each class	Name of each exchange on which registered
Common stock, $0.01 par value per share	New York Stock Exchange
Series A cumulative redeemable preferred stock, $0.01 par value per share	New York Stock Exchange
Series B cumulative redeemable preferred stock, $0.01 par value per share	New York Stock Exchange

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large-accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

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

The aggregate market value of the common equity held by non-affiliates of the registrant as of June 30, 2007 totaled approximately $2,009.8 million based on the closing price for the registrant s common stock on that day as reported by the New York Stock Exchange. Such value excludes common stock held by executive officers, directors and 10% or greater stockholders as of June 30, 2007. The identification of 10% or greater stockholders as of June 30, 2007 is based on Schedule 13G and amended Schedule 13G reports publicly filed before June 30, 2007. This calculation does not reflect a determination that such parties are affiliates for any other purposes.

Indicate the number of shares outstanding of each of the registrant s classes of common stock, as of the latest practicable date.

Class	Outstanding at February 25, 2008
Common Stock, $.01 par value per share	65,406,240

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s Proxy Statement with respect to its 2008 Annual Meeting of Stockholders to be filed not later than 120 days after the end of the registrant s fiscal year are incorporated by reference into Part III hereof.

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DIGITAL REALTY TRUST, INC.

FORM 10-K

FOR THE YEAR ENDED DECEMBER 31, 2007

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PART 1

ITEM 1. BUSINESS

General

As used herein, the terms we, our, us, the company and our company refer to Digital Realty Trust, Inc., a Maryland corporation, together wit our consolidated subsidiaries, including Digital Realty Trust, L.P., a Maryland limited partnership of which we are the sole general partner and which we refer to as our operating partnership. We target high-quality, strategically located properties containing applications and operations critical to the day-to-day operations of technology industry tenants and corporate enterprise datacenter users, including the information technology, or IT, departments of Fortune 1000 and financial services companies. Our tenant base is diversified and reflects a broad spectrum of regional, national and international tenants that are leaders in their respective areas. We operate as a real estate investment trust, or REIT, for federal income tax purposes.

Through our operating partnership, at December 31, 2007 we owned 70 properties, excluding one property held as an investment in an unconsolidated joint venture. Our properties are primarily located throughout North America with 12 properties in Europe. Our properties contain a total of approximately 12.3 million net rentable square feet, including approximately 1.8 million square feet held for redevelopment. A significant component of our current and future internal growth is anticipated through the development of our existing space held for redevelopment and new properties. Our operations and acquisition activities are focused on a limited number of markets where technology industry tenants and corporate datacenter users are concentrated, including the Chicago, Dallas, Los Angeles, New York, Northern Virginia, Phoenix, San Francisco and Silicon Valley metropolitan areas and the Amsterdam, Dublin, London and Paris markets in Europe. As of December 31, 2007, our portfolio, excluding space held for redevelopment, was approximately 94.7% leased at an average annualized rent per leased square foot of $29.18. The types of properties within our focus include:

- Internet gateways, data centers which serve as hubs for Internet and data communications within and between major metropolitan areas;
- Corporate data centers, which provide secure, continuously available environments for the storage and processing of critical electronic information. Data centers are used for disaster recovery purposes, transaction processing and to house corporate IT operations;
- Technology manufacturing properties, which contain highly specialized manufacturing environments for such purposes as disk drive manufacturing, semiconductor manufacturing and specialty pharmaceutical manufacturing; and
- Regional or national offices of technology companies that are located in our target markets.

Many of our properties have tenant improvements that have been installed at our tenants expense. Unlike traditional office and flex/research and development space, the location of and improvements to our facilities are generally essential to our tenants businesses, which we believe results in high occupancy levels, long lease terms and low tenant turnover. The tenant improvements in our facilities are generally readily adaptable for use by similar tenants. We also have approximately 1.8 million square feet available for redevelopment at December 31, 2007.

Our principal executive offices are located at 560 Mission Street, Suite 2900, San Francisco, California 94105. Our telephone number at that location is (415) 738-6500. Our website is located at www.digitalrealtytrust.com. The information found on, or otherwise accessible through, our website is not incorporated into, and does not form a part of, this annual report on Form 10-K or any other report or document we file with or furnish to the United States Securities and Exchange Commission, or the Securities and Exchange Commission.

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Recent Developments

On December 21, 2007 we acquired Units 1, 2 and 3 of the Foxboro Business Park, a three building complex located in suburban London, England for approximately £21.9 million ($43.6 million based on the exchange rate on December 21, 2007). The acquisition was financed with borrowings under our revolving credit facility.

On December 12, 2007 we acquired Naritaweg 52, a property located in Amsterdam, The Netherlands for approximately 18.5 million ($27.2 million based on the exchange rate on December 12, 2007). The acquisition was financed with borrowings under our revolving credit facility.

On December 10, 2007 we acquired Cressex 1, a property located in suburban London, England for approximately £6.3 million ($12.7 million based on the exchange rate on December 10, 2007). The acquisition was financed with borrowings under our revolving credit facility.

On October 22, 2007, we completed an offering of 4,025,000 shares of common stock for total net proceeds, after underwriting discounts and estimated offering expenses, of $150.4 million, including the proceeds from the exercise of the underwriters over-allotment option. We used the net proceeds from the offering to temporarily repay borrowings under our revolving credit facility, to acquire properties, to fund redevelopment activities and for general corporate purposes.

Subsequent Events

On February 25, 2008, we declared the following distributions per share and the Operating Partnership made an equivalent distribution per unit.

Share Class	Series A Preferred Stock	Series B Preferred Stock	Series C Preferred Stock	Series D Preferred Stock	Common stock and common unit
Dividend and distribution amount	$0.531250	$0.492188	$0.273438	$0.210069(1)	$0.310000
Dividend and distribution payable date	March 31, 2008	March 31, 2008	March 31, 2008	March 31, 2008	March 31, 2008
Dividend payable to shareholders of record on	March 17, 2008	March 17, 2008	March 17, 2008	March 17, 2008	March 17, 2008
Annual equivalent rate of dividend and distribution	$2.125	$1.969	$1.094	$1.375	$1.240

(1) Represents a pro rata dividend from and including the original issue date to and including March 31, 2008.

On February 14, 2008 we acquired 365 South Randolphville Road, a property located in Piscataway, New Jersey for approximately $20.2 million. The acquisition was financed with borrowings under our revolving credit facility.

On February 6, 2008, we issued 13.8 million shares of 5.500% series D cumulative convertible preferred stock for total net proceeds, after underwriting discounts and estimated offering expenses, of approximately $333.6 million, including the proceeds from the exercise of the underwriters over-allotment option. We used the net proceeds from the offering to temporarily repay borrowings under our revolving credit facility, to acquire properties, to fund redevelopment activities and for general corporate purposes.

On January 30, 2008, we amended our charter to increase the number of authorized shares of our common stock, $0.01 par value per share, available for issuance from 100,000,000 to 125,000,000 and the number of authorized shares of our preferred stock, $0.01 par value per share, available for issuance from 20,000,000 to 30,000,000.

Our Competitive Strengths

We believe we distinguish ourselves from other owners, acquirors and managers of technology-related real estate through our competitive strengths, which include:

High-Quality Portfolio that is Difficult to Replicate. Our portfolio contains state-of-the-art datacenter facilities with extensive tenant improvements. Based on current market rents and the estimated replacement costs of our properties and their improvements, we believe that they could not be replicated today on a cost-competitive basis. With a total power capacity of over 1,100 megawatts, or MW, our portfolio of corporate and Internet gateway datacenter facilities is equipped to meet the power and cooling requirements for the most demanding corporate IT applications. In addition, many of the properties in our portfolio are located on major aggregation points formed by the physical presence of multiple major telecommunications service providers, which reduces our tenants costs and operational risks and increases the attractiveness of our buildings.

Presence in Key Markets. Our portfolio is located in 26 metropolitan areas, including the Chicago, Dallas, Los Angeles, New York, Phoenix, San Francisco and Silicon Valley metropolitan areas in the U.S. and the London, Dublin, Paris and Amsterdam markets in Europe, and is diversified so that no one market represented more than 14.8% of the aggregate annualized rent of our portfolio as of December 31, 2007.

Ability To Sign New Leases. We have considerable experience in identifying and leasing to new tenants. The combination of our specialized datacenter leasing team and customer referrals continues to provide a robust pipeline of new tenants. During the year ended December 31, 2007, we commenced new leases totaling approximately 761,000 square feet, which resulted in annualized GAAP rent of $40.5 million. These leases were comprised of Powered Base Building, Turn-Key Datacenters , and ancillary office and other uses.

Acquisition Capability. As of December 31, 2007, our portfolio consisted of 70 technology-related real estate properties, excluding one property held through an investment in an unconsolidated joint venture, that we or our predecessor acquired beginning in 2002, for an aggregate of 12.3 million net rentable square feet, including approximately 1.8 million square feet held for redevelopment. We have developed detailed, standardized procedures for evaluating acquisitions, including income producing assets and vacant properties suitable for redevelopment, to ensure that they meet our financial, technical and other criteria. These procedures and our in-depth knowledge of the technology and datacenter industries allow us to identify strategically located properties and evaluate investment opportunities efficiently and, as appropriate, commit and close quickly. Our broad network of contacts within a highly fragmented universe of sellers and brokers of technology-related real estate enables us to capitalize on acquisition opportunities. As a result, we acquired more than half of our properties before they were broadly marketed by real estate brokers.

Flexible Datacenter Solutions. We provide flexible, customer oriented solutions designed to meet the needs of technology and corporate datacenter users, including Turn-Key Datacenter , Powered Base Building and built-to-suit options. Our Turn-Key Datacenters are move-in ready, physically secure facilities with the power and cooling capabilities to support mission critical IT enterprise applications. We believe our Turn-Key Datacenters are effective solutions for tenants that lack the expertise, capital budget or desire to provide their own extensive datacenter infrastructure, management and security. For tenants that possess the ability to build and operate their own facility, our Powered Base Building solution provides the physical location, required power and network access necessary to support a state-of-the-art datacenter. Our in-house engineering and design and construction professionals can also provide tenants with customized build-to-suit solutions to meet their unique specifications. Our Critical Facilities Management services and team of technical engineers and datacenter operations experts provide 24/7 support for these mission-critical facilities.

Development Advantages. Our extensive development activity, operating scale and process-based approach to datacenter design, construction and operations result in significant cost savings and added

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value for our tenants. We have leveraged our purchasing power by securing global purchasing agreements and developing relationships with major equipment manufacturers, reducing costs and shortening delivery timeframes on key components, including major mechanical and electrical equipment. Utilizing our innovative modular datacenter design referred to as POD Architecture , we deliver what we believe to be a technically superior datacenter environment at significant cost savings. In addition, by utilizing our POD Architecture to develop new Turn-Key Datacenters in our existing Powered Base Buildings , on average we have been able to deliver a fully commissioned facility in just under 30 weeks. Finally, our access to capital allows us to provide financing options for tenants that do not want to invest their own capital.

Diverse Tenant Base Across a Variety of Industry Sectors. We use our in-depth knowledge of the requirements and trends for Internet and data communications and corporate datacenter users to market our properties to domestic and international tenants with specific technology needs. At December 31, 2007, we had 414 tenants across a variety of industry sectors, ranging from information technology and Internet enterprises to financial services, energy and manufacturing companies. No single tenant accounted for more than 11.8% of the aggregate annualized rent of our portfolio as of December 31, 2007.

Experienced and Committed Management Team and Organization. Our senior management team, including our Chairman, has an average of over 23 years of experience in the technology or real estate industries, including experience as investors in, advisors to and founders of technology companies. We believe that our senior management team s extensive knowledge of both the real estate and the technology industries provides us with a key competitive advantage. At December 31, 2007, our senior management team collectively owned a common equity interest in our company of approximately 2.2%, which aligns management s interests with those of our stockholders.

Long-Term Leases That Complement Our Growth. We have long-term leases with stable cash flows. As of December 31, 2007, our average lease term was in excess of 13 years, with an average of 8 years remaining, excluding renewal options. Our lease expirations through December 31, 2009 are 8.1% of net rentable square feet excluding space held for redevelopment as of December 31, 2007.

Business and Growth Strategies

Our primary business objectives are to maximize sustainable long-term growth in earnings, funds from operations and cash flow per share and to maximize returns to our stockholders. Our business strategies to achieve these objectives are:

Capitalize on Acquisition Opportunities. We believe that acquisitions enable us to increase cash flow and create long-term stockholder value. Our relationships with corporate information technology groups, technology tenants and real estate brokers who are dedicated to serving these tenants provide us with ongoing access to potential acquisitions and often enable us to avoid competitive bidding. Furthermore, the specialized nature of technology-related real estate makes it more difficult for traditional real estate investors to understand, which results in reduced competition for acquisitions relative to other property types. We believe this dynamic creates an opportunity for us to obtain better risk-adjusted returns on our capital.

Achieve Superior Returns on Redevelopment Inventory. A significant component of our current and future internal growth is anticipated through the development of our existing space held for redevelopment and new properties. At December 31, 2007, we had approximately 1.8 million square feet held for redevelopment. At December 31, 2007, 637,000 square feet of our space held for redevelopment was under construction for Turn-Key Datacenter , build-to-suit datacenter and Powered Base Building space in 10 U.S. and European markets. These projects have sufficient power capacity to meet the power and cooling requirements of today s advanced datacenters. We will continue to build-out our redevelopment portfolio when justified by anticipated returns.

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Access and Use Capital Efficiently. We believe we can increase stockholder returns by effectively accessing and deploying capital. Since our initial public offering in 2004, we have raised over $2.6 billion of capital through common, preferred and convertible preferred equity offerings, an exchangeable debt offering, our revolving credit facility, secured mortgage financings and refinancings, and sales of non-core assets. We intend to use our liquidity and access to capital to support our acquisition, leasing, development and redevelopment programs, which are important sources of growth for the company.

Maximize the Cash Flow of our Properties. We aggressively manage and lease our assets to increase their cash flow. We often acquire properties with substantial in-place cash flow and some vacancy, which enables us to create upside through lease-up. Moreover, many of our properties contain extensive in-place infrastructure or buildout that may result in higher rents when leased to tenants seeking these improvements. We control our costs by negotiating expense pass-through provisions in tenant leases for operating expenses, including power costs, and certain capital expenditures. Leases covering more than 80% of the leased net rentable square feet in our portfolio as of December 31, 2007 required tenants to pay all or a portion of increases in operating expenses, including real estate taxes, insurance, common area charges and other expenses.

Leverage Strong Industry Relationships. We use our strong industry relationships with international and regional corporate enterprise information technology groups and technology-intensive companies to identify and comprehensively respond to their real estate needs. Our leasing and sales professionals are real estate and technology industry specialists who can develop complex facility solutions for the most demanding corporate datacenter and other technology tenants.

Competition

We compete with numerous developers, owners and operators of real estate and datacenters, many of which own properties similar to ours in the same markets in which our properties are located, including DuPont Fabros Technology, Inc., 365 Main Inc., Equinix, Inc. and various local developers in the U.S., and Global Switch, Equinix, Inc. and various regional operators in Europe. If our competitors offer space that our tenants or potential tenants perceive to be superior to ours based on numerous factors, including available power, security considerations, location, or connectivity, or if they offer rental rates below current market rates, or below the rental rates we are offering, we may lose tenants or potential tenants or be required to incur costs to improve our properties or reduce our rental rates. In addition, recently many of our competitors have developed or redeveloped additional datacenter space. If the supply of datacenter space continues to increase as a result of these activities or otherwise, rental rates may be reduced or we may face delays in or be unable to lease our vacant space, including space that we develop or redevelop. Finally, if tenants or potential tenants desire services that we do not offer, we may not be able to lease our space to those tenants. Our financial condition, results of operations, cash flow, cash available for distribution, including cash available to pay dividends to our preferred or common stockholders, and ability to satisfy our debt service obligations could be materially adversely affected as a result of any or all of these factors.

Regulation

General

Office properties in our submarkets are subject to various laws, ordinances and regulations, including regulations relating to common areas. We believe that each of our properties as of December 31, 2007 has the necessary permits and approvals to operate its business.

Americans With Disabilities Act

Our properties must comply with Title III of the Americans with Disabilities Act of 1990, or the ADA, to the extent that such properties are public accommodations as defined by the ADA. The ADA may require

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removal of structural barriers to access by persons with disabilities in certain public areas of our properties where such removal is readily achievable. We believe that our properties are in substantial compliance with the ADA and that we will not be required to make substantial capital expenditures to address the requirements of the ADA. However, noncompliance with the ADA could result in imposition of fines or an award of damages to private litigants. The obligation to make readily achievable accommodations is an ongoing one, and we will continue to assess our properties and to make alterations as appropriate in this respect.

Environmental Matters

Under various laws relating to the protection of the environment, a current or previous owner or operator of real estate may be liable for contamination resulting from the presence or discharge of hazardous or toxic substances at that property, and may be required to investigate and clean up such contamination at that property or emanating from that property. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of the contaminants, and the liability may be joint and several. Previous owners used some of our properties for industrial and retail purposes, so those properties may contain some level of environmental contamination. The presence of contamination or the failure to remediate contamination at our properties may expose us to third-party liability or materially adversely affect our ability to sell, lease or develop the real estate or to borrow using the real estate as collateral.

Some of the properties may contain asbestos-containing building materials. Environmental laws require that asbestos-containing building materials be properly managed and maintained, and may impose fines and penalties on building owners or operators for failure to comply with these requirements. These laws may also allow third parties to seek recovery from owners or operators for personal injury associated with exposure to asbestos-containing building materials.

In addition, some of our tenants, particularly those in the biotechnology and life sciences industry and those in the technology manufacturing industry, routinely handle hazardous substances and wastes as part of their operations at our properties. Environmental laws and regulations subject our tenants, and potentially us, to liability resulting from these activities or from previous industrial or retail uses of those properties. Environmental liabilities could also affect a tenant s ability to make rental payments to us. We require our tenants to comply with these environmental laws and regulations and to indemnify us for any related liabilities.

Independent environmental consultants have conducted Phase I or similar environmental site assessments on all of the properties in our portfolio. Site assessments are intended to discover and evaluate information regarding the environmental condition of the surveyed property and surrounding properties. These assessments do not generally include soil samplings, subsurface investigations or an asbestos survey. None of the recent site assessments revealed any past or present environmental liability that we believe would have a material adverse effect on our business, assets or results of operations. However, the assessments may have failed to reveal all environmental conditions, liabilities or compliance concerns. Material environmental conditions, liabilities or compliance concerns may have arisen after the review was completed or may arise in the future; and future laws, ordinances or regulations may impose material additional environmental liability.

Insurance

We carry comprehensive liability, fire, extended coverage, earthquake, business interruption and rental loss insurance covering all of the properties in our portfolio under a blanket policy. We select policy specifications and insured limits which we believe to be appropriate given the relative risk of loss, the cost of the coverage and industry practice and, in the opinion of our company s management, the properties in our portfolio are currently adequately insured. We do not carry insurance for generally uninsured losses such as loss from war, or nuclear reaction. In addition, we carry earthquake insurance on our properties in an amount and with deductibles which we believe are commercially reasonable. Certain of the properties in our portfolio are located in areas known to be seismically active. See Risk Factors Risks Related to Our Business and Operations Potential losses may not be covered by insurance.

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Employees

As of December 31, 2007 we had 153 employees. None of these employees is represented by a labor union.

Offices

Our headquarters is located in San Francisco. We have regional offices in Boston, Chicago, Dallas, Los Angeles, New York, Northern Virginia and Phoenix and international offices in Dublin, London and Paris.

ITEM 1A. RISK FACTORS

For purposes of this section, the term stockholders means the holders of shares of our common stock and of our preferred stock. Set forth below are the risks that we believe are material to our stockholders. You should carefully consider the following factors in evaluating our company, our properties and our business. The occurrence of any of the following risks might cause our stockholders to lose all or a part of their investment. Some statements in this report including statements in the following risk factors constitute forward-looking statements. Please refer to the section entitled Forward-Looking Statements starting on page 26.

Risks Related to Our Business and Operations

Our properties depend upon the demand for technology-related real estate.

Our portfolio of properties consists primarily of technology-related real estate, and datacenter real estate in particular. A decrease in the demand for datacenter space, Internet gateway facilities or other technology-related real estate would have a greater adverse effect on our business and financial condition than if we owned a portfolio with a more diversified tenant base or less specialized use. Our substantial redevelopment activities make us particularly susceptible to general economic slowdowns, including recessions, as well as adverse developments in the corporate datacenter, Internet and data communications and broader technology industries. Any such slowdown or adverse development could lead to reduced corporate IT spending or reduced demand for datacenter space. Reduced demand could also result from business relocations, including to markets that we do not currently serve such as Asia. Changes in industry practice or in technology, such as virtualization technology, more efficient computing or networking devices, or devices that require higher power densities than today s devices, could also reduce demand for the physical datacenter space we provide or make the tenant improvements in our facilities obsolete or in need of significant upgrades to remain viable. In addition, the development of new technologies, the adoption of new industry standards or other factors could render many of our tenants current products and services obsolete or unmarketable and contribute to a downturn in their businesses, thereby increasing the likelihood that they default under their leases, become insolvent or file for bankruptcy.

We depend on significant tenants, and many of our properties are single-tenant properties or are currently occupied by single tenants.

As of December 31, 2007, the 15 largest tenants in our property portfolio represented approximately 51% of the total annualized rent generated by our properties. Our largest tenants by annualized rent are Savvis Communications and Qwest Communications International. Savvis Communications leased approximately 1.6 million square feet of net rentable space as of December 31, 2007, representing approximately 11.8% of the total annualized rent generated by our properties. Qwest Communications International leased approximately 771,000 square feet of net rentable space as of December 31, 2007, representing approximately 8.2% of the total annualized rent generated by our properties. In addition, 31 of our 70 properties are occupied by single tenants, including properties occupied solely by Savvis Communications and Qwest Communications International. Our tenants may experience a downturn in their businesses, which may weaken their financial condition and result in their failure to make timely rental payments or their default under their leases. If any tenant defaults or fails to make timely rent payments, we may experience delays in enforcing our rights as landlord and may incur substantial costs in protecting our investment.

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The bankruptcy or insolvency of a major tenant may adversely affect the income produced by our properties.

If any tenant becomes a debtor in a case under the federal Bankruptcy Code, we cannot evict the tenant solely because of the bankruptcy. In addition, the bankruptcy court might authorize the tenant to reject and terminate its lease with us. Our claim against the tenant for unpaid, future rent would be subject to a statutory cap that might be substantially less than the remaining rent actually owed under the lease. In either case, our claim for unpaid rent would likely not be paid in full. At December 31, 2007, we had no significant tenants in bankruptcy, however, there can be no assurance that no significant tenant will enter into bankruptcy in the future.

Our revenue and cash available for distribution, including cash available for us to pay dividends to our stockholders or for our operating partnership to pay distributions to its unitholders, including us, could be materially adversely affected if any of our significant tenants were to become bankrupt or insolvent, or suffer a downturn in its business, or fail to renew its lease or renew on terms less favorable to us than its current terms.

Our portfolio of properties depends upon local economic conditions and is geographically concentrated in certain locations.

Our properties are located in 26 metropolitan areas. We depend upon the local economic conditions in these markets, including local real estate conditions. Many of these markets experienced downturns in recent years and either are currently or may experience downturns in the near future. Our operations may also be affected if too many competing properties are built in any of these markets or supply otherwise increases or exceeds demand. If there is a downturn in the economy in any of these markets, our operations and our revenue and cash available for distribution, including cash available for us to pay dividends to our stockholders or for our operating partnership to pay distributions to its unitholders, including us, could be materially adversely affected. We cannot assure you that these markets will grow or will remain favorable to technology-related real estate.

In addition, our portfolio is geographically concentrated in the following metropolitan markets.

Metropolitan Market	Percentage of total annualized rent(1)
Silicon Valley	14.9%
Chicago	12.8%
New York	10.4%
Dallas	9.9%
Phoenix	7.5%
San Francisco	6.6%
Los Angeles	6.2%
Other	31.7%
	100.0%

(1) Annualized rent is monthly contractual rent under existing leases as of December 31, 2007, multiplied by 12.

In addition, we are currently developing or redeveloping properties in these markets, as well as in Dublin, London, Northern Virginia and Paris. Any negative changes in real estate, technology or economic conditions in these markets in particular could negatively impact our performance.

Our growth depends upon the successful development of our existing space held for redevelopment and new properties acquired for redevelopment and any delays or unexpected costs in such development may delay and harm our growth prospects, future operating results and financial condition.

A significant component of our current and future internal growth is anticipated through the development of our existing space held for redevelopment and new properties acquired for redevelopment. Our successful development and redevelopment of these projects depends on many risks, including those associated with:

delays in construction;

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- budget overruns;
- increased prices for raw materials or building supplies;
- lack of availability and/or increased costs for specialized data center components;
- financing availability;
- increases in interest rates or credit spreads;
- labor availability;
- timing of the commencement of rental payments;
- ability to lease the space we develop or redevelop at all, or at rates we consider favorable or expected at the time we commenced redevelopment;
- increased supply or reduced demand for datacenters space;
- access to sufficient power and related costs of providing such power to our tenants;
- delays or denials of entitlements or permits; and
- other property development uncertainties.

In addition, development and redevelopment activities, regardless of whether they are ultimately successful, typically require a substantial portion of management s time and attention. This may distract management from focusing on other operational activities. If we are unable to complete development or redevelopment projects successfully, our business may be adversely affected.

We may be unable to successfully complete and operate developed properties.

We intend to develop and substantially renovate properties for data center use. Our future development and construction activities involve the following significant risks:

- we may be unable to obtain construction financing at all or on favorable terms;
- we may be unable to obtain permanent financing at all or on advantageous terms if we finance development projects through construction loans;

- we may not complete development projects on schedule or within budgeted amounts;

- we may encounter delays or refusals in obtaining all necessary zoning, land use, building, occupancy, and other required governmental permits and authorizations; and occupancy rates and rents at newly developed or renovated properties may fluctuate depending on a number of factors, including market and economic conditions, and may result in our investment not being profitable; and

- we have encountered and may continue to encounter long lead times or other delays in procuring the generators and other infrastructure equipment necessary to complete the development of our Turn-Key Datacenters. In addition, the unavailability or increased costs of raw materials may delay our ability to complete the redevelopment of data center space in a timely manner, within budgeted amounts, or at all.

In addition, in certain circumstance we lease data center facilities prior to their completion. If we fail to complete the facilities in a timely manner, the tenant may be entitled to terminate their lease, seek damages against us or pursue other remedies.

While we intend to develop data center properties primarily in markets we are familiar with, we may in the future develop properties in new geographic regions where we expect the development of property to result in favorable risk-adjusted returns on our investment. We may not possess the same level of familiarity with development of other property types or other markets, which could adversely affect our ability to develop such properties successfully or at all or to achieve expected performance.

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We may encounter problems during development and construction activities.

We are currently developing data centers in multiple locations. These construction projects, and others that we may undertake from time to time, are subject to significant development and construction risks, any of which could cause unanticipated cost increases and delays. These include the following:

- adverse weather that damages the project or causes delays;
- delays in obtaining or inability to obtain necessary permits, licenses and approvals;
- changes to the plans or specifications;
- shortages of materials and skilled labor;
- increases in material and labor costs;
- engineering problems;
- labor disputes and work stoppages with contractors, subcontractors or others that are constructing the project;
- environmental issues;
- shortages of qualified employees;
- fire, flooding and other natural disasters;
- expenditure of funds on, and the devotion of management time to, projects that may not be completed; and
- geological, construction, excavation, regulatory and equipment problems.

We may not be able to complete the development of any projects we begin and, if completed, our development and construction activities may not be completed in a timely manner or within budget, which could have a material adverse effect on our results of operations and prospects. If any of these factors result in a delay in the completion of or our inability to complete a project, or increase our costs associated with development, our financial performance could be materially adversely affected.

We have owned our properties for a limited time.

We owned 70 properties at December 31, 2007, excluding one property held as an investment in an unconsolidated joint venture. These properties are primarily located throughout North America and 12 properties are located in Europe. The properties contain a total of approximately 12.3 million net rentable square feet, including 1.8 million square feet held for redevelopment. All the properties have been under our management for less than five years, and we have owned 13 of the properties for less than one year at December 31, 2007. The properties may have characteristics or deficiencies unknown to us that could affect their valuation or revenue potential. We cannot assure you that the operating performance of the properties will not decline under our management. In addition, we have a limited history operating Turn-Key Datacenters that we have developed or redeveloped. Because we generally cannot pass operating expenses (other than energy costs) on to our tenants in Turn-Key Datacenters, if we incur operating expenses greater than we anticipated based on our limited operating history, our results of operations could be negatively impacted.

We have space available for redevelopment that may be difficult to redevelop or successfully lease to tenants.

We have approximately 1.8 million square feet held for redevelopment at December 31, 2007 including eight vacant buildings. Successful redevelopment of this space depends on numerous factors including success in engaging contractors, obtaining permits, securing key components and availability of financing. We are and intend to continue building out a large portion of this space on a speculative basis at significant cost. In addition we cannot assure you that once completed we will be able to successfully lease redeveloped space to new or existing tenants at all, or at rates we consider favorable or expected at the time we commenced redevelopment. If we are not able to lease redevelopment space, or lease it at rates below those we expected to achieve when we started the project, our financial performance would be materially adversely affected.

We may have difficulty managing our growth.

We have significantly expanded the size of our company. For example, during 2007, we acquired 13 properties, including five properties outside the United States, our number of employees increased from 109 to 153 and we substantially increased the number and size of our redevelopment activities. The growth in our company may significantly strain our management, operational and financial resources and systems. In addition, as a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, and the rules and regulations of the NYSE. The requirements of these rules and regulations have increased our accounting, legal and financial compliance costs and may strain our management and financial, legal and operational resources and systems. An inability to manage our growth effectively or the increased strain on management of our resources and systems could result in deficiencies in our disclosure controls and procedures or our internal control over financial reporting and could negatively impact our cash available for distribution, including cash available for us to pay dividends to our stockholders or for our operating partnership to pay distributions to its unitholders, including us.

We have limited operating history as a REIT and as a public company.

We were formed in March 2004 and have limited operating history as a REIT and as a public company. We cannot assure you that our past experience will be sufficient to successfully operate our company as a REIT or as a public company. Failure to maintain REIT status or failure to meet the requirements of being a public company would have an adverse effect on our cash available for distribution, including cash available for us to pay dividends to our stockholders or for our operating partnership to pay distributions to its unitholders, including us.

Tax protection provisions on certain properties could limit our operating flexibility.

We have agreed with the third-party contributors who contributed the direct and indirect interests in the 200 Paul Avenue 1-4 and 1100 Space Park Drive properties to indemnify them against adverse tax consequences if we were to sell, convey, transfer or otherwise dispose of all or any portion of these interests, in a taxable transaction, in these properties. However, we can sell these properties in a taxable transaction if we pay the contributors cash in the amount of their tax liabilities arising from the transaction and tax payments. The 200 Paul Avenue 1-4 and 1100 Space Park Drive properties represented 9.0% of our portfolio s annualized rent as of December 31, 2007. These tax protection provisions apply for a period expiring on the earlier of November 3, 2013 and the date on which these contributors (or certain transferees) hold less than 25% of the units issued to them in connection with the contribution of these properties to our operating partnership. Although it may be in our stockholders best interest that we sell a property, it may be economically disadvantageous for us to do so because of these obligations. We have also agreed to make up to $17.8 million of debt available for these contributors to guarantee. We agreed to these provisions in order to assist these contributors in preserving their tax position after their contributions.

Potential losses may not be covered by insurance.

We carry comprehensive liability, fire, extended coverage, earthquake, business interruption and rental loss insurance covering all of the properties in our portfolio under various insurance policies. We select policy specifications and insured limits which we believe to be appropriate and adequate given the relative risk of loss, the cost of the coverage and industry practice. We do not carry insurance for generally uninsured losses such as loss from riots, terrorist threats, war or nuclear reaction. Most of our policies, like those covering losses due to floods, are insured subject to limitations involving large deductibles or co-payments and policy limits which may not be sufficient to cover losses. A large portion of the properties we own are located in California, an area especially subject to earthquakes. Together, these properties represented approximately 28% of our portfolio s annualized rent as of December 31, 2007. While we carry earthquake insurance on our properties, the amount of our earthquake insurance coverage may not be sufficient to fully cover losses from earthquakes. In addition, we may discontinue earthquake or other insurance on some or all of our properties in the future if the cost of premiums for any of these policies exceeds, in our judgment, the value of the coverage relative to the risk of loss.

In addition, many of our buildings contain extensive and highly valuable technology-related improvements. Under the terms of our leases, tenants generally retain title to such improvements and are obligated to maintain adequate insurance coverage applicable to such improvements and under most circumstances use their insurance proceeds to restore such improvements after a casualty. In the event of a casualty or other loss involving one of our buildings with extensive installed tenant improvements, our tenants may have the right to terminate their leases if we do not rebuild the base building within prescribed times. In such cases, the proceeds from tenants insurance will not be available to us to restore the improvements, and our insurance coverage may be insufficient to replicate the technology-related improvements made by such tenants. Furthermore, the terms of our mortgage indebtedness at certain of our properties may require us to pay insurance proceeds over to our lenders under certain circumstances, rather than use the proceeds to repair the property.

If we or one or more of our tenants experiences a loss which is uninsured or which exceeds policy limits, we could lose the capital invested in the damaged properties as well as the anticipated future cash flows from those properties. In addition, if the damaged properties are subject to recourse indebtedness, we would continue to be liable for the indebtedness, even if these properties were irreparably damaged.

Payments on our debt reduce cash available for distribution and may expose us to the risk of default under our debt obligations.

Our total consolidated indebtedness at December 31, 2007 was approximately $1.4 billion, and we may incur significant additional debt to finance future acquisition and development activities. We have a revolving credit facility, which has a borrowing limit based upon a percentage of the value of our unsecured properties included in the facility s borrowing base. At December 31, 2007, $299.7 million was available under this facility. In addition, under our contribution agreement with respect to the 200 Paul Avenue 1-4 and 1100 Space Park Drive properties, we have agreed to make available for guarantee up to $17.8 million of indebtedness and may enter into similar agreements in the future.

Payments of principal and interest on borrowings may leave us with insufficient cash resources to operate our properties, for our operating partnership to pay distributions to its unitholders, including us, and, consequently, for us to pay dividends to our stockholders that are necessary to maintain our REIT qualification. Our level of debt and the limitations imposed on us by our debt agreements could have significant adverse consequences, including the following:

- our cash flow may be insufficient to meet our required principal and interest payments;
- we may be unable to borrow additional funds as needed or on favorable terms;
- we may be unable to refinance our indebtedness at maturity or the refinancing terms may be less favorable than the terms of our original indebtedness;
- because a significant portion of our debt bears interest at variable rates, increases in interest rates could materially increase our interest expense;
- we may be forced to dispose of one or more of our properties, possibly on disadvantageous terms;

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- we may default on our obligations and the lenders or mortgagees may foreclose on our properties or our interests in the entities that own the properties that secure their loans and receive an assignment of rents and leases;

- we may violate restrictive covenants in our loan documents, which would entitle the lenders to accelerate our debt obligations; and

- our default under any one of our mortgage loans with cross default provisions could result in a default on other indebtedness.

If any one of these events were to occur, our financial condition, results of operations, cash flow, cash available for distribution, including cash available for us to pay dividends to our stockholders or for our operating partnership to pay distributions to its unitholders, per share trading price of our common stock or preferred stock, and our ability to satisfy our debt service obligations could be materially adversely affected. Furthermore, foreclosures could create taxable income without accompanying cash proceeds, a circumstance which could hinder our ability to meet the REIT distribution requirements imposed by the Internal Revenue Code of 1986, as amended, which we refer to as the Code.

We may be unable to identify and complete acquisitions and successfully operate acquired properties.

We continually evaluate the market of available properties and may acquire additional technology-related real estate when opportunities exist. Our ability to acquire properties on favorable terms and successfully operate them may be exposed to the following significant risks:

- we may be unable to acquire a desired property because of competition from other real estate investors with significant capital, including both publicly traded REITs and institutional investment funds;

- even if we are able to acquire a desired property, competition from other potential acquirors may significantly increase the purchase price or result in other less favorable terms;

- even if we enter into agreements for the acquisition of technology-related real estate, these agreements are subject to customary conditions to closing, including completion of due diligence investigations to our satisfaction;

- we may be unable to finance acquisitions on favorable terms or at all;

- we may spend more than budgeted amounts to make necessary improvements or renovations to acquired properties;

- we may be unable to integrate new acquisitions quickly and efficiently, particularly acquisitions of operating businesses or portfolios of properties, into our existing operations, and our results of operations and financial condition could be adversely affected;

- acquired properties may be subject to reassessment, which may result in higher than expected property tax payments;

- market conditions may result in higher than expected vacancy rates and lower than expected rental rates; and

- we may acquire properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities such as liabilities for clean-up of undisclosed environmental contamination, claims by tenants, vendors or other persons dealing with the former owners of the properties and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

If we cannot finance property acquisitions on favorable terms, or operate acquired properties to meet our financial expectations, our financial condition, results of operations, cash flow, cash available for distribution,

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including cash available for us to pay dividends to our stockholders or for our operating partnership to pay distributions to its unitholders, per share trading price of our common stock or preferred stock, and ability to satisfy our debt service obligations could be materially adversely affected.

We may be unable to source off-market deal flow in the future.

A key component of our growth strategy is to continue to acquire additional technology-related real estate. To date, more than half of our acquisitions were acquired before they were widely marketed by real estate brokers, or off-market. Properties that are acquired off-market are typically more attractive to us as a purchaser because of the absence of competitive bidding, which could potentially lead to higher prices. We obtain access to off-market deal flow from numerous sources. If we cannot obtain off-market deal flow in the future, our ability to locate and acquire additional properties at attractive prices could be adversely affected.

We face significant competition, which may decrease or prevent increases of the occupancy and rental rates of our properties.

We compete with numerous developers, owners and operators of real estate and datacenters, many of which own properties similar to ours in the same markets in which our properties are located, including DuPont Fabros Technology, Inc., 365 Main Inc., Equinix, Inc. and various local developers in the U.S., and Global Switch, Equinix, Inc. and various regional operators in Europe. In addition, we may in the future face competition from new entrants into the datacenter market, including new entrants who may acquire our current competitors. Some of our competitors and potential competitors have significant advantages over us, including greater name recognition, longer operating histories, pre-existing relationships with current or potential customers, significantly greater financial, marketing and other resources and more ready access to capital which allow them to respond more quickly to new or changing opportunities. If our competitors offer space that our tenants or potential tenants perceive to be superior to ours based on numerous factors, including available power, security considerations, location, or connectivity, or if they offer rental rates below current market rates, or below the rental rates we are offering, we may lose tenants or potential tenants or be required to incur costs to improve our properties or reduce our rental rates. In addition, recently many of our competitors have developed or redeveloped additional datacenter space. If the supply of datacenter space continues to increase as a result of these activities or otherwise, rental rates may be reduced or we may face delays in or be unable to lease our vacant space, including space that we develop or redevelop. Finally, if tenants or potential tenants desire services that we do not offer, we may not be able to lease our space to those tenants. Our financial condition, results of operations, cash flow, cash available for distribution, including cash available for us to pay dividends to our stockholders or for our operating partnership to pay distributions to its unitholders, and ability to satisfy our debt service obligations could be materially adversely affected as a result of any or all of these factors.

We may be unable to renew leases, re-lease space as leases it expires or lease vacant or redevelopment space.

As of December 31, 2007, leases representing 8.1% of the square footage of the properties in our portfolio, excluding space held for redevelopment were scheduled to expire through 2009, and an additional 5.3% of the net rentable square footage excluding space held for redevelopment was available to be leased. Some of this space may require substantial capital investment for it to meet the power and cooling requirements of today s advanced data centers, or may no longer be suitable for this use. In addition, we cannot assure you that leases will be renewed or that our properties will be re-leased at all, or at net effective rental rates equal to or above the current average net effective rental rates. If the rental rates for our properties decrease, our existing tenants do not renew their leases, we do not re-lease our available space, including newly redeveloped space and space for which leases are scheduled to expire or it takes longer for us to lease or re-lease this space or for rents to commence on this space, our financial condition, results of operations, cash flow, cash available for distribution, including cash available for us to pay dividends to our stockholders or for our operating partnership to pay distributions to its unitholders, per share trading price of our common stock or preferred stock, and our ability to satisfy our debt service obligations could be materially adversely affected.

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In addition, at December 31, 2007, we owned approximately 1.8 million square feet held for redevelopment. Of this space, we are currently redeveloping 637,000 square feet. We intend to continue to add new space to our redevelopment inventory and to continue to redevelop additional space from this inventory. A substantial portion of the space that we redevelop is, and will continue to be, redeveloped on a speculative basis, meaning that we do not have a signed lease for the space when we begin the redevelopment process. We also develop or redevelop space specifically for tenants pursuant to leases signed prior to beginning the development or redevelopment process. In those cases, if we failed to meet our development or redevelopment obligations under those leases, these tenants may be able to terminate the leases and we would be required to find a new tenant for this space. We cannot assure you that once we have redeveloped a space we will be able to successfully lease it. If we are not able to successfully lease the space that we redevelop, if redevelopment costs are higher than we currently estimate, or if we lease rates are lower than we expected when we began the project or are otherwise undesirable, our revenue and operating results could be adversely effected.

Our growth depends on external sources of capital which are outside of our control.

In order to maintain our qualification as a REIT, we are required under the Code to annually distribute at least 90% of our net taxable income, determined without regard to the dividends paid deduction and excluding any net capital gain. In addition, we will be subject to income tax at regular corporate rates to the extent that we distribute less than 100% of our net taxable income, including any net capital gains. Because of these distribution requirements, we may not be able to fund future capital needs, including any necessary acquisition or redevelopment financing, from operating cash flow. Consequently, we rely on third-party sources to fund our capital needs. We may not be able to obtain equity or debt financing on favorable terms or at all. Any additional debt we incur will increase our leverage. Our access to third-party sources of capital depends, in part, on:

- general market conditions;
- the market s perception of our business prospects and growth potential;
- our current debt levels;
- our current and expected future earnings, funds from operations and growth thereof;
- our cash flow and cash distributions; and
- the market price per share of our common stock and preferred stock.

Since 2002, with the exception of recent rate cuts, the United States Federal Reserve has been increasing short term interest rates, which has had a significant upward impact on shorter-term interest rates, including the interest rates that our variable rate debt is based upon. Furthermore, difficulties with sub-prime residential housing credit have impacted corporate debt. Liquidity traditionally provided by collateralized debt obligations has significantly decreased. The affects on commercial real estate mortgages and other debt include:

- higher loan spreads;
- tighter loan covenants;
- reduced loan to value ratios and resulting borrower proceeds; and

higher amortization and reserve requirements.

There is no assurance that we will be able to obtain debt financing at all or on terms favorable or acceptable to us.

Potential future increases in interest rates and credit spreads may increase our interest expense and therefore negatively affect our financial condition, results of operations, and reduce our access to capital markets. Increased interest rates may also increase the risk that the counterparties to our swap agreements will default on their obligations, which would further increase our interest expense. Equity markets have experienced high volatility recently and there is no assurance that we will be able to raise capital through the sale of equity securities at all or on favorable terms. Sales of equity on unfavorable terms could result in substantial dilution to our common stockholders.

If we cannot obtain capital from third-party sources, we may not be able to acquire or develop properties when strategic opportunities exist, satisfy our debt service obligations or pay dividends to our stockholders necessary to maintain our qualification as a REIT.

Our revolving credit facility restricts our ability to engage in some business activities.

Our revolving credit facility contains negative covenants and other financial and operating covenants that, among other things:

- restrict our ability to incur additional indebtedness;
- restrict our ability to make certain investments;
- restrict our ability to merge with another company;
- restrict our ability to create, incur or assume liens;
- restrict our ability to make distributions to our stockholders;
- require us to maintain financial coverage ratios; and
- require us to maintain a pool of unencumbered assets approved by the lenders.

These restrictions could cause us to default on our revolving credit facility or negatively affect our operations, our ability to pay dividends to our stockholders or our operating partnership s ability to pay distributions to its unitholders, including us.

The exchange and repurchase rights of our exchangeable debentures may be detrimental to holders of common stock.

Our operating partnership has $172.5 million principal amount of 4.125% Exchangeable Senior Debentures due 2026, which we refer to as the exchangeable debentures. The exchangeable debentures may under certain circumstances, be exchanged for cash (up to the principal amount of the exchangeable debentures) and, with respect to any excess exchange value, into cash, shares of our common stock or a combination of cash and shares of our common stock at an initial exchange rate of 30.6828 shares per $1,000 principal amount of exchangeable debentures. At the initial exchange rate, the exchangeable debentures are exchangeable for our common stock at an exchange price of approximately $32.5916 per share. The exchange rate of the exchangeable debentures is subject to adjustment for certain events, including, but not limited to, certain dividends on our common stock in excess of $0.265 per share per quarter, the issuance of certain rights, options or warrants to holders of our common stock, subdivisions or combinations of our common stock, certain distributions of assets, debt securities, capital stock or cash to holders of our common stock and certain tender or exchange offers. The exchangeable debentures are redeemable at the Company s option for cash at any time on or after August 18, 2011 and are subject to repurchase for cash at the option of the holder on August 15 in the years 2011, 2016 and 2021, or upon the occurrence of certain events. The exchangeable debentures are our senior unsecured and unsubordinated obligations.

The exchange of exchangeable debentures for our common stock at a time when our common stock is trading above the exchange price would dilute stockholder ownership in our company, and could adversely affect the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. Any adjustments to the exchange rate of the exchangeable debentures would exacerbate their dilutive effect. If the exchangeable debentures are not exchanged, the repurchase rights of holder of the exchangeable debentures may discourage or impede transactions that might otherwise be in the interest of holders of common stock. Further, these exchange or repurchase rights might be triggered in situations where we need to conserve our cash reserves, in which event such repurchase might adversely affect us and our stockholders.

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The conversion rights of our convertible preferred stock may be detrimental to holders of common stock.

We have 7,000,000 shares of 4.375% series C cumulative convertible preferred stock, or the series C preferred stock, and 13,800,000 shares of 5.500% series D cumulative convertible preferred stock, or the series D preferred stock, outstanding. The series C preferred stock and the series D preferred stock may be converted into shares of our common stock subject to certain conditions. The initial conversion rate for the series C preferred stock is 0.5164 shares of our common stock per $25.00 liquidation preference, which is equivalent to an initial conversion price of $48.41 per share of our common stock. The initial conversion rate for the series D preferred stock is 0.5955 shares of our common stock per $25.00 liquidation preference, which is equivalent to an initial conversion price of $41.98 per share of our common stock. The conversion rates for the series C preferred stock and the series D preferred stock are subject adjustment upon the occurrence of specified events, including, but not limited to, increases in dividends on our common stock, the issuance of certain rights, options or warrants to holders of our common stock, subdivisions or combinations of our common stock, certain distributions of assets, debt securities, capital stock or cash to holders of our common stock and certain tender or exchange offers.

In addition, on or prior to April 10, 2014 (in the case of the series C preferred stock) or February 6, 2015 (in the case of the series D preferred stock) in the event of a fundamental change when the applicable price of our common stock is less than $40.34 per share (in the case of the series C preferred stock) or $35.73 per share (in the case of the series D preferred stock), then holders of shares of the series C preferred stock and the series D preferred stock will have a special right to convert some or all of their series of preferred stock into a number of shares of our common stock per $25.00 liquidation preference equal to such liquidation preference, plus an amount equal to accrued and unpaid dividends to, but not including, the fundamental change conversion date, divided by 98% of the market price of our common stock. In the event that holders of shares of our preferred stock exercise this special conversion right, we have the right to repurchase for cash all or any part of preferred stock as to which the conversion right was exercised at a repurchase price equal to 100% of the liquidation preference of the preferred stock to be repurchased plus an amount equal to accrued and unpaid dividends to, but not including, the fundamental change conversion date.

The conversion of the series C preferred stock or the series D preferred stock for our common stock would dilute stockholder ownership in our company, and could adversely affect the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. Any adjustments to the conversion rates of the series C preferred stock and the series D preferred stock would exacerbate their dilutive effect. Further, the fundamental change conversion rights might be triggered in situations where we need to conserve our cash reserves, which may limit our ability to repurchase the shares of preferred stock in lieu of conversion.

The accounting method for convertible debt securities, like our outstanding 4.125% exchangeable senior debentures, is subject to uncertainty.

The accounting for convertible securities is subject to frequent scrutiny by the accounting regulatory bodies and is subject to change. We cannot predict if or when any such change could be made and any such change could have an adverse impact on our reported or future financial results. Any such impacts could adversely affect the trading prices of our common and preferred stock.

For example, the accounting method for net share settled convertible securities, which would include our outstanding 4.125% exchangeable senior debentures, has been under review by the accounting regulatory bodies for some time. Under the current accounting rules, for the purpose of calculating diluted earnings per share, a net share settled convertible security meeting certain requirements is accounted for in a manner similar to nonconvertible debt, with the stated coupon constituting interest expense and any shares issuable upon conversion of the security being accounted for in a manner similar to the treasury stock method. The effect of this method is that the shares potentially issuable upon conversion of the securities are not included in the calculation

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of earnings per share until the conversion price is in the money , and the issuer is then assumed to issue the number of shares necessary to settle the conversion.

However, a proposal to change that accounting method has recently been made by the FASB. Under the proposal, cash settled convertible securities would be separated into their debt and equity components. The value assigned to the debt component would be the estimated fair value, as of the issuance date, of a similar debt instrument without the conversion feature, and the difference between the proceeds for the convertible debt and the amount reflected as a debt liability would be recorded as additional paid-in capital. As a result, the debt would be recorded at a discount reflecting its below market coupon interest rate. The debt would subsequently be accreted to its par value over its expected life, with the rate of interest that reflects the market rate at issuance being reflected on the income statement. This change in methodology would affect the calculations of net income and earnings per share for many issuers of cash settled convertible securities, including us.

Implementation of this proposal is ongoing and we cannot predict the exact methodology that will be imposed, which may differ materially from the foregoing description, or when any change will be finally implemented.

Joint venture investments could be adversely affected by our lack of sole decision-making authority, our reliance on co-venturers financial condition and disputes between us and our co-venturers.

We currently, and may in the future, co-invest with third parties through partnerships, joint ventures or other entities, acquiring non-controlling interests in or sharing responsibility for managing the affairs of a property, partnership, joint venture or other entity. In that event, we would not be in a position to exercise sole decision-making authority regarding the property, partnership, joint venture or other entity. Investments in partnerships, joint ventures, or other entities may, under certain circumstances, involve risks not present when a third party is not involved, including the possibility that partners or co-venturers might become bankrupt or fail to fund their share of required capital contributions. Partners or co-venturers may have economic, tax or other business interests or goals which are inconsistent with our business interests or goals, and may be in a position to take actions contrary to our policies or objectives. Our joint venture partners may take actions that are not within our control, which would require us to dispose of the joint venture asset or transfer it to a taxable REIT subsidiary in order to maintain our status as a REIT. Such investments may also lead to impasses, for example, as to whether to sell a property, because neither we nor the partner or co-venturer would have full control over the partnership or joint venture. Disputes between us and partners or co-venturers may result in litigation or arbitration that would increase our expenses and prevent our officers and/or directors from focusing their time and effort on our day-to-day business. Consequently, actions by or disputes with partners or co-venturers may subject properties owned by the partnership or joint venture to additional risk. In addition, we may in certain circumstances be liable for the actions of our third-party partners or co-venturers. Finally, we may share information with our third-party partners or co-venturers that enables them to compete with us in the future. Each of these factors may result in returns on these investments being less than we expect or in losses and our financial and operating results may be adversely affected.

Our success depends on key personnel whose continued service is not guaranteed.

We depend on the efforts of key personnel, particularly Michael Foust, our Chief Executive Officer, A. William Stein, our Chief Financial Officer and Chief Investment Officer, Scott Peterson, our Senior Vice President, Acquisitions, Christopher Crosby, our Senior Vice President, Sales and Technical Services, and James R. Trout, our Senior Vice President of Portfolio and Technical Operations. They are important to our success for many reasons, including that each has a national or regional reputation in our industry and the investment community that attracts investors and business and investment opportunities and assists us in negotiations with investors, lenders, existing and potential tenants and industry personnel. If we lost their services, our business and investment opportunities and our relationships with lenders and other capital markets participants, existing and prospective tenants and industry personnel could suffer. Many of our other senior employees also have strong technology, finance and real estate industry reputations. As a result, we have greater access to potential acquisitions, financing, leasing and other opportunities, and are better able to negotiate with tenants. As our number of competitors increases, it becomes more likely that a competitor would attempt to hire certain of these individuals away from us. The loss of any of these key personnel would result in the loss of these and other benefits and could materially and adversely affect our results of operations.

Failure to hedge effectively against interest rate changes may adversely affect results of operations.

We seek to manage our exposure to interest rate volatility by using interest rate hedging arrangements, such as interest cap and interest rate swap agreements. These agreements involve risks, such as the risk that counterparties may fail to honor their obligations under these arrangements, that these arrangements may not be effective in reducing our exposure to interest rate changes and that a court could rule that such an agreement is not legally enforceable. Our policy is to use derivatives only to hedge interest rate risks related to our borrowings, not for speculative or trading purposes, and to enter into contracts only with major financial institutions based on their credit ratings and other factors. However, we may choose to change this policy in the future. Including loans currently subject to interest rate swaps, approximately 78% of our total indebtedness as of December 31, 2007 was subject to fixed interest rates. We do not currently hedge our revolving credit facility and as our borrowings under our revolving credit facility increase, so will our percentage of indebtedness not subject to fixed rates and our exposure to interest rates increase. Hedging may reduce the overall returns on our investments. Failure to hedge effectively against interest rate changes may materially adversely affect our results of operations.

Our properties may not be suitable for lease to datacenter or traditional technology office tenants without significant expenditures or renovations.

Because many of our properties contain tenant improvements installed at our tenants expense, they may be better suited for a specific corporate enterprise datacenter user or technology industry tenant and could require modification in order for us to re-lease vacant space to another corporate enterprise datacenter user or technology industry tenant. The tenant improvements may also become outdated or obsolete as the result of technological change, the passage of time or other factors. In addition, our redevelopment space will generally require substantial improvement to be suitable for datacenter use. For the same reason, our properties also may not be suitable for lease to traditional office tenants without significant expenditures or renovations. As a result, we may be required to invest significant amounts or offer significant discounts to tenants in order to lease or re-lease that space, either of which could adversely affect our financial and operating results.

Ownership of properties located outside of the United States subjects us to foreign currency and related risks which may adversely impact our ability to make distributions.

We owned 13 properties located outside of the U.S. at December 31, 2007 and have a right of first offer with respect to another property. In addition, we are currently considering, and will in the future consider, additional international acquisitions.

The ownership of properties located outside of the U.S. subjects us to risk from fluctuations in exchange rates between foreign currencies and the U.S. dollar. We expect that our principal foreign currency exposure will be to the British pound and the Euro. Changes in the relation of these currencies to U.S. dollars will affect our revenues and operating margins, may materially adversely impact our financial condition, results of operations, cash flow, cash available for distribution, including cash available for us to pay dividends to our stockholders or for our operating partnership to pay distributions to its unitholders, the per share trading price of our common stock or preferred stock, our ability to satisfy our debt obligations and our ability to qualify as a REIT.

We may attempt to mitigate some or all of the risk of currency fluctuation by financing our properties in the local currency denominations, although we cannot assure you that we will be able to do so or that this will be effective. We may also engage in direct hedging activities to mitigate the risks of exchange rate fluctuations.

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Any income recognized with respect to foreign currency exchange rate hedging activities may not qualify under the 75% gross income test or the 95% gross income test that we must satisfy annually in order to qualify and maintain our status as a REIT.

Acquisition, development, redevelopment, operation and ownership of foreign properties involve risks greater than those faced by us in the U.S.

Foreign real estate investments usually involve risks not generally associated with investments in the United States. Our international acquisitions, developments, redevelopments, operations are subject to a number of risks, including:

- risk resulting from our lack of knowledge of local real estate markets, development and redevelopment standards, economies and business practices and customs;
- our limited knowledge of and relationships with sellers, tenants, contractors, suppliers or other parties in these markets;
- due diligence, transaction and structuring costs higher than those we may face in the U.S.;
- complexity and costs associated with managing international development, redevelopment and operations;
- difficulty in hiring qualified management, sales personnel and service providers in a timely fashion;
- multiple, conflicting and changing legal, regulatory, entitlement and permitting, tax and treaty environments;
- exposure to increased taxation, confiscation or expropriation;
- currency transfer restrictions and limitations on our ability to distribute cash earned in foreign jurisdictions to the U.S.;
- difficulty in enforcing agreements in non-U.S. jurisdictions, including those entered into in connection with our acquisitions or in the event of a default by one or more of our tenants, suppliers or contractors; and
- political and economic instability in certain geographic regions.

Our inability to overcome these risks could adversely affect our foreign operations and could harm our business and results of operations.

Risks Related to the Real Estate Industry

Our performance and value are subject to risks associated with real estate assets and with the real estate industry.

Our ability to pay dividends to our stockholders and our operating partnership s ability to pay distributions to its unitholders, depends on our ability to generate revenues in excess of expenses, scheduled principal payments on debt and capital expenditure requirements. Events and conditions generally applicable to owners and operators of real property that are beyond our control may decrease cash available for distribution, including cash available for us to pay dividends to our stockholders or for our operating partnership to pay distributions to its unitholders, and the value of our properties. These events and conditions include:

local oversupply, increased competition or reduction in demand for technology-related space;

inability to collect rent from tenants;

vacancies or our inability to rent space on favorable terms;

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- inability to finance property development and acquisitions on favorable terms;
- increased operating costs, including insurance premiums, utilities and real estate taxes;
- costs of complying with changes in governmental regulations; and
- the relative illiquidity of real estate investments.

In addition, periods of economic slowdown or recession, rising interest rates or credit spreads, limited or no access to debt or equity capital or declining demand for real estate, or the public perception that any of these events may occur, could result in a general decline in rents or an increased incidence of defaults under existing leases, which would materially adversely affect our financial condition, results of operations, cash flow, cash available for distribution, including cash available for us to pay dividends to our stockholders or for our operating partnership to pay distributions to its unitholders, per share trading price of our common stock or preferred stock and ability to satisfy our debt service obligations.

Illiquidity of real estate investments could significantly impede our ability to respond to adverse changes in the performance of our properties and harm our financial condition.

Because real estate investments are relatively illiquid and because there may be even fewer buyers for our specialized real estate, our ability to promptly sell properties in our portfolio in response to adverse changes in their performance may be limited, which may harm our financial condition. The real estate market is affected by many factors that are beyond our control, including:

- adverse changes in national and local economic and market conditions;
- changes in interest rates and in the availability, cost and terms of debt financing;
- changes in laws and regulations, fiscal policies and zoning ordinances and costs of compliance with laws and regulations, fiscal policies and ordinances;
- the ongoing need for capital improvements, particularly in older structures;
- changes in operating expenses; and
- civil unrest, acts of war, terrorist attacks and natural disasters, including earthquakes and floods, which may result in uninsured and underinsured losses.

We could incur significant costs related to government regulation and private litigation over environmental matters.

Under various laws relating to the protection of the environment, a current or previous owner or operator of real estate may be liable for contamination resulting from the presence or discharge of hazardous or toxic substances at that property, and may be required to investigate and clean up such contamination at or emanating from that property. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of the contaminants, and the liability may be joint and several. Previous owners used some of our properties for industrial and retail purposes, so those properties may contain some level of environmental contamination. The presence of contamination or the failure to remediate contamination at our properties may expose us to third-party liability or materially adversely affect our ability to sell, lease or develop the real estate or to borrow using the real estate as collateral.

Some of the properties may contain asbestos-containing building materials. Environmental laws require that asbestos-containing building materials be properly managed and maintained, and may impose fines and penalties on building owners or operators for failure to comply with these requirements. These laws may also allow third parties to seek recovery from owners or operators for personal injury associated with exposure to asbestos-containing building materials.

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In addition, some of our tenants, particularly those in the biotechnology and life sciences industry and those in the technology manufacturing industry, routinely handle hazardous substances and wastes as part of their operations at our properties. Environmental laws and regulations subject our tenants, and potentially us, to liability resulting from these activities or from previous industrial or retail uses of those properties. Environmental liabilities could also affect a tenant s ability to make rental payments to us.

Existing conditions at some of our properties may expose us to liability related to environmental matters.

Independent environmental consultants have conducted Phase I or similar environmental site assessments on all of the properties in our portfolio. Site assessments are intended to discover and evaluate information regarding the environmental condition of the surveyed property and surrounding properties. These assessments do not generally include soil samplings, subsurface investigations or an asbestos survey and the assessments may fail to reveal all environmental conditions, liabilities or compliance concerns. In addition material environmental conditions, liabilities or compliance concerns may arise after these reviews are completed or may arise in the future. Future laws, ordinances or regulations may impose additional material environmental liability.

We cannot assure you that costs of future environmental compliance will not affect our ability to pay dividends to our stockholders or our operating partnership s ability to pay distributions to its unitholders or that such costs or other remedial measures will not have a material adverse effect on our business, assets or results of operations.

Our properties may contain or develop harmful mold or suffer from other air quality issues, which could lead to liability for adverse health effects and costs to remedy the problem.

When excessive moisture accumulates in buildings or on building materials, mold may grow, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to airborne toxins or irritants above certain levels can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of our properties could require us to undertake a costly remediation program to contain or remove the mold or other airborne contaminants from the affected property or increase indoor ventilation. In addition, the presence of significant mold or other airborne contaminants could expose us to liability from our tenants, employees of our tenants and others if property damage or health concerns arise.

We may incur significant costs complying with the Americans with Disabilities Act and similar laws.

Under the Americans with Disabilities Act of 1990, or the ADA, all public accommodations must meet federal requirements related to access and use by disabled persons. We have not conducted an audit or investigation of all of our properties to determine our compliance with the ADA. If one or more of the properties in our portfolio does not comply with the ADA, then we would be required to incur additional costs to bring the property into compliance. Additional federal, state and local laws also may require modifications to our properties, or restrict our ability to renovate our properties. We cannot predict the ultimate cost of compliance with the ADA or other legislation. If we incur substantial costs to comply with the ADA and any other similar legislation, our financial condition, results of operations, cash flow, cash available for distribution, including cash available for us to pay dividends to our stockholders or for our operating partnership to pay distributions to its unitholders, per share trading price of our common stock or preferred stock and our ability to satisfy our debt service obligations could be materially adversely affected.

We may incur significant costs complying with other regulations.

The properties in our portfolio are subject to various federal, state and local regulations, such as state and local fire and life safety regulations. If we fail to comply with these various regulations, we may have to pay

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fines or private damage awards. In addition, we do not know whether existing regulations will change or whether future regulations will require us to make significant unanticipated expenditures that will materially adversely impact our financial condition, results of operations, cash flow, cash available for distribution, including cash available for us to pay dividends to our stockholders or for our operating partnership to pay distributions to its unitholders, per share trading price of our common stock or preferred stock and our ability to satisfy our debt service obligations.

Risks Related to Our Organizational Structure

Conflicts of interest may exist or could arise in the future with holders of units in our operating partnership.

Conflicts of interest may exist or could arise in the future as a result of the relationships between us and our affiliates, on the one hand, and our operating partnership or any partner thereof, on the other. Our directors and officers have duties to our company and our stockholders under Maryland law in connection with their management of our company. At the same time, we, as general partner, have fiduciary duties under Maryland law to our operating partnership and to the limited partners in connection with the management of our operating partnership. Our duties as general partner to our operating partnership and its partners may come into conflict with the duties of our directors and officers to our company and our stockholders. Under Maryland law, a general partner of a Maryland limited partnership owes its limited partners the duties of good faith, fairness and loyalty, unless the partnership agreement provides otherwise. The partnership agreement of our operating partnership provides that for so long as we own a controlling interest in our operating partnership, any conflict that cannot be resolved in a manner not adverse to either our stockholders or the limited partners will be resolved in favor of our stockholders.

The provisions of Maryland law that allow the fiduciary duties of a general partner to be modified by a partnership agreement have not been tested in a court of law, and we have not obtained an opinion of counsel covering the provisions set forth in the partnership agreement that purport to waive or restrict our fiduciary duties.

We are also subject to the following additional conflicts of interest with holders of units in our operating partnership:

We may pursue less vigorous enforcement of terms of certain agreements because of conflicts of interest with GI Partners. GI Partners and its related fund, own a property on which we have a right of first offer. GI Partners Fund II, LLP, or GI Partners II, owns The tel(x) Group, an operator of Meet-Me-Room network interconnection facilities that leases 87,305 square feet from us under ten lease agreements. Richard Magnuson, the Chairman of our board of directors, is and will continue to be, the chief executive officer of the advisor to GI Partners and GI Partners II. In the future, we may enter into additional agreements with The tel(x) Group or other companies owned by GI Partners or GI Partners II or other GI Partners funds. We may choose not to enforce, or to enforce less vigorously, our rights under theses agreements because of our desire to maintain our ongoing relationship with GI Partners and Mr. Magnuson.

Tax consequences upon sale or refinancing. Sales of properties and repayment of certain indebtedness will affect holders of common units in our operating partnership and our stockholders differently. The parties who contributed the 200 Paul Avenue 1-4 and 1100 Space Park Drive properties to our operating partnership would incur adverse tax consequences upon the sale of these properties and on the repayment of related debt which differ from the tax consequences to us and our stockholders. Consequently, these holders of common units in our operating partnership may have different objectives regarding the appropriate pricing and timing of any such sale or repayment of debt. While we have exclusive authority under the limited partnership agreement of our operating partnership to determine when to refinance or repay debt or whether, when, and on what terms to sell a property, any such decision would require the approval of our board of directors. Certain of our directors and executive officers could exercise their influence in a manner inconsistent with the interests of some, or a majority, of our stockholders, including in a manner which could prevent completion of a sale of a property or the repayment of indebtedness.

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Our charter and Maryland law contain provisions that may delay, defer or prevent a change of control transaction.

Our charter and the articles supplementary with respect to the preferred stock contain 9.8% ownership limits. Our charter, subject to certain exceptions, authorizes our directors to take such actions as are necessary and desirable to preserve our qualification as a REIT and to limit any person to actual or constructive ownership of no more than 9.8% (by value or by number of shares, whichever is more restrictive) of the outstanding shares of our common stock, 9.8% (by value or by number of shares, whichever is more restrictive) of the outstanding shares of any series of preferred stock and 9.8% of the value of our outstanding capital stock. Our board of directors, in its sole discretion, may exempt a proposed transferee from the ownership limit. However, our board of directors may not grant an exemption from the ownership limit to any proposed transferee whose direct or indirect ownership of more than 9.8% of the outstanding shares of our common stock, more than 9.8% of the outstanding shares of any series of preferred stock or more than 9.8% of the value of our outstanding capital stock could jeopardize our status as a REIT. These restrictions on transferability and ownership will not apply if our board of directors determines that it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT. The ownership limit may delay, defer or prevent a transaction or a change of control that might be in the best interest of our common or preferred stockholders.

We could increase the number of authorized shares of stock and issue stock without stockholder approval. Our charter authorizes our board of directors, without stockholder approval, to amend the charter to increase the aggregate number of authorized shares of stock or the number of authorized shares of stock of any class or series, to issue authorized but unissued shares of our common stock or preferred stock and, subject to the voting rights of holders of preferred stock, to classify or reclassify any unissued shares of our common stock or preferred stock and to set the preferences, rights and other terms of such classified or reclassified shares. Although our board of directors has no such intention at the present time, it could establish a series of preferred stock that could, depending on the terms of such series, delay, defer or prevent a transaction or a change of control that might be in the best interest of our common or preferred stockholders.

Certain provisions of Maryland law could inhibit changes in control. Certain provisions of the MGCL may have the effect of impeding a third party from making a proposal to acquire us or of impeding a change of control under circumstances that otherwise could be in the best interests of our common or preferred stockholders, including:

- business combination provisions that, subject to limitations, prohibit certain business combinations between us and an interested stockholder (defined generally as any person who beneficially owns 10% or more of the voting power of our outstanding shares of voting stock or an affiliate or associate of ours who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of our then outstanding shares of voting stock) or an affiliate thereof for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter imposes special appraisal rights and special stockholder voting requirements on these combinations; and

- control share provisions that provide that control shares of our company (defined as shares which, when aggregated with other shares controlled by the stockholder (except solely by virtue of a revocable proxy), entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a control share acquisition (defined as the direct or indirect acquisition of ownership or control of control shares) have no voting rights except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

We have opted out of these provisions of the MGCL, in the case of the business combination provisions of the MGCL by resolution of our board of directors, and in the case of the control share provisions of the MGCL pursuant to a provision in our bylaws. However, our board of directors may by resolution elect to opt in to the

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business combination provisions of the MGCL and we may, by amendment to our bylaws, opt in to the control share provisions of the MGCL in the future.

The provisions of our charter on removal of directors and the advance notice provisions of the bylaws could delay, defer or prevent a transaction or a change of control of our company that might be in the best interest of our common or preferred stockholders. Likewise, if our company s board of directors were to opt in to the business combination provisions of the MGCL or the provisions of Title 3, Subtitle 8 of the MGCL, or if the provision in our bylaws opting out of the control share acquisition provisions of the MGCL were rescinded, these provisions of the MGCL could have similar anti-takeover effects. Further, our partnership agreement provides that our company may not engage in any merger, consolidation or other combination with or into another person, sale of all or substantially all of our assets or any reclassification or any recapitalization or change in outstanding shares of our common stock, unless in connection with such transaction we obtain the consent of the holders of at least 35% of our operating partnership s common and long-term incentive units (including units held by us), and certain other conditions are met.

Our board of directors may change our investment and financing policies without stockholder approval and we may become more highly leveraged, which may increase our risk of default under our debt obligations.

Our board of directors adopted a policy of limiting our indebtedness to 60% of our total market capitalization. Our total market capitalization is defined as the sum of the market value of our outstanding common stock (which may decrease, thereby increasing our debt to total capitalization ratio), excluding options issued under our incentive award plan, plus the aggregate value of the units not held by us, plus the liquidation preference of outstanding preferred stock, plus the book value of our total consolidated indebtedness. However, our organizational documents do not limit the amount or percentage of indebtedness, funded or otherwise, that we may incur. Our board of directors may alter or eliminate our current policy on borrowing at any time without stockholder approval. If this policy changed, we could become more highly leveraged which could result in an increase in our debt service and which could materially adversely affect our cash flow and our ability to make distributions, including cash available for us to pay dividends to our stockholders or for our operating partnership to pay distributions to its unitholders, including us. Higher leverage also increases the risk of default on our obligations.

Our rights and the rights of our stockholders to take action against our directors and officers are limited.

Maryland law provides that our directors and officers have no liability in their capacities as directors or officers if they perform their duties in good faith, in a manner they reasonably believe to be in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. As permitted by the MGCL, our charter limits the liability of our directors and officers to us and our stockholders for money damages, except for liability resulting from:

- actual receipt of an improper benefit or profit in money, property or services; or
- a final judgment based upon a finding of active and deliberate dishonesty by the director or officer that was material to the cause of action adjudicated.

In addition, our charter authorizes us to obligate our company, and our bylaws require us, to indemnify our directors and officers for actions taken by them in those capacities to the maximum extent permitted by Maryland law and we have entered in indemnification agreements with our officers and directors. As a result, we and our stockholders may have more limited rights against our directors and officers than might otherwise exist under common law. Accordingly, in the event that actions taken in good faith by any of our directors or officers impede the performance of our company, your ability to recover damages from that director or officer will be limited.

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Risks Related to Our Status as a REIT

Failure to qualify as a REIT would have significant adverse consequences to us and the value of our stock.

We have operated and intend to continue operating in a manner that we believe will allow us to qualify as a REIT for federal income tax purposes under the Code. We have not requested and do not plan to request a ruling from the IRS that we qualify as a REIT. If we lose our REIT status, we will face serious tax consequences that would substantially reduce our cash available for distribution, including cash available to pay dividends to our preferred stockholders or make distributions to our common stockholders, for each of the years involved because:

- we would not be allowed a deduction for distributions to stockholders in computing our taxable income and would be subject to federal income tax at regular corporate rates;
- we also could be subject to the federal alternative minimum tax and possibly increased state and local taxes; and
- unless we are entitled to relief under applicable statutory provisions, we could not elect to be taxed as a REIT for four taxable years following the year during which we were disqualified.

In addition, if we fail to qualify as a REIT, we will not be required to make distributions to stockholders. As a result of all these factors, our failure to qualify as a REIT also could impair our ability to expand our business and raise capital, and would materially adversely affect the value of our capital stock.

Qualification as a REIT involves the application of highly technical and complex Code provisions for which there are only limited judicial and administrative interpretations. The complexity of these provisions and of the applicable Treasury Regulations that have been promulgated under the Code is greater in the case of a REIT that, like us, holds its assets through a partnership. Our ability to qualify as a REIT may be affected by facts and circumstances that are not entirely within our control. In order to qualify as a REIT, we must satisfy a number of requirements, including requirements regarding the composition of our assets and a requirement that at least 95% of our gross income in any year must be derived from qualifying sources, such as rents from real property. Also, we must make distributions to stockholders aggregating annually at least 90% of our net taxable income, excluding net capital gains. In addition, legislation, new regulations, administrative interpretations or court decisions may materially adversely affect our investors, our ability to qualify as a REIT for federal income tax purposes or the desirability of an investment in a REIT relative to other investments.

Even if we qualify as a REIT for federal income tax purposes, we may be subject to some federal, state and local taxes on our income or property and, in certain cases, a 100% penalty tax, in the event we sell property as a dealer. In addition, our domestic taxable REIT subsidiary could be subject to Federal and state taxes, and our foreign properties and companies are subject to tax in the jurisdictions in which they operate and are located.

To maintain our REIT status, we may be forced to borrow funds on a short-term basis during unfavorable market conditions.

To qualify as a REIT, we generally must distribute to our stockholders at least 90% of our net taxable income each year, excluding capital gains, and we will be subject to regular corporate income taxes to the extent that we distribute less than 100% of our net taxable income each year. In addition, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions paid by us in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years. In order to maintain our REIT status and avoid the payment of income and excise taxes, we may need to borrow funds on a short-term basis to meet the REIT distribution requirements even if the then prevailing market conditions are not favorable for these borrowings. These short-term borrowing needs could result from differences in timing between the actual receipt of cash and inclusion of income for federal income tax purposes, or the effect of non-deductible capital expenditures, the creation of reserves or required debt or amortization payments.

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The power of our board of directors to revoke our REIT election without stockholder approval may cause adverse consequences to our stockholders.

Our charter provides that our board of directors may revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that it is no longer in our best interests to continue to qualify as a REIT. If we cease to qualify as a REIT, we would become subject to U.S. federal income tax on our taxable income and we would no longer be required to distribute most of our taxable income to our stockholders, which may have adverse consequences on the total return to our common or preferred stockholders.

Forward-Looking Statements

We make statements in this report that are forward-looking statements within the meaning of the federal securities laws. In particular, statements pertaining to our capital resources, portfolio performance and results of operations contain forward-looking statements. Likewise, all of our statements regarding anticipated market conditions, demographics and results of operations are forward-looking statements. You can identify forward-looking statements by the use of forward-looking terminology such as believes, expects, may, will, should, seeks, approximatel intends, plans, pro forma, estimates or anticipates or the negative of these words and phrases or similar words or phrases which are predictio or indicate future events or trends and which do not relate solely to historical matters. You can also identify forward looking statements by discussions of strategy, plans or intentions.

Forward-looking statements involve numerous risks and uncertainties and you should not rely on them as predictions of future events. Forward-looking statements depend on assumptions, data or methods which may be incorrect or imprecise and we may not be able to realize them. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all). The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

- adverse economic or real estate developments in our markets or the technology industry;
- our dependence upon significant tenants;
- bankruptcy or insolvency of a major tenant;
- downturn of local economic conditions in our geographic markets;
- our inability to comply with the rules and regulations applicable to public companies or to manage our growth effectively;
- difficulty acquiring or operating properties in foreign jurisdictions;
- defaults on or non-renewal of leases by tenants;
- increased interest rates and operating costs;
- our failure to obtain necessary outside financing;

restrictions on our ability to engage in certain business activities;

risks related to joint venture investments;

decreased rental rates or increased vacancy rates;

inability to successfully develop and lease new properties and space held for redevelopment;

difficulties in identifying properties to acquire and completing acquisitions;

increased competition or available supply of data center space;

our failure to successfully operate acquired properties;

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- our inability to acquire off-market property;
- delays or unexpected costs in development or redevelopment of properties;
- our failure to maintain our status as a REIT;
- possible adverse changes to tax laws;
- environmental uncertainties and risks related to natural disasters;
- financial market fluctuations;
- changes in foreign currency exchange rates;
- changes in foreign laws and regulations, including those related to taxation and real estate ownership and operation; and
- changes in real estate and zoning laws and increases in real property tax rates.

While forward-looking statements reflect our good faith beliefs, they are not guaranties of future performance. We disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, new information, data or methods, future events or other changes. For a further discussion of these and other factors that could impact our future results, performance or transactions, see the sections above.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our Portfolio

As of December 31, 2007, we owned 70 properties through our operating partnership, excluding one property held as an investment in an unconsolidated joint venture. These properties are primarily located throughout North America, with 12 properties located in Europe, and contain a total of approximately 12.3 million net rentable square feet including 1.8 million square feet held for redevelopment. The following table presents an overview of our portfolio of properties excluding the one property held as an investment in a joint venture, based on information as of December 31, 2007.

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Property[1]	Acquisition date	Metropolitan Area	Net Rentable Square Feet Excluding Redevelopment Space[2]	Redevelopment Space[3]	Annualized Rent ($000)[4]	Percent Leased[5]	Annualized Rent per Occupied Square Foot ($)[6]
Internet Gateways							
350 East Cermak Road	May-05	Chicago	974,837	158,902	32,149	98.3%	33.54
120 E. Van Buren Street	Jul-06	Phoenix	249,425	38,089	19,045	84.6%	90.23
200 Paul Avenue 1-4	Nov-04	San Francisco	527,680		19,054	97.4%	37.07
2323 Bryan Street	Jan-02	Dallas	457,217	19,890	13,257	78.7%	36.85
600 West Seventh Street	May-04	Los Angeles	482,089	7,633	13,042	89.4%	30.25
111 Eighth Avenue[7]	Mar-07	New York	116,843		11,179	100.0%	95.68
1100 Space Park Drive	Nov-04	Silicon Valley	165,297		7,200	97.6%	44.63
114 Rue Ambroise Croizat[8]	Dec-06	Paris, France	130,996	221,150	5,062	100.0%	38.64
600-780 S. Federal	Sep-05	Chicago	161,547		5,005	80.3%	38.60
6 Braham Street[9]	Jul-02	London, England	63,233		4,402	100.0%	69.62
36 NE 2nd Street	Jan-02	Miami	162,140		4,280	95.9%	27.54
900 Walnut Street	Aug-07	St Louis	112,266		3,333	98.6%	30.11
731 East Trade Street	Aug-05	Charlotte	40,879		1,131	100.0%	27.67
113 North Myers	Aug-05	Charlotte	20,086	9,132	707	100.0%	35.20
125 North Myers	Aug-05	Charlotte	25,402		390	51.3%	29.90
			3,689,937	**454,796**	**139,236**	**92.6%**	**40.75**
Data Centers							
300 Boulevard East	Nov-02	New York	311,950		12,778	100.0%	40.96
833 Chestnut Street	Mar-05	Philadelphia	580,147	74,611	9,653	80.5%	20.66
Unit 9, Blanchardstown Corporate Park[8]	Dec-06	Dublin, Ireland	120,000		9,016	96.4%	77.97
2045 & 2055 LaFayette Street	May-04	Silicon Valley	300,000		6,300	100.0%	21.00
3 Corporate Place	Dec-05	New York	205,106	71,825	6,167	88.4%	34.02
11830 Webb Chapel Road	Aug-04	Dallas	365,647		5,788	96.6%	16.39
150 South First Street	Sep-04	Silicon Valley	179,761		5,094	97.7%	29.01
14901 FAA Boulevard	Jun-06	Dallas	263,700		4,474	100.0%	16.97
12001 North Freeway	Apr-06	Houston	280,483	20,222	4,307	98.5%	15.60
2334 Lundy Place	Dec-02	Silicon Valley	130,752		4,253	100.0%	32.53
44470 Chilum Place	Feb-07	Northern Virginia	95,440		3,906	100.0%	40.93
2401 Walsh Street	Jun-05	Silicon Valley	167,932		3,211	100.0%	19.12
8534 Concord Center Drive	Jun-05	Denver	85,660		3,169	100.0%	37.00
Naritaweg 52[8][10]	Dec-07	Amsterdam, Netherlands	63,260		2,866	100.0%	45.31
4025 Midway Road	Jan-06	Dallas	72,991	27,599	2,459	54.9%	61.35
210 N Tucker Boulevard	Aug-07	St Louis	139,588	62,000	2,266	95.0%	17.09
375 Riverside Parkway	Jun-03	Atlanta	200,442	49,749	2,238	92.9%	12.01
200 North Nash Street	Jun-05	Los Angeles	113,606		2,172	100.0%	19.12
Paul van Vlissingenstraat 16[8]	Aug-05	Amsterdam, Netherlands	77,472	35,000	2,166	58.8%	47.56
115 Second Avenue	Oct-05	Boston	66,730		2,064	42.1%	73.50
2403 Walsh Street	Jun-05	Silicon Valley	103,940		1,988	100.0%	19.13
1807 Michael Faraday Court	Oct-06	Northern Virginia	19,237		1,953	100.0%	101.52
8100 Boone Boulevard[7]	Oct-06	Northern Virginia	17,015		1,886	100.0%	110.84

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Property[1]	Acquisition date	Metropolitan Area	Net Rentable Square Feet Excluding Redevelopment Space[2]	Redevelopment Space[3]	Annualized Rent ($000)[4]	Percent Leased[5]	Annualized Rent per Occupied Square Foot ($)[6]
4700 Old Ironsides Drive	Jun-05	Silicon Valley	90,139		1,724	100.0%	19.13
4650 Old Ironsides Drive	Jun-05	Silicon Valley	84,383		1,614	100.0%	19.13
Chemin de l Epinglier 2[8]	Nov-05	Geneva, Switzerland	59,190		1,594	100.0%	26.93
3065 Gold Camp Drive	Oct-04	Sacramento	62,957		1,502	100.0%	23.86
3015 Winona Avenue	Dec-04	Los Angeles	82,911		1,500	100.0%	18.09
21110 Ridgetop Circle	Jan-07	Northern Virginia	135,513		1,480	100.0%	10.92
251 Exchange Place	Nov-05	Northern Virginia	70,982		1,458	100.0%	20.54
6800 Millcreek Drive	Apr-06	Toronto, Canada	83,758		1,442	100.0%	
Clonshaugh Industrial Estate[8]	Feb-06	Dublin, Ireland	20,000		1,442	100.0%	72.10
1125 Energy Park Drive	Mar-05	Minneapolis/St. Paul	112,827		1,437	100.0%	12.74
101 Aquila Way	Apr-06	Atlanta	313,581		1,411	100.0%	4.50
43831 Devon Shafron Drive	Mar-07	Northern Virginia	117,071		1,377	100.0%	11.76
3300 East Birch Street	Aug-03	Los Angeles	68,807		1,319	100.0%	19.17
Gyroscoopweg 2E-2F[8]	Jul-06	Amsterdam, Netherlands	55,585		1,232	100.0%	22.16
600 Winter Street	Sep-06	Boston	30,400		763	100.0%	25.10
7620 Metro Center Drive	Dec-05	Austin	45,000		605	100.0%	13.44
2300 NW 89th Place	Sep-06	Miami	64,174		581	100.0%	9.05
43881 Devon Shafron Drive	Mar-07	Northern Virginia	50,000	130,000	473	100.0%	9.46
1 St. Anne s Boulevard[9]	Dec-07	London, England	20,219		327	100.0%	16.17
2440 Marsh Lane	Jan-03	Dallas	5,500	129,750	62	100.0%	11.27
Clonshaugh Industrial Estate (Land)	Feb-06	Dublin, Ireland		124,500		0.0%	
Cressex 1	Dec-07	London, England		50,848		0.0%	
3 St. Anne s Boulevard	Dec-07	London, England		96,384		0.0%	
2055 East Technology Circle[11]	Oct-06	Phoenix		76,350		0.0%	
3011 Lafayette Street	Jan-07	Silicon Valley		90,780		0.0%	
43791 Devon Shafron Drive	Mar-07	Northern Virginia		135,000		0.0%	
1500 Space Park Drive	Sep-07	Silicon Valley		49,852		0.0%	
7500 Metro Center Drive	Dec-05	Austin		74,962		0.0%	
			5,533,856	**1,299,432**	**123,517**	**94.8%**	**23.54**
Technology Manufacturing							
34551 Ardenwood Boulevard 1-4	Jan-03	Silicon Valley	307,657		8,205	100.0%	26.67
47700 Kato Road & 1055 Page Avenue	Sep-03	Silicon Valley	183,050		3,684	100.0%	20.13
2010 East Centennial Circle[12]	May-03	Phoenix	113,405		2,852	100.0%	25.15
2 St. Anne s Boulevard[9]	Dec-07	London, England	30,612		496	100.0%	16.20
			634,724		**15,238**	**100.0%**	**24.01**
Technology Office							
100 & 200 Quannapowitt Parkway	Jun-04	Boston	386,956		7,305	100.0%	18.88
4849 Alpha Road	Apr-04	Dallas	125,538		2,856	100.0%	22.75
1 Savvis Parkway	Aug-07	St Louis	156,000		2,644	100.0%	16.95
			668,494		**12,805**	**100.0%**	**19.16**
Portfolio Total/Weighted Average			**10,527,011**	**1,754,228**	**$ 290,795**	**94.7%**	**29.18**

(1) We have categorized the properties in our portfolio by their principal use based on annualized rent. However, many of our properties support multiple uses.

(2) Net rentable square feet at a building represents the current square feet at that building under lease as specified in the lease agreements plus management s estimate of space available for lease based on engineering drawings. Net rentable square feet includes tenants proportional share of common areas but excludes space held for redevelopment.

(3) Redevelopment space is unoccupied space that requires significant capital investment in order to develop datacenter facilities that are ready for use. Most often this is shell space. However, in certain circumstances this may include partially built datacenter space that was not completed by previous ownership or tenants and requires a large capital investment in order to build out the space.

(4) Annualized rent represents the monthly contractual rent under existing leases as of December 31, 2007 multiplied by 12.

(5) Excludes space held for redevelopment. Includes unoccupied space for which we are receiving rent and excludes space for which leases had been executed as of December 31, 2007 but for which we are not receiving rent.

(6) Annualized rent per square foot represents annualized rent as computed above, divided by the total square footage under lease as of the same date.

(7) 111 Eighth Avenue (2^{nd} and 6^{th} floors), 8100 Boone Boulevard and 111 Eighth Avenue (3^{rd} and 7^{th} floors) are subject to operating leases, which expire in June 2014, September 2017 and February 2022, respectively.

(8) Rental amounts for Unit 9, Blanchardstown Corporate Park, 114 Rue Ambroise Croizat, Naritaweg 52, Paul van Vlissingenstraat 16, Chemin de l Epinglier 2, Clonshaugh Industrial Estate and Gyroscoopweg 2E-2F were calculated based on the exchange rate in effect on December 31, 2007 of $1.46 per 1.00. Paul Van Vlissingenstraat 16, Chemin de l Epinglier 2 and Clonshaugh Industrial Estate are subject to ground leases, which expire in the years 2054, 2074 and 2981, respectively.

(9) Rental amounts for 6 Braham Street, 1 St. Anne s Boulevard and 2 St. Anne s Boulevard were calculated based on the exchange rate in effect on December 31, 2007 of $1.99 per £1.00.

(10) We are party to a ground sublease for this property. This is a perpetual ground sublease. Lease payments were prepaid by prior owner of this property through December 2036.

(11) We are party to a ground sublease for this property. The term of the ground sublease expires in September 2083. All of the lease payments were prepaid by prior owner of this property.

(12) We are party to a ground sublease for this property. The term of the ground sublease expires in the year 2082.

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Tenant Diversification

As of December 31, 2007 our portfolio was leased to 414 companies, many of which are nationally recognized firms. The following table sets forth information regarding the 15 largest tenants in our portfolio based on annualized rent as of December 31, 2007.

	Number of Locations	Total Occupied Square Feet [1]	Percentage of Net Rentable Square Feet	Annualized Rent ($000) [2]	Percentage of Annualized Rent	Weighted Average Remaining Lease Term in Months
	16	1,578,005	15.0%	$ 34,223	11.8%	132
nternational, Inc.	13	770,928	7.3%	23,926	8.2%	91
ny, Inc.	4	454,672	4.3%	12,042	4.1%	107
	10	82,581	0.8%	10,185	3.5%	227
	11	386,430	3.7%	8,729	3.0%	

	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	T
ve	N/A	$ 750,000	$ 1,500,000	$ 3,000,000		
Options	3/28/2018					500,000
ve	N/A	$ 300,000	$ 600,000	$ 1,200,000		
	3/28/2018				120,166	
Options	3/28/2018					77,280
ve	N/A	$ 150,000	$ 300,000	$ 600,000		
	5/29/2018				10,000	
ve	N/A	$ 65,398	$ 130,795	$ 261,590		
	5/29/2018				4,124	
	11/19/2018				7,135	
ve	N/A	$ 120,000	$ 240,000	$ 480,000		

(1) Represents fiscal year 2019 award opportunities under the Company s Annual Cash Incentive Plan. Mr. Combs award opportunity was prorated for fiscal year 2019 based on his May 29, 2018 hire date. The Company achieved the predetermined adjusted EBITDA based performance goals established by the Compensation Committee for fiscal year 2019 in excess of the Maximum level. Actual annual cash incentive awards paid to the named

executive officers are reflected in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table and are discussed on more detail under Compensation Discussion and Analysis.

(2) Represents time-based RSUs granted in fiscal year 2019. The time-based RSUs granted to Mr. Wright vest in two equal installments on March 28, 2021 and March 28, 2022. Mr. Wright s award was granted for retention purposes and is discussed in more detail under Compensation Discussion and Analysis. Mr. Combs was granted a total of 11,259 time-based RSUs in fiscal year 2019 that vest ratably over a 4-year period beginning on the first anniversary of the grant dates. Mr. Combs received a grant of 4,124 time-based RSUs on May 29, 2018 in connection with his commencement of employment and received the grant of 7,135 time-based RSUs on November 19, 2018 in connection with the Company s regular annual equity grant. Mr. Davis grant of 10,000 time-based RSUs vest ratably over a 4-year period beginning on the first anniversary of the grant date. Mr. Davis received this grant for retention purposes.

(3) Represents nonqualified stock options granted in fiscal year 2019. The nonqualified stock options granted to Messrs. Miller and Wright vest in two equal installments on March 28, 2021 and March 28, 2022. Messrs. Miller and Wright s awards were granted for retention purposes and are discussed in more detail under Compensation Discussion and Analysis.

(4) The amounts in the Grant Date Fair Value of Stock and Option Awards column were determined in accordance with FASB ASC Topic 718, which may be greater or less than the value than the respective named executive officer realizes upon the vesting of the time-based RSUs and/or exercise of the nonqualified stock options. Information regarding the assumptions used in calculating the fair value under FASB ASC Topic 718 can be found in Notes 1 and 9 to the financial statements contained in the Company s Annual Report on Form 10-K for fiscal year 2019.

Outstanding Equity Awards at Fiscal Year End 2019

		Option Awards					Stock Awards			
Name	Grant Date	Number of Securities Underlying Unexercised Options - Exercisable (#)	Number of Securities Underlying Unexercised Options - Unexercisable (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)(1)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(1)
Norman L. Miller	9/7/2015						18,635	$ 390,217(2)		
	5/25/2016						37,554	$ 786,381(3)		
	5/25/2016									
	1/2/2017	16,666	16,667(4)		$ 12.65	1/2/2027				
	1/2/2017	16,666	16,667(4)		$ 18.98	1/2/2027				
	1/2/2017	16,667	16,667(4)		$ 25.30	1/2/2027				
	2/23/2017								200,000	$ 4,188,000(6)
	2/23/2017								58,000	$ 1,214,520(6)
	2/23/2017						172,000	$ 3,601,680(7)		
	3/28/2018	0	500,000(5)		$ 32.35	3/28/2028				
Lee A. Wright	6/22/2016						29,630	$ 620,452(8)		
	2/23/2017						47,333	$ 991,153(7)		
	2/23/2017								71,000	$ 1,486,740(6)
	3/28/2018	0	120,166(5)		$ 32.35	3/28/2028	77,280	$ 1,618,243(9)		
John C. Davis	5/23/2016								3,857	$ 80,76(10)
	12/1/2016						6,362	$ 133,220(11)		
	2/23/2017						14,000	$ 293,160(7)	21,000	$ 439,740(6)
	5/29/2018						10,000	$ 209,400(12)	14,012	$ 293,411(11)
Eddie D. Combs	5/29/2018						4,124	$ 86,357(12)		
	11/19/2018						7,135	$ 149,407(13)		
Brian A. Daly	11/16/2015						2,480	$ 51,931(14)		
	12/1/2016						6,697	$ 140,235(11)		
	2/23/2017								23,000	$ 481,620(6)
	2/23/2017						15,333	$ 321,073(7)		

(1) Values of awards that are unvested or not earned at the end of fiscal year 2019 are based on our closing stock price on January 31, 2019 of $20.94.

(2) On January 2, 2017, the Compensation Committee approved the reduction of the vesting period of Mr. Miller s initial new hire equity grant from five to four years. RSUs will vest on September 7, 2019.

(3) Fifty percent of RSUs vest on May 25, 2019 and the remaining 50% vest on May 25, 2020.

(4) Fifty percent of unvested stock options vest on January 2, 2020 and the remaining 50% vest on January 2, 2021.

(5) Fifty percent of unvested stock options vest on March 28, 2021 and the remaining 50% vest on March 28, 2022.

(6) Represents target number and the value of performance based RSUs that will vest, if at all, on February 23, 2020. Vesting is contingent upon achievement of annual and cumulative EBITDA performance conditions over the three fiscal years commencing with fiscal year 2018 and ending with completion of fiscal year 2020, based on our closing stock price on January 31, 2019 of $20.94.

(7) Fifty percent of unvested RSUs vested on February 23, 2019 and the remaining 50% vest on February 23, 2020.

(8) Fifty percent of RSUs vest on June 22, 2019 and the remaining 50% vest on June 22, 2020.

(9) Fifty percent of RSUs vest on March 28, 2021 and the remaining 50% vest on March 28, 2022

(10) One-third of RSUs vest on May 23, 2019, one-third vest on May 23, 2020 and one-third vest on May 23, 2021.

(11) Fifty percent of RSUs vest on December 1, 2019 and the remaining 50% vest on December 1, 2020.

(12) Twenty-five percent of RSUs vest on May 29, 2019, 25% vest on May 29, 2020, 25% vest on May 29, 2021 and 25% vest on May 29, 2022.

(13) Twenty-five percent of RSUs vest on November 19, 2019, 25% vest on November 19, 2020, 25% vest on November 19, 2021 and 25% vest on November 19, 2022.

(14) Fifty percent of RSUs vest on November 16, 2019 and the remaining 50% vest on November 16, 2020.

Option Exercises and Stock Vested in Fiscal Year 2019

	Option Awards		Stock Awards	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)**	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Vesting ($)**
Norman L. Miller			123,412	$ 3,972,802
Lee A. Wright			38,482	$ 1,301,903
John C. Davis			11,467	$ 351,796
Eddie D. Combs				
Brian A. Daly			12,254	$ 381,380

TERMINATION OF EMPLOYMENT AND CHANGE OF CONTROL ARRANGEMENTS

Executive Severance Agreements

We have entered into executive severance agreements with Messrs. Miller and Wright (collectively, the Agreements). The Agreements are designed to (i) provide a level of transition assistance in the event of an involuntary termination of employment with the goal of keeping the subject named executive officers focused on our business rather than their personal circumstances, and (ii) encourage the subject named executive officers to continue to devote their full attention to the business of the Company in the event of a potential change in control to allow for a smooth transition. The Compensation Committee believes the Agreements promote the objectives of the Company and align with the interests of our stockholders by encouraging continuity of leadership in termination or change in control situations.

The term of each Agreement is for one year and automatically renews for successive one-year periods unless terminated by the Company upon prior written notice to the subject named executive officer. If the subject named executive officer is involuntarily terminated without cause (as defined below) or if the subject named executive officer voluntarily terminates his employment for good reason (as defined below), then (i) the executive will receive salary continuation payments (at the rate in effect on the day before his termination) for a specified number of months following termination (24 months for Mr. Miller and 18 months for Mr. Wright) (the Severance Period), (ii) the executive will receive continuation coverage during the Severance Period under the Company s medical, dental, life, disability and other welfare benefit plans, and (iii) for Mr. Miller, all awards held by the executive under our 2003 Incentive Stock Option Plan, and 2011 Omnibus Incentive Plan, and the 2016 Amended Omnibus Incentive Plan will continue to vest and, if applicable, be exercisable during the Severance Period as if the executive had continued his employment for the duration of the Severance Period; for Mr. Wright, all awards held by the executive under the 2016 Amended Omnibus Incentive Plan will continue to vest, and if applicable, be exercisable during the Severance Period as if the executive had continued his employment for the duration of the Severance Period.

Under the Agreements, cause is defined as (i) behavior of the subject executive that is adverse to the Company s interests, (ii) the subject executive s dishonesty, criminal charge or conviction, grossly negligent misconduct, willful misconduct, acts of bad faith, or neglect of duty or (iii) the subject executive s material breach of the Agreement.

Under the Agreements, good reason means, without the subject executive s express written consent, (i) the material diminution of the subject executive s title, duties, authority or responsibilities relative to the subject executive s duties, authority or responsibilities as in effect immediately prior to such reduction, or the assignment to the subject executive of such reduced duties, authority or responsibilities, (ii) a substantial reduction, without good business reasons, of the facilities and perquisites (including office space and location) available to the subject executive immediately prior to such reduction, (iii) a material reduction of the subject executive s base salary or annual bonus opportunity, each as in effect as of the effective date of the Agreement, (iv) a material reduction in the kind or level of employee benefits, including additional bonus opportunities, to which the subject executive was entitled immediately prior to such reduction with the result that the subject executive s overall benefits package is significantly reduced, (v) upon a change of control (as defined below), the failure of the Company to obtain the assumption of the Agreement by the successor, (vi) upon a change of control, the transfer of the subject executive s principal place of employment to a location that is more than 100 miles from the subject executive s principal place of employment immediately prior to the change of control, or (vii) any act or set of facts or circumstances that would, under case law or statute, constitute a constructive termination of the subject executive, provided, in each case, that the subject executive terminates employment within 60 days of the occurrence of such circumstances.

Mr. Wright s Agreement provides that if, during the period beginning one year prior to a change of control (as defined below) and ending one year following the change in control, he is terminated without cause (as defined above) or if he voluntarily terminates his employment for good reason (as defined above), then (i) he will receive a lump sum severance payment equal to three times his annual base salary (as in effect on the day prior to the date of such termination), and (ii) he will receive continued coverage under the Company s medical, dental, life, disability and other welfare benefit plans for a period of 18 months following termination. Mr. Miller s Agreement provides for the same lump sum severance payment in the amount of three times his annual base salary, but provides that instead of continued benefits coverage, he will receive a lump sum cash payment equal to 24-times the portion of the monthly premium that would have been paid by the Company for the same level of health and dental coverage he had in effect immediately prior to such termination. Mr. Miller s agreement provides that all equity awards granted under our 2003 Incentive Stock Option Plan, 2011 Omnibus Incentive Plan and 2016 Amended Omnibus Incentive Plan will immediately vest on the later of the date of termination or the date of the change of control, and if applicable, these equity awards will continue to be exercisable for 24 months following his termination as if he had remained an employee of the Company. Mr. Wright s agreement provides that all equity awards granted under our 2016 Amended Omnibus Incentive Plan will immediately vest on the later of the date of termination or the date of the change of control, and if applicable, these equity awards will continue to be exercisable for 18 months following his termination as if he had remained an employee of the Company.

The Agreements define a change of control as (i) a person acquiring 35% or more of the voting power of the Company, (ii) a change in the composition of our Board of Directors during any 12-month period as a result of which less than a majority of the directors are incumbent directors (as defined in each Agreement), (iii) a merger or consolidation of the Company (unless it still controls a majority of the voting stock), (iv) a complete liquidation or dissolution of the Company, or (v) a sale, disposition, lease, or exchange of all or substantially all of the Company s assets or of one of the significant operating divisions, including the retail and credit segment.

By entering into their respective Agreements, each of the subject executives agreed to be subject to and bound by the confidentiality, non-compete, non-disclosure and non-solicitation provisions therein.

The Agreements also provide that if payments that are triggered by a change of control would be subject to an excise tax under Section 4999 of the Internal Revenue Code, as amended, then the payments either (i) would be reduced by the amount needed to avoid triggering the excise tax or (ii) would not be reduced, depending on which alternative left the subject executive in the best after-tax position.

On December 2, 2015, the Board of Directors, upon the recommendation of the Compensation Committee, adopted an Executive Severance Plan for senior officers (the Severance Plan). Participation in the Severance Plan is limited to officers of the Company with a title of Vice President or more senior, and other employees who are designated by the Committee, provided that no person or officer who is otherwise party to an individual agreement with the Company providing for severance benefits may participate in the Severance Plan. Messrs. Davis and Daly are participants in the Severance Plan and are not otherwise party to any other severance agreement. Messrs. Davis and Daly are eligible to receive a cash severance benefit equal to 50% of such participant s annual base salary if the individual is terminated for any reason other than (i) resignation from employment, (ii) cause (as defined in the Severance Plan), (iii) death or

(iv) disability (as defined in the Severance Plan). Such benefit is to be paid in substantially equal installments on the Company s regularly scheduled payroll dates for the six months following the participant s termination (the Executive Severance Period). In addition to the cash severance payment, Messrs. Davis and Daly (and their eligible dependents) will also be entitled to receive continued coverage under the Company s group health plan during the Executive Severance Period at the same cost paid by active employees. The Severance Plan may be amended or terminated by the Compensation Committee at any time; provided, however, that (i) no amendment materially adverse to any Severance Plan participant will be effective without such participant s written consent until one year after its adoption, and (ii) termination of the Severance Plan will not be effective until one year following Compensation Committee or other corporate action authorizing termination of the Severance Plan.

Mr. Combs is not covered by the Executive Severance Plan as the Company entered into the following severance arrangement with Mr. Combs in connection with his offer of employment. In the event of Mr. Combs termination of employment by the Company without cause, prior to May 29, 2019, he will receive his regular monthly salary and continue to participate in the Company s medical and dental plans at employee rates for a period of 12 months following the date of termination. In the event of Mr. Combs termination of employment, without cause, after May 29, 2019, but prior to May 29, 2020, he will receive his regular monthly salary and continue to participate in the Company s medical and dental plans at employee rates for a period of nine months following the date of termination. In the event of Mr. Combs termination of employment, without cause, at any time after May 29, 2020, he will receive his regular monthly salary and continue to participate in the Company s medical and dental plans at employee rates for a period of six months following the date of termination.

The following table provides the quantitative disclosure of the severance and change of control payments that would be made to our named executive officers assuming the applicable payment event occurred on January 31, 2019:

Fiscal Year 2019 Potential Payments Upon Termination or Change in Control

Named Executive Officer	Benefit	Voluntary Resignation or Retirement ($)	Voluntary Termination for Good Reason ($)	Involuntary Termination without Cause ($)	Voluntary Termination for Good Reason in Connection with a Change in Control ($)(6)	Involuntary Termination in Connection with a Change in Control ($)(6)	Termination as a Result of Death($)
Norman L. Miller	Stock Options (1)	$ 170,827	$ 341,663	$ 341,663	$ 341,663	$ 341,663	$ 170,827
	Restricted Stock Units (2)		4,778,278	4,778,278	4,778,278	4,778,278	
	Performance-Based RSUs (3)		5,402,520	5,402,520	5,402,520	5,402,520	
	Cash Severance (4)		2,000,000	2,000,000	3,000,000	3,000,000	
	Welfare Benefits (5)		27,013	27,013	27,013	27,013	510,000
	Totals	**$ 170,827**	**$ 12,549,474**	**$ 12,549,474**	**$ 13,549,474**	**$ 13,549,474**	**$ 680,827**
Lee A. Wright	Stock Options (1)						
	Restricted Stock Units (2)		1,611,605	1,611,605	3,229,848	3,229,848	
	Performance-Based RSUs (3)		1,486,740	1,486,740	1,486,740	1,486,740	
	Cash Severance (4)		900,000	900,000	1,800,000	1,800,000	
	Welfare Benefits (5)		19,744	19,744	19,744	19,744	10,000
	Totals	**$ 0**	**$ 4,018,090**	**$ 4,018,090**	**$ 6,536,333**	**$ 6,536,333**	**$ 10,000**
John C. Davis	Stock Options						
	Restricted Stock Units (2)				716,546	716,546	
	Performance-Based RSUs (3)				439,740	439,740	
	Cash Severance (4)			200,000		200,000	
	Welfare Benefits (5)			6,581		6,581	10,000
	Totals	**$ 0**	**$ 0**	**$ 206,581**	**$ 1,156,286**	**$ 1,362,867**	**$ 10,000**
Eddie D. Combs	Stock Options						

	Restricted Stock Units (2)				235,763	235,763	
	Performance-Based RSUs (3)						
	Cash Severance (4)			385,000		385,000	
	Welfare Benefits (5)			13,163		13,163	395,000
	Totals	**$ 0**	**$ 0**	**$ 398,163**	**$ 235,763**	**$ 633,926**	**$ 395,000**
Brian A. Daly	Stock Options						
	Restricted Stock Units (2)				513,239	513,239	
	Performance-Based RSUs (3)				481,620	481,620	
	Cash Severance (4)			160,000		160,000	
	Welfare Benefits (5)			5,885		5,885	510,000
	Totals	**$ 0**	**$ 0**	**$ 165,885**	**$ 994,859**	**$ 1,160,745**	**$ 510,000**

(1) Represents the value (spread) of stock options based on the Company s closing stock price at the end of fiscal year 2019 of $20.94. For terminations due to voluntary resignation, retirement or death, represents the value of stock options vested as of January 31, 2019. For voluntary terminations for good reason or involuntary terminations without cause, also includes the value of stock options that will continue to vest during the Severance Period, as described above, based on the Company s closing stock price at the end of fiscal year 2019 of $20.94. For change in control related terminations, includes the value of all stock options based on the Company s closing stock price at the end of fiscal year 2019 as vesting of options will either accelerate as provided in the Agreements described above or may be accelerated in connection with a change in control related termination of employment at the discretion of the Board of Directors Board. We have assumed for purposes of this disclosure that the Board would take such action in connection with a change in control.

(2) For voluntary terminations for good reason or involuntary terminations without cause, represents the value of time based RSUs that will continue to vest during the Severance Period, as described above, based on the Company s closing stock price at the end of fiscal year 2019 of $20.94. For change in control related terminations, includes the value of all RSUs based on the Company s closing stock price at the end of fiscal year 2019 as vesting of RSUs will accelerate in connection with a change in control related termination of employment either in accordance with the Agreements described above or by the discretion of the Board, as provided for in our 2016 Amended Omnibus Incentive Plan. We have assumed for purposes of this disclosure that the Board would take such action in connection with a change in control.

(3) For change in control related terminations, includes the value of all PSUs at target level, based on the Company s closing stock price at the end of the fiscal year 2019 of $20.94 as vesting of PSUs will accelerate in connection with a change in control related termination of employment either in accordance with the Agreements described above or by the discretion of the Board, as provided for in our 2016 Amended Omnibus Incentive Plan. We have assumed for purposes of this disclosure that the Board would take such action in connection with a change in control.

(4) For voluntary terminations for good reason, represents the cash severance payable to Mr. Miller (24-months salary) and Mr. Wright (18-months salary). For involuntary terminations without cause, represents the cash severance payable to Mr. Miller (24-months salary), Mr. Wright (18-months salary), Mr. Combs (12-months salary) and Messrs. Davis and Daly (six months salary). For change in control related terminations, represents the cash severance payable to Messrs. Miller, and Wright (36-months salary), Mr. Combs (12-months salary) and Messrs. Davis and Daly (six months salary).

(5) For voluntary terminations for good reason, represents the cost to continue Company paid welfare benefits for Mr. Miller for a period of 24-months and for Mr. Wright for a period of 18-months. For involuntary terminations without cause and for change in control related terminations, represents the cost to continue Company paid welfare benefits for Mr. Miller for a period of 24-months, for Mr. Wright for a period of 18-months and for Messrs. Davis, Combs and Daly for a period of six months. For terminations as a result of death, represents the value of group term life insurance currently in place for the named executive officers.

(6) The amounts reported are the maximum amounts and do not reflect any potential cutbacks triggered by application of Section 280G of the Internal Revenue Code under the terms of the Agreement described above.

Indemnification Arrangements

As permitted by the Delaware General Corporation Law, we have adopted provisions in our Certificate of Incorporation and Bylaws that provide for the indemnification of our directors and certain executive officers, to the fullest extent permitted by applicable law. These provisions, among other things, provide for the indemnification of each of our directors and certain officers for certain expenses, including judgments, fines and amounts paid in settling or otherwise disposing of actions or threatened actions, incurred by reason of the fact that such person was a director or officer of the Company or of any other corporation which such person served in any capacity at the request of the Company.

In addition, we have entered into indemnification agreements with each of our directors pursuant to which we will indemnify them against judgments, claims, damages, losses and expenses incurred as a result of the fact that any director, in his capacity as a director, is made or threatened to be made a party to any suit or proceeding. The indemnification agreements also provide for the advancement of certain expenses (such as attorney s fees, witness fees, damages, judgments, fines and settlement costs) to our directors in connection with any such suit or proceeding.

We maintain a directors and officers liability insurance policy to insure our directors and officers against certain losses resulting from acts committed by them in their capacities as our directors and officers, including liabilities arising under the Securities Act of 1933, as amended.

CEO Pay Ratio Disclosure

We are providing the following disclosure about the relationship of the annual total compensation of our employees to the annual total compensation of Norman Miller, our CEO, for fiscal year 2019.

Our CEO to median employee pay ratio was calculated in accordance with Item 402(u) of Regulation S-K. We identified the median employee by examining 2018 W-2 earnings for all individuals, excluding our CEO, who were employed by us on December 31, 2018, the last day of our payroll year. We had approximately 4,239 employees on that date. We included all employees in the foregoing count, whether employed on a full-time or part-time basis. For those full and part-time associates with less than one year of service and not in temporary or seasonal roles, we annualized W-2 earnings for comparison purposes.

After identifying the median employee based on W-2 earnings, we calculated annual total compensation of the median employee, in accordance with Item 402(c)(2)(x) of Regulation S-K, as required pursuant to the SEC executive compensation disclosure rules. Additionally, we elected to include the company-paid portion of health insurance premiums, which we exclude from the calculation of total compensation for purposes of the Summary Compensation Table, since it is available to all eligible employees on a nondiscriminatory basis. Our CEO s compensation for purposes of the pay ratio calculation was also adjusted to include the company-paid portion of health insurance premiums. As a result, our CEO s compensation for purposes of this disclosure differs from his compensation shown in the Summary Compensation Table.

The pay ratio is 404:1 for fiscal year 2019. The calculation is based on median annual total compensation of all employees, other than our CEO, of $35,814 and our CEO s annual total compensation of $14,457,665.

Additional CEO Pay Ratio Disclosure

A significant portion of the reported compensation to our CEO in fiscal year 2019 included a retention equity award in March 2018. On March 28, 2018, Mr. Miller was awarded a grant of 500,000 non-qualified stock options with an exercise price of $32.35, 50% of which are scheduled to vest on March 28, 2021 (fiscal year 2022), and 50% to vest on March 28, 2022 (fiscal year 2023).

In addition, in February 2017, our CEO was granted a special equity award intended to cover annual equity grants in fiscal years 2018, 2019, and 2020. The March 2018 award to our CEO was granted to ensure the continuity of the highly successful leadership under our CEO until fiscal year 2023. Additionally, the purpose of the retention equity award is to ensure that he continues to focus on achieving the Company s long-term goals in growing a sustainable business model and in creating shareholder value. Refer to the discussion of Fiscal 2019 Retention Equity Awards and Fiscal 2018 Special Equity Awards in the Compensation Discussion and Analysis section of this proxy statement for additional details.

Our fiscal year 2019 CEO pay ratio includes the entire value of the four-year retention equity award granted in fiscal 2019 ($10,418,952) in the calculation of our CEO s annual total compensation and none of the three-year special equity awards granted in fiscal 2018 ($7,620,480). As qualified in the Compensation Discussion and Analysis under CEO Annualized Compensation Values and Realizable Pay, the retention award requires four years of service to fully vest and the special equity award is intended to cover three years of equity grants. To provide a normalized view of our CEO s annual compensation during fiscal year 2019, we have calculated an additional CEO pay ratio for fiscal year 2019 with these awards annualized over four years and three years, respectively.

The additional CEO pay ratio for fiscal year 2019 based on the foregoing annualized equity awards to our CEO is 256:1. The median annual total compensation for all employees, other than our CEO, was $35,814. Our CEO s annual total fiscal year 2019 compensation on an annualized basis was $9,183,611, which includes one-fourth of the fiscal 2019 retention award ($2,604,738) and one-third of the fiscal 2018 special equity award ($2,540,160).

CORPORATE GOVERNANCE

Corporate Governance Policies and Procedures

The Company believes that sound corporate governance practices are essential to maintain the trust of our stockholders, customers, employees and other stakeholders. We believe we operate under governance practices that are transparent, up-to-date and appropriate for our industry. The following materials are related to our corporate governance and related matters:

Audit Committee Charter

Compensation Committee Charter

Nominating and Corporate Governance Committee Charter

Credit Risk Committee Charter

Compliance Committee Charter

Code of Business Conduct and Ethics for Employees

- Code of Ethics for the Chief Executive Officer, President and Senior Financial Professionals
- Code of Business Conduct and Ethics for Members of the Board of Directors
- Whistle Blower Policy
- Corporate Governance Guidelines
- Amended and Restated Insider Trading Policy

Each of the aforementioned is available on the Company s website www.conns.com under Investor Relations Corporate Governance. There were no amendments to, or waivers from, any of our Codes of Business Conduct for any of our named executive officers during fiscal 2019.

Lead Independent Director

Our Board of Directors determined at its meeting held in August 2012 that our interests would be better served by the designation and appointment of a lead independent director, and appointed Mr. Bob Martin to serve in that capacity until his successor is appointed. The lead independent director is responsible for coordinating the activities of the independent directors of the Board of Directors, and shall perform such other duties and assume such other responsibilities as the Board may determine. Certain of the specific responsibilities of the lead independent director are to:

- Act as the principal liaison between the independent directors and the Chairman of the Board;
- Develop the agenda for and preside at executive sessions of the independent directors;
- Approve with the Chairman of the Board the agenda for Board and committee meetings and the need for special meetings of the Board;
- Advise the Chairman of the Board as to the quality, quantity and timeliness of the information submitted by the Company s management that is necessary or appropriate for the independent directors to effectively and responsibly perform their duties;
- Recommend to the Board the retention of advisors and consultants who report directly to the Board;
- Interview, along with the chair of the Nominating and Corporate Governance Committee, all Board candidates and make recommendations to the Nominating and Corporate Governance Committee;

- Assist the Board and Company officers in better ensuring compliance with and implementation of the Corporate Governance Guidelines;

- Serve as Chairman of the Board when the Chairman is not present; and

- Serve as a liaison for consultation and communication with stockholders.

In March 2019, the independent members of the Board re-appointed Mr. Bob Martin as the Lead Independent Director. Mr. Bob Martin has significant Board experience and has served on the Company s Board since 2003 and on other public company boards, as well as serving as the Chair of the Nominating and Corporate Governance Committee and Chair of the Compensation Committee. Mr. Bob Martin serves as a liaison between Mr. Miller and the other independent directors, and his longevity on the Board enhances this leadership role and provides for continuity among the non-employee directors.

Separation of Chairman of the Board and Chief Executive Officer

The Board has determined that the most appropriate form of leadership for the Board of Directors currently is for the CEO, who is responsible for the day-to-day operations of the Company, to serve as Chairman, with strong and independent oversight by the Lead Independent Director and the other non-management directors. The Board of Directors appointed Mr. Miller as Chairman of the Board in May 2016. As discussed above under the section Corporate Governance - Lead Independent Director, the independent directors have re-appointed Mr. Bob Martin as the Lead Independent Director.

The Board believes that the combined role promotes a unified direction and leadership for the Board and gives a single, clear focus for the chain of command for our organization, strategy and business plans. In addition, the Board believes that the combined position enables decisive leadership, ensures clear accountability, and enhances our ability to communicate our message and strategy clearly and consistently to our stockholders, employees and customers. However, the Board does not have a fixed policy regarding the separation of the offices of Chairman of the Board and the Chief Executive Officer and believes that it should maintain the flexibility to select the Chairman of the Board and its Board leadership structure, from time to time, based on the criteria that it deems to be in the best interests of the Company and its stockholders.

Risk Oversight

The Board is actively involved in oversight of risks that could affect the Company. Management is responsible for the day-to-day management of risks we face, while the Board, as a whole and through its committees, including its Audit Committee, its Credit Risk Committee and its Compliance Committee, has the responsibility for oversight of risk management. The Audit Committee is charged by its charter with the responsibility to review and discuss the Company s policies and practices with respect to risk assessment and risk management at each of its regularly scheduled meetings, and to report to the Board of Directors various areas of risk, including technology, regulatory, liquidity and operational, that should receive further attention and discussions among the Board of Directors and Company management. The Credit Risk Committee provides oversight of the Company s credit risk and underwriting policies and practices. The Compliance Committee oversees the implementation of its compliance management system and other policies and procedures related to state and federal consumer finance laws governing the Company s business. Our management presents specifically to the Audit Committee, the Credit Risk Committee and Compliance Committee, and the Board of Directors, as requested, with respect to various areas of risk concerns and management practices relative thereto, including enterprise risk management, which is the subject of oversight by the Audit Committee. Additionally, at various regularly scheduled Audit Committee meetings, our management presents on and discusses a particular area of risk, either independently as a result of its assessment of materiality or at the request of the Audit Committee, in addition to its standard general discussion of enterprise risk management. The Audit Committee works regularly with management in assessing and addressing Company policies strengths and weaknesses. The full Board of Directors receives at each regularly scheduled meeting, and more often as necessary, a presentation from management on our operations, including presentations regarding liquidity and credit reports and risks. Upon request by the Board of Directors, representatives of management commit to and do subsequently or simultaneously provide to the Board of Directors additional information, revisions and explanations pertaining to their respective areas of management.

Amendment to Bylaws and Consideration of Amendment to Charter

On November 27, 2018, the Board approved and adopted Amendment No. 1 to the Company s Amended and Restated Bylaws, effective as of December 3, 2013, to amend Section 3.3, to make clear that the Company s directors may be removed with or without cause by a majority of stockholder votes. Furthermore, the Company has not previously, and will not in the future, attempt to enforce article Ten, paragraph F of the Company s Certificate of Incorporation (as amended), which permits removal of Directors only for cause, and the Board is considering recommending the revision of such provision.

Stockholder Communications with the Board

The Company s Board of Directors has a process for stockholders and other interested parties to send communications to the Board. Communications should be addressed to the intended recipient or recipients and sent by mail to:

Lead Independent Director

c/o Corporate Secretary

Conn s, Inc.,

2445 Technology Forest Blvd., Building 4, Suite 800, The Woodlands, Texas 77381

generalcounsel@conns.com

Our General Counsel reviews all communications directed to the Audit Committee and the Chairman of the Audit Committee is promptly notified of any significant communications relating to accounting, internal accounting controls, auditing matters or other significant communication. Communications addressed to a named director are promptly sent to the director. Communications directed to the non-management directors are promptly sent to the Lead Independent Director. All communications submitted to the Board or any committee of the Board will be compiled by the Secretary and submitted to the Lead Independent Director on a periodic basis.

All communications received as described above and intended for the Board of Directors, a committee of the Board of Directors, an individual director, or the non-management directors as a group will be relayed to the appropriate directors.

EXECUTIVE OFFICERS

Biographical Information

The Board appoints our executive officers at its meeting immediately following our annual meeting of stockholders. Our executive officers serve at the discretion of the Board and until their successors are elected and qualified or until the earlier of their death, resignation or removal.

The following sets forth certain biographical information regarding our executive officers. Biographical information for Norman L. Miller is included above under the caption Board of Directors - Board of Director Nominees for 2019 2020.

Name	Age	Position	Length of Service
Norman L. Miller	58	President, Chief Executive Officer and Chairman of the Board	3 years 7 months
Lee A. Wright	47	Executive Vice President and Chief Financial Officer	2 years 11 months
John C. Davis	49	President and Chief Operating Officer Credit and Collections	2 years 11 months
George L. Bchara	35	Vice President and Chief Accounting Officer	2 years 6 months
Brian A. Daly	48	Vice President and Chief Human Resources Officer	3 years 5 months
Todd F. Renaud	48	Vice President and Chief Information Officer	4 years 8 months
Eddie D. Combs	51	Vice President and Chief Marketing Officer	11 months
Mark L. Prior	51	Vice President, General Counsel and Secretary	2 years 10 months

Lee A. Wright was appointed as the Company s Executive Vice President and Chief Financial Officer in June 2016. Prior to joining the Company, Mr. Wright served as CEO of Professional Directional Enterprises, Inc., an energy services company, since 2015 and served as its President from 2012 into 2015. Prior to joining Professional Directional Enterprises, Inc., he was a Senior Managing Director at the private equity firm of Diamond Castle from 2005 to 2012. From 2000 to 2005, Mr. Wright was a Director at DLJ Merchant Banking Partners, a private equity firm. From 1996 to 2000, Mr. Wright was a VP and Associate in Credit Suisse First Boston s (CSFB) Private Equity division and was an analyst from 1994 to 1996 in CSFB s Investment Banking division. Mr. Wright holds a B.S., magna cum laude, from Washington & Lee University.

John C. Davis joined the Company in May 2016 as Vice President and Chief Credit Officer, with over 30 years of experience in the consumer credit sector. In September 2018, he was promoted to President, Credit and Collections. Prior to joining the Company, he served as Founder and CEO of GFC Advisors, Ltd., a consultancy in the consumer credit industry, from 2013 to 2016. Prior to that, from 2011 to 2013, he was President, E-Commerce of DFC Global Corp. From 2010 to 2011, Mr. Davis was Managing Director of MEM Consumer Finance. Prior to that, from 2000 to 2010, he was Managing Director of Forecasting and Risk Management with CompuCredit Corp. Mr. Davis holds a B.S. in Computer Information Science from the University of Delaware.

George L. Bchara joined the Company as Vice President and Chief Accounting Officer in December 2016. Prior to joining the Company, he served as Senior Vice President and Chief Accounting Officer of BankUnited, based in Miami Lakes, Florida, from March 2013 to December 2016, and served as Vice President and Loan Controller from June 2011 to February 2013. Prior to BankUnited, Mr. Bchara was a Manager with the global professional services firm, PwC, where he worked from January 2007 until May 2011. Mr. Bchara holds an M.B.A. in Finance and Entrepreneurial Management from The Wharton School of the University of Pennsylvania and a B.S. in Accounting and Finance from Florida State University. Mr. Bchara is a Certified Public Accountant licensed in the State of New York and a Chartered Financial Analyst charterholder.

Brian A. Daly was appointed Vice President and Chief Human Resource Officer in November 2015. Prior to joining the Company, from June 2007 until November 2015, Mr. Daly served in several positions with DFC Global Corp, a global alternative financial services company, including as Senior Vice President and Chief People Officer. Prior to DFC Global, he worked in human resources and operational leadership roles at Marsh & McLennan, from 2006 to 2007, ARAMARK Corporation from 2000 to 2005, and Florida, Power & Light from 1997 to 1999. Mr. Daly has a B.S. in Management from the University of Richmond and an M.B.A. Human Resources and Finance from the University of Florida.

Todd F. Renaud joined the Company as Vice President and Chief Information Officer in August of 2014 with over 20 years of technology experience across multiple industries. Prior to joining the Company, Mr. Renaud served as Vice President, Management Information Systems for Security Service Federal Credit Union (SSFCU). Prior to joining SSFCU in 2002, he worked as Director of Technology for Enron Corporation. Mr. Renaud is a graduate of Texas A&M University where he earned a BBA in Management Information Systems.

Eddie D. Combs joined the Company as Vice President and Chief Marketing Officer in May 2018 with over 30 years of marketing and business experience. Previously, he served as VP of Consumer Marketing for Samsung Electronics America Home Entertainment from 2015-2018. Prior to that position, Mr. Combs served as SVP Chief Marketing officer at Guitar Center in 2014. Mr. Combs also held several positions at Sears Holdings including VP Chief Marketing Officer Appliances/Electronics from 2006 to 2014. Mr. Combs held roles of increasing responsibility at Motorola Inc. from 1988 to 2006. Mr. Combs holds an M.B.A. from Lake Forest Graduate School of Management and a B.A. from Judson University.

Mark L. Prior was appointed the Company s Vice President, General Counsel and Secretary in July 2016. Previously, from March 2007 to July 2016, Mr. Prior was employed by DFC Global Corp as General Counsel and Deputy General Counsel, Senior Vice President and Secretary. Previously, he was Corporate Counsel for the Philadelphia Stock Exchange from August 2005 to March 2007 and firm partner with Rubin Fortunato, P.C., from September 1998 to July 2005. Mr. Prior holds a B.A. from Dickinson College, magna cum laude, Phi Beta Kappa, and a J.D. from Penn State University Dickinson Law. Mr. Prior is licensed in the Commonwealth of Pennsylvania.

EQUITY INCENTIVE PLANS

Amended and Restated 2003 Incentive Stock Option Plan

In February 2003, we adopted our Amended and Restated 2003 Incentive Stock Option Plan, and amended the plan in both June 2004 and May 2006. The plan is administered by the Compensation Committee. Our employees and employees of our subsidiaries, subject to certain exclusions, are eligible to participate in the plan. Option grants have been made at the discretion of the Compensation Committee, for such terms as the Compensation Committee may determine, but not for terms greater than ten years from the date of grant. The maximum number of shares of our Common Stock that may be issued under this plan is 3,859,767 shares, subject to adjustment. All options issued vest equally over a five-year term or less, as determined in connection with each grant. As of January 31, 2019, no further grants will be made under the Amended and Restated 2003 Incentive Stock Option Plan. Any shares subject to an award under the Amended and Restated 2003 Incentive Stock Plan that lapse, expire, are forfeited or terminated, or are settled in cash will again become available for future grant under the 2016 Amended Omnibus Incentive Plan, as discussed below.

2011 Omnibus Incentive Plan

In May 2011, our stockholders approved our 2011 Omnibus Incentive Plan. The plan is administered by the Compensation Committee. Our employees and employees of our subsidiaries, subject to certain exclusions, are eligible to participate in the plan. The maximum number of shares of our Common Stock that may be issued under this plan is 1,200,000 shares, subject to adjustment and a cap of 300,000 to any one participant in any one taxable year. RSUs that have been issued under the plan vest on various time horizons, depending on the recipient and the criteria of measurement for performance-based RSUs, but none longer than five years. As of January 31, 2019, there were outstanding time-based RSUs issued under the 2011 Omnibus Incentive Plan that are convertible to 51,213 shares of our Common Stock. No further grants will be made under the 2011 Omnibus Incentive Plan. Any shares subject to an award under the 2011 Omnibus Incentive Plan that lapse, expire, are forfeited or terminated, or are settled in cash will again become available for future grant under the 2016 Amended Omnibus Incentive Plan, as discussed below.

Employee Stock Purchase Plan

In February 2003, we adopted our Employee Stock Purchase Plan (ESPP). The ESPP was amended on November 30, 2011 to permit highly compensated employees to participate. The plan is administered by the Compensation Committee. Our employees and employees of our subsidiaries, subject to certain exclusions, are eligible to participate in the plan. Eligible employees are able to purchase shares of our Common Stock without brokerage commissions and at a discount from market prices. The maximum number of shares of our Common Stock that may be issued under this plan is 1,267,085 shares, subject to adjustment. At January 31, 2019, there were 495,363 shares issued and 771,722 shares available for future issuance under the plan.

2003 Non-Employee Director Stock Option Plan

In February 2003, we adopted the 2003 Non-Employee Director Stock Option Plan. The maximum number of shares of our Common Stock that may be issued under this plan is 600,000 shares, subject to adjustment. All options issued to a director when he or she becomes a director currently vest equally over a three-year term, while those issued to a director on his fourth anniversary date and those issued immediately following each annual stockholders meeting upon the director s election by the stockholders as a director, vest on the first anniversary date of the grant. As a result of the approval by the stockholders of the 2011 Non-Employee Director Restricted Stock Plan, discussed below, the Compensation Committee has determined at this time to issue no further options under this 2003 Non-Employee Director Stock Option Plan. At January 31, 2019, there were options to purchase 40,000 shares of our Common Stock under this plan and 120,000 shares remaining for future issuance under the plan.

2011 Non-Employee Director Restricted Stock Plan

In May 2011 our stockholders approved our 2011 Non-Employee Director Restricted Stock Plan. The plan is administered by the Compensation Committee. Only our non-employee directors are eligible to participate in the plan. The maximum number of shares of our Common Stock that may be issued under this plan is 300,000 shares. Only restricted stock and RSUs may be awarded under the Plan. RSUs that have been issued under the plan have one-year vesting periods. At January 31, 2019, there were 30,240 RSUs issued and outstanding under the plan and 82,388 shares remaining for future issuance under the plan.

2016 Amended Omnibus Incentive Plan

Our Board, in March 2016, and our stockholders, in May 2016, approved our 2016 Omnibus Incentive Plan. The plan is administered by the Compensation Committee and replaces our 2011 Omnibus Incentive Plan and our Amended and Restated 2003 Incentive Stock Option Plan. The maximum number of shares of our Common Stock that may be issued under this plan, as initially adopted, is 1,200,000 shares. All options issued vest equally over a five-year term or less, as determined in connection with each grant. Our Board, in March 2017, and our stockholders, in May 2017, approved our 2016 Amended Omnibus Incentive Plan. The plan is administered by the Compensation Committee and amended our 2016 Omnibus Incentive Plan. The maximum number of shares of our Common Stock that may be issued under this plan is 2,600,000 shares.

At January 31, 2019, there were options to purchase 720,166 shares of our Common Stock issued and outstanding under the plan. Additionally, at January 31, 2019, there were PSUs issued that are convertible into a minimum of 0 shares and a maximum of 700,500 shares of our Common Stock, determinable by the performance of our Company over a stated period of time ending May 30, 2021. At January 31, 2019, there were RSUs issued that are convertible into 802,822 shares of our Common Stock and 670,125 shares remaining for future issuance under the plan.

The table below provides information regarding the number of shares of our Common Stock that may be issued on exercise of outstanding stock options and will be issued under RSU awards under our existing equity compensation plans as of January 31, 2019. These plans are as follows:

- the Amended and Restated 2003 Incentive Stock Option Plan;
- the 2011 Omnibus Incentive Plan;

the Non-Employee Director Stock Option Plan;

the 2011 Non-Employee Director Restricted Stock Plan;

the 2016 Amended Omnibus Incentive Plan; and

the Employee Stock Purchase Program.

EQUITY COMPENSATION PLANS

Plan Category:	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)(1)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)(2)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity Compensation Plans Approved by Stockholders	**2,124,006**	**$ 10.53**	**1,644,235**
Equity Compensation Plans Not Approved by Stockholders			
Total	**2,124,006**	**$ 10.53**	**1,644,235**

(1) Inclusive of 772,731 stock options and 1,351,275 restricted stock units.
(2) $10.53 is inclusive of the 1,351,275 shares related to restricted stock units which only have a service requirement and no exercise price. The weighted-average exercise price of the 772,731 outstanding stock option is $28.94.

STOCK OWNERSHIP OF DIRECTORS, EXECUTIVE OFFICERS

AND PRINCIPAL STOCKHOLDERS

The following table sets forth information regarding the beneficial ownership of our Common Stock for each person who is known by us to be the beneficial owner of more than 5% of our voting securities, for each director and named executive officer, and for all directors and executive officers as a group. Unless otherwise indicated in the footnotes, each person named below has sole voting and investment power over the shares indicated. For purposes of this table, a person is also deemed to be the beneficial owner of the number of shares of Common Stock that such person has the right to acquire within 60 days of April 1, 2019 through the exercise of any option, warrant or right, through the conversion of any security, through the power to revoke a trust, discretionary account, or similar arrangement, or through the automatic termination of a trust, discretionary account or similar arrangement. The percentage of total Common Stock beneficially owned is based on 31,883,939 shares of Common Stock outstanding as of April 1, 2019, which is the record date for the annual meeting.

Name	Shares of Common Stock Beneficially Owned	Percent of Common Stock
Warren A. Stephens (1)	6,155,449	19.31%
The Stephens Group, LLC and its affiliates (2)	4,817,109	15.11%
BlackRock, Inc. (3)	3,377,756	10.59%
PAR Capital Management, Inc. (4)	2,967,920	9.31%
Anchorage Capital Group, L.L.C. (5)	2,900,000	9.10%
Dimensional Fund Advisors LP (6)	1,875,092	5.88%
Norman L. Miller	384,385	1.21%
Douglas H. Martin (7)	184,634	*
Lee A. Wright	182,371	*
Bob L. Martin	85,588	*
Brian A. Daly	56,182	*
Mark L. Prior	44,047	*
George L. Bchara	42,087	*
Todd F. Renaud	41,038	*
John C. Davis	33,689	*
William A. Saunders, Jr.	28,972	*
Kelly M.Malson	28,383	*
William (David) Schofman	26,204	*
Oded Shein	16,137	*
Eddie D. Combs	11,259	*
James H. Haworth	4,425	*
All Directors and Executive Officers, as a group (12 persons)	**1,173,721**	**3.68%**

* Represents less than 1% of the outstanding Common Stock.

(1) The address of Warren A. Stephens is 111 Center Street, Little Rock, Arkansas, 72201. Includes 1,292,920 shares owned by Stephens Investments Holdings LLC as to which Mr. Stephens, as Manager of the LLC, may be deemed to have sole voting power and sole dispositive power. Also includes 82,430 shares owned by Stephens Inc. as to which Mr. Stephens, as President of Stephens Inc., may be deemed to have sole voting power and sole dispositive power, and 136,738 shares held in discretionary trading accounts on behalf of clients of Stephens Inc. as to which Mr. Stephens, as President of Stephens Inc., may be deemed to have shared voting power and shared dispositive power. Also includes 6,352 shares owned by each of Warren Miles Amerine Stephens Trust, John Calhoun Stephens Trust, and Laura Whitaker Stephens Trust, as to which Mr. Stephens, as sole Trustee of the trusts, has sole voting power and sole dispositive power. Also includes 285,000 shares owned by Warren A. Stephens Roth IRA. Also includes 342,081 shares owned by Harriet C. Stephens Trust, 430,000 shares owned by WAS Family Trust One, 22,619 shares owned by Warren Miles Amerine Stephens 2012 Trust, 1,500,000 shares owned by WAS Family Trust Three, 128,450 shares owned by Laura W. Stephens WAS Grantor Trust, and 56,633 shares owned by each of Warren M. A. Stephens 95 Trust, John Calhoun Stephens 95 Trust, and Laura Whitaker Stephens 95 Trust, as to which Harriet C. Stephens is Trustee of the trusts and as to which Mr. Stephens may be deemed to have shared voting and dispositive power with Ms. Stephens. Also includes 310,346 shares owned by Laura Whitaker Stephens WHCT Trust, Harriet C. Stephens, Co-Trustee, as to which Mr. Stephens may be deemed to have shared voting and dispositive power with Ms. Stephens. Also includes 68,706 shares owned by Warren Miles Amerine Stephens Revocable Trust, 310,346 shares owned by Miles Stephens WHCT Trust, and 128,450 shares owned by Miles A. Stephens WAS Grantor Trust, as to which Warren Miles Amerine

Stephens is Trustee and as to which Warren Stephens may be deemed to have shared voting and dispositive power with Warren Miles Amerine Stephens. Also includes 68,706 shares owned by John Calhoun Stephens Revocable Trust, 310,346 shares owned by John Calhoun Stephens WHCT Trust, and 128,450 shares owned by John C. Stephens WAS Grantor Trust, as to which John C. Stephens is Trustee and as to which Warren Stephens may be deemed to have shared voting and dispositive power with John C. Stephens. Also includes 68,705 shares owned by Laura Whitaker Stephens Revocable Trust as to which Laura Whitaker Stephens is Trustee and as to which Warren Stephens may be deemed to have shared voting and dispositive power with Laura Whitaker Stephens. Also includes 113,744 shares owned by each of Paula W. & John P. Calhoun Family Trust WMAS, Paula W. & John P. Calhoun Family Trust JCS, and Paula W. & John P. Calhoun Family Trust LWS, as to which Warren Miles Amerine Stephens, John Calhoun Stephens, and Laura Whitaker Stephens are co-trustees and as to which Warren Stephens may be deemed to have shared voting and dispositive power with the co-trustees. Also includes 11,000 shares owned by Harriet and Warren Stephens Family Foundation as to which Mr. Stephens, as co-trustee, may be deemed to have shared voting power and shared dispositive power with Ms. Stephens. Also includes 234, 972 shares owned by Curtis F. Bradbury, Jr. The information with respect to Warren A. Stephens is based on the Schedule 13D/A filed by such entities and person with the SEC on January 7, 2019.

(2) The Stephens Group, LLC and its affiliates address is 100 Morgan Keegan Drive, Suite 500, Little Rock, AR 72202. The beneficial ownership described above includes 4,305,343 shares owned by SG-1890, LLC, for which The Stephens Group, LLC is the manager. Wilton R. Stephens, Jr. and Elizabeth Stephens Campbell have shared power to vote and dispose of such shares as members of the Executive Committee of The Stephens Group, LLC. It also includes 54,163 shares held by Snow Lake Holdings, Inc., 50,755 shares held by the Arden Jewell Stephens 2012 Trust, 50,755 shares held by the W. R. Stephens III 2012 Trust, 373 shares held by the Arden Jewell Stephens Trust dtd 10/20/99, 373 shares held by the W. R. Stephens III Trust dtd 7/2/01, 49,655 shares held by the Elizabeth Chisum Campbell 2012 Trust, 49,655 shares held by the Susan Stephens Campbell 2012 Trust, 49,655 shares held by the Craig Dobbs Campbell, Jr. 2012 Trust, 12,720 shares held by Carol M. Stephens, 140,645 shares owned directly by the W.R. Stephens, Jr. Revocable Trust, to which Mr. Stephens, as sole trustee, has sole power to vote and dispose, 53,017 shares held by the Elizabeth S. Campbell Trust A, to which Mrs. Campbell, as co-trustee, has shared power to vote and dispose All of the above are members of a group with The Stephens Group, LLC. The information with respect to The Stephens Group, LLC are based on the Schedule 13D/A filed by such entities and person with the SEC on July 14, 2017.

(3) BlackRock, Inc. (BlackRock) may be deemed to beneficially own, and has sole voting power with respect to 3,331,193 shares and sole dispositive power with respect to 3,377,759 shares. The information with respect to BlackRock is based on the Schedule 13G filed on March 8, 2019. BlackRock s mailing address is 55 East 52nd Street, New York, NY 10055.

(4) PAR Investment Partners, L.P. (PAR Investment Partners) holds sole voting power and sole dispositive power over 2,967,920shares of Common Stock. PAR Group, L.P. (PAR Group) is the sole general partner of PAR Investment Partners, and may be deemed to be the beneficial owner of the 2,967,920 shares owned directly by PAR Investment Partners. PAR Capital Management, Inc. (PAR Capital Management) is the sole general partner of PAR Group, and may be deemed to be the beneficial owner of the 2,967,920 shares held beneficially by PAR Group. The information with respect to PAR Investment Partners, PAR Group and PAR Capital Management comes from the Schedule 13G filed by such entities with the SEC on February 14, 2019. The mailing address of PAR Capital Management is 200 Clarendon Street, FL 48, Boston, MA 02116.

(5) The shares of Common Stock are held for the account of Anchorage Capital Master Offshore, Ltd., a Cayman Island exempted company (ACMO). Anchorage Advisors Management, L.L.C. (Anchorage Management) is the sole managing member of Anchorage Capital Group, L.L.C. (Anchorage Capital Group), which is the investment advisor to ACMO Kevin M. Ulrich is the Chief Executive Officer of Anchorage Capital Group and the senior managing member of Anchorage Management. The mailing address of ACMO is 610 Broadway, 6th Floor, New York, NY 10012. The information with respect to the ACMO is based on the Schedule 13G/A filed jointly by ACMO, Anchorage Capital Group, Kevin M. Ulrich and Anchorage Management on February 14, 2019.

(6) Dimensional Fund Advisors LP (Dimensional) may be deemed to beneficially own, and has sole voting power with respect to 1,841,356 shares and sole dispositive power with respect to 1,875,092 shares. The information with respect to Dimensional is based on the Schedule 13G filed on February 8, 2019. Dimensional s mailing address is Building One, 6300 Bee Cave Road, Austin, Texas, 78746.

(7) Includes 45,171 shares owned by Martin Family 2016 Trust UID 6-14-2016, 40,000 shares owned by Martin Family 2018 Trust, and 35,586 shares owned by Douglas H. Martin Trust UID 4-18-2014, as to which Mr. Martin, as sole Trustee of the trusts, has sole power and sole dispositive power.
Also includes 800 shares owned by Douglas Martin Custodian for Haven Celeste Martin as to which

Mr. Martin has sole voting power and sole dispositive power, and 1,600 shares owned by Mr. Martin s children as to which Mr. Martin has shared voting and dispositive power pursuant to powers of attorney. Also includes 43,077 shares owned through a Roth IRA account as to which Mr. Martin has sole voting and dispositive power. Also includes 3,100 shares owned by Mr. Martin s spouse as custodian for a minor child, as to which Mr. Martin may be deemed to have shared voting and dispositive power. Also includes 1,600 shares owned by a charitable foundation of which Mr. Martin is a co-trustee, as to which Mr. Martin has shared voting and dispositive power. Also includes 20,000 shares which Mr. Martin has the right to receive upon the exercise of options, and as to which Mr. Martin would have sole voting power and sole dispositive power. The information with respect to Mr. Doug Martin is based on the Schedule 13D/A filed on January 7, 2019.

To our knowledge, except as noted above, no person or entity is the beneficial owner of more than 5% of the voting power of Common Stock.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Review and Approval of Related Party Transactions

The Board has adopted a written statement of policy with respect to all relationships and transactions in which our Company and our directors and executive officers or their immediate family members are participants. The Audit Committee reviews all related party relationships and transactions to determine whether such persons have a direct or indirect material interest, and if so, if the transactions are at arm s length and are acceptable to the Board of Directors. Each related party transaction must be entered into on terms that are comparable to those that could be obtained as a result of arm s length dealings with an unrelated third party to be approved and accepted by the Board of Directors. As required under SEC rules, transactions that are reportable under Item 404(a) of Regulation S-K are disclosed in our proxy statement. The Audit Committee reviews any related person transaction that is required to be disclosed as set forth in the preceding sentence. Since the beginning of fiscal year 2019, there have been no transactions reportable under Item 404(a) of Regulation S-K. In the course of its review of these relationships, the Audit Committee observes how each relates to a potential conflict of interest with the Company:

- the nature of the related person s interest in the transaction;
- the material terms of the transaction, including, without limitation, the amount and type of transaction, and the timing of the entering of such transaction;
- the importance of the transaction to the related person;
- the importance of the transaction to the Company;
- whether the transaction would impair the judgment of a director or executive officer to act in our best interest; and
- any other matters the committee deems appropriate.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires that our directors, executive officers as well as other persons who own more than 10% of our outstanding Common Stock file initial reports of ownership and reports of changes in ownership of our Common Stock with the SEC. Officers, directors and other stockholders who own more than 10% of our outstanding Common Stock are required by the SEC to furnish us with copies of all Section 16(a) reports they file. These reports are required to be submitted by specified deadlines, and the Company is required to report in this proxy statement any failure by directors, officers and beneficial owners of more than ten percent of its Common Stock to file such reports on a timely basis during the Company s most recent fiscal year or, in the case of such a failure that has not previously been so disclosed, prior fiscal years.

To our knowledge, based solely on a review of reports and information furnished to us by those persons who were directors, executive officers and/or the beneficial holders of 10% or more of our Common Stock at any time during fiscal year 2019 and upon representations from such persons, we believe that all stock ownership reports required to be filed under Section 16(a) by such reporting persons during fiscal year 2019 were timely made, except one Form 4 filing for Mr. Bob Martin relating to shares sold on July 18, 2018.

STOCKHOLDERS SHARING THE SAME LAST NAME AND ADDRESS

To reduce the expense of delivering duplicate proxy materials to stockholders who may have more than one account holding our Common Stock but who share the same address, we have adopted a procedure approved by the SEC called householding. Under this procedure, certain stockholders of record who have the same address and last name, and who do not participate in electronic delivery of proxy materials, will receive only one copy of our **Notice of Internet Availability of Proxy Materials** and, as applicable, any

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additional proxy materials that are delivered until such time as one or more of these stockholders notifies us that they want to receive separate copies. This procedure reduces duplicate mailings and saves printing costs and postage fees, as well as natural resources. Stockholders who participate in householding will continue to have access to and utilize separate proxy voting instructions.

If you receive a single set of proxy materials as a result of householding, and you would like to have separate copies of our **Notice of Internet Availability of Proxy Materials**, annual report, or proxy statement mailed to you, please submit a request or notice, as applicable, to our Corporate Secretary at 2445 Technology Forest Blvd., Building 4, Suite 800, The Woodlands, Texas 77381, or call our Investor Relations department at (936) 230-5899, and we will promptly send you what you have requested. However, please note that if you want to receive a paper proxy or voting instruction form or other proxy materials for purposes of this year s annual meeting, follow the instructions included in the **Notice of Internet Availability of Proxy Materials** that was sent to you. You can also contact our Investor Relations department at the phone number or address set forth above if you received multiple copies of the annual meeting materials and would prefer to receive a single copy in the future, or if you would like to opt out of householding for future mailings.

Conn s, Inc.

2019 ANNUAL MEETING OF STOCKHOLDERS

May 29, 2019

FORM OF PROXY

YOU CAN VOTE OVER THE INTERNET OR BY TELEPHONE

QUICK * EASY * IMMEDIATE * AVAILABLE * 24 HOURS A DAY * 7 DAYS A WEEK

Conn s, Inc. encourages you to take advantage of convenient ways to vote. If voting by proxy, you may vote over the Internet, by telephone or by mail. Your Internet or telephone vote authorizes the named proxies to vote in the same manner as if you marked, signed, and returned your proxy card. To vote over the Internet, by telephone, or by mail, please read the accompanying proxy statement and then follow these easy steps:

VOTE BY INTERNET www.proxyvote.com

Use the internet to transmit your voting instructions and for electronic delivery of information up until 11:59 PM Eastern Time on May 28, 2019. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

VOTE BY PHONE (800) 690-6903

Use any touch-tone telephone to transmit your voting instructions up until 11:59 PM Eastern Time on May 28, 2019. Have your proxy card in hand when you call and then follow the instructions.

ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS

If you would like to reduce the costs incurred by Conn s, Inc. in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in the future.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717, or Conn s Corporate Secretary, 2445 Technology Forest Blvd., Suite 800, The Woodlands, Texas 77381.

Important Notice Regarding the Internet Availability of Proxy Materials for the Annual Meeting:

The Notice and Proxy Statement, and Annual Report on Form 10-K are available at www.conns.com and www.proxyvote.com. By my signature below, I revoke all previous proxies and appoint Mark Prior or Lee Wright as proxy, with full power of substitution and resubstitution, to represent and to vote, as designated below, all shares of Common Stock of Conn s, Inc. that I held of record as of the close of business on April 1, 2019, at the 2019 annual meeting of stockholders to be held at 2445 Technology Forest Blvd., Building 4, Suite 800, The Woodlands, Texas 77381, on May 29, 2019, at 1:00 p.m. Central Daylight Time, or any postponements or adjournments thereof. The above named proxy is hereby instructed to vote as specified.

THIS PROXY IS BEING SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

PLEASE MARK YOUR VOTE IN THE BOXES BELOW USING DARK INK ONLY

Proposals:

	FOR	AGAINST	ABSTAIN
1. To elect the eight directors listed below:			
James H. Haworth			
Kelly M. Malson			
Bob L. Martin			
Douglas H. Martin			
Norman L. Miller			
William E. Saunders, Jr.			
William (David) Schofman			
Oded Shein			

	FOR	AGAINST	ABSTAIN
2. To ratify the Audit Committee s appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending January 31, 2020.			
3. To approve, on a non-binding advisory basis, named executive officers compensation.			

IMPORTANT This proxy must be signed and dated where provided on the reverse side.

If you execute and return this proxy it will be voted in the manner you have specified. If no specification is made, this proxy will be voted FOR each of the director nominees in Proposal 1, FOR Proposal 2 and FOR Proposal 3. Furthermore, in their discretion, the proxies are authorized to vote on such other business as may properly come before the meeting, or any adjournment thereof.

Please sign exactly as your name appears on this proxy. Joint owners should each sign. When signing as a fiduciary, such as an attorney, executor, administrator, trustee, guardian, etc., please give your full title as such. **Please return this form of proxy promptly in the enclosed envelope.**

The undersigned acknowledge(s) receipt of the Notice of 2019 annual meeting of stockholders and the Proxy Statement accompanying such Notice, each dated April 12, 2019.

Print Name	**Print Name**
Signature(s)	**Signature(s)**

Date	**Date**