

Digital Realty Trust, Inc.
Form 8-K/A
October 19, 2015

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

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 OR 15(d)

of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): October 8, 2015

DIGITAL REALTY TRUST, INC.

DIGITAL REALTY TRUST, L.P.

(Exact name of registrant as specified in its charter)

Maryland
Maryland
(State or other jurisdiction)

001-32336
000-54023
(Commission)

26-0081711
26-2402955
(IRS Employer)

of incorporation)

File Number)

Identification No.)

Four Embarcadero Center, Suite 3200

San Francisco, California
(Address of principal executive offices)

(415) 738-6500

94111
(Zip Code)

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

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

This Form 8-K/A amends and supplements our Form 8-K filed on October 9, 2015 to provide additional financial information in connection with the Telx Acquisition (as defined below) and to provide new information regarding the Fourteenth Amended and Restated Agreement of Limited Partnership of Digital Realty Trust, L.P.

Item 1.01 Entry into a Material Definitive Agreement.

On October 13, 2015, following the completion of the previously announced acquisition of Telx Holdings, Inc. (Telx) from private equity firms ABRY Partners and Berkshire Partners (the Telx Acquisition), Digital Realty Trust, Inc., a Maryland corporation (the Company, we, us, or our), as the sole general partner of Digital Realty Trust, L.P., a Maryland limited partnership (the Operating Partnership), executed the Fourteenth Amended and Restated Agreement of Limited Partnership of the Operating Partnership (the Partnership Agreement) in connection with the Operating Partnership's issuance to us of 10,000,000 of its 6.350% series I cumulative redeemable preferred units of partnership interests (Series I Preferred Units) as partial consideration for the merger of Digital Delta Holdings, LLC, a Delaware limited liability company and wholly owned subsidiary of the Company that directly held Telx following the Telx Acquisition, with and into the Operating Partnership (the Operating Partnership Merger). On October 13, 2015, the Operating Partnership also issued to us 10,500,000 of its common units of partnership interest (Common Units) as additional consideration for the Operating Partnership Merger.

The Partnership Agreement designates the rights, preferences and other privileges of the Series I Preferred Units. The Series I Preferred Units have substantially similar rights, preferences and other privileges as our 6.350% series I cumulative redeemable preferred stock, par value \$0.01 per share (the Series I Preferred Stock), 10,000,000 shares of which were issued on August 24, 2015 in connection with an underwritten public offering, the net proceeds of which were used to fund a portion of the aggregate purchase price for the Telx Acquisition. The terms of the Series I Preferred Stock are described in our Combined Current Report on Form 8-K filed on August 24, 2015.

A copy of the Partnership Agreement of the Operating Partnership is filed as Exhibit 3.1 to this Current Report on Form 8-K and is incorporated herein by reference. The summary set forth above is qualified in its entirety by reference to Exhibit 3.1.

Item 3.02 Unregistered Sales of Equity Securities

In connection with the Operating Partnership Merger, on October 13, 2015, the Operating Partnership issued 10,500,000 Common Units and 10,000,000 Series I Preferred Units to us in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act of 1933, as amended, based on our status as a publicly traded NYSE-listed company with over \$9 billion in total consolidated assets and as its majority owner and general partner.

Item 3.03 Material Modifications to Rights of Security Holders.

The information set forth under Item 1.01 Entry into a Material Definitive Agreement is incorporated into this Item 3.03 by reference.

Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.

The information set forth under Item 1.01 Entry into a Material Definitive Agreement is incorporated into this Item 5.03 by reference.

Item 8.01 Other Events.

As previously disclosed, on October 9, 2015, the Company completed the Telx Acquisition. In connection with the Telx Acquisition, Digital Delta, Inc., a Delaware corporation and a wholly owned subsidiary of Digital Delta Holdings, LLC, was merged with and into Telx. On October 13, 2015, Digital Delta Holdings, LLC was merged with and into the Operating Partnership, with the Operating Partnership as the surviving entity. As a result of the Operating Partnership Merger, the Telx business is now wholly owned by a subsidiary of the Operating Partnership.

Item 9.01 Financial Statements and Exhibits.

(b) Pro Forma Financial Information

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

During May, June, July, August and October of 2015, Digital Realty Trust, Inc. (together with its consolidated subsidiaries, the Company) entered into the following transactions, which have been included in the accompanying Unaudited Pro Forma Condensed Combined Financial Information as discussed more fully below.

Redemption of 4.50% Notes due 2015

On May 26, 2015, Digital Realty Trust, L.P., a Maryland limited partnership, of which the Company is the sole general partner (the Operating Partnership), redeemed the entire outstanding principal amount of its 4.50% Notes due 2015 at a redemption price of 100% of the principal amount of the notes plus accrued and unpaid interest thereon up to, but excluding, the redemption date (the Notes Redemption).

Offering of 3.950% Notes due 2022

On June 23, 2015, the Operating Partnership issued \$500.0 million aggregate principal amount of its 3.950% Notes due 2022 in an underwritten public offering (the 2022 Notes Offering). The Operating Partnership will use the net proceeds from the 2022 Notes Offering to fund certain eligible green projects, including the development and redevelopment of such projects. Pending such uses, the Operating Partnership temporarily repaid borrowings under its global revolving credit facility.

Telx Acquisition and Related Financings

On October 9, 2015, the Company completed the acquisition (the Telx Acquisition) of Telx Holdings, Inc. (Telx), pursuant to an Agreement and Plan of Merger (the Merger Agreement), dated as of July 13, 2015, by and among the Company, Digital Delta, Inc., a Delaware corporation and wholly owned subsidiary of the Company, Telx and BSR LLC, as representative of the sellers. The purchase price for the Telx Acquisition was approximately \$1.886 billion (subject to certain adjustments contemplated by the Merger Agreement). The purchase price was paid in cash and was funded with the net proceeds from the (i) public offering of 10,000,000 shares of the Company's 6.350% series I cumulative redeemable preferred stock, par value \$0.01 per share, with a liquidation preference of \$25.00 per share, completed on August 24, 2015 (the Preferred Offering), (ii) a private placement by Digital Delta Holdings, LLC, a Delaware limited liability company and wholly owned subsidiary of the Company (Delta Holdings), of \$500 million aggregate principal amount of Digital Holdings's 3.400% Notes due 2020 (the 2020 Notes) and \$450 million aggregate principal amount of its 4.750% Notes due 2025 (the 2025 Notes and, together with the 2020 Notes, the Delta Notes) completed on October 1, 2015 (the Delta Notes Offerings), and (iii) sale of 10,500,000 shares of the Company's common stock on October 8, 2015 for net proceeds of approximately \$674.1 million pursuant to certain forward sale agreements entered into in connection with the underwritten public offering of the Company's common stock completed on July 20, 2015 (the Forward Equity Sale).

Operating Partnership Merger

Following the consummation of the Telx Acquisition, Telx became a direct, wholly owned subsidiary of Delta Holdings. On October 13, 2015, Delta Holdings merged with and into the Operating Partnership with the Operating Partnership surviving the merger and assuming Delta Holdings's obligations under the Delta Notes and the related indenture by operation of law.

As consideration for the merger of Delta Holdings with and into the Operating Partnership, the Company was issued (i) 10,500,000 common units of the Operating Partnership (which equaled the number of shares of the Company's common stock issued in connection with the Forward Equity Sale) and (ii) 10,000,000 series I cumulative redeemable preferred units of the Operating Partnership with substantially identical terms as the Company's series I preferred stock (which equaled the number of shares of the Company's series I preferred stock issued in connection with the Preferred Offering). Such transactions are collectively referred to in the Unaudited Pro Forma Condensed Combined Financial Information as the Operating Partnership Merger.

The Notes Redemption, the 2022 Notes Offering, the Telx Acquisition, the Forward Equity Sale, the Preferred Offering, the Delta Notes Offerings and the Operating Partnership Merger are collectively referred to in the Unaudited Pro Forma Condensed Combined Financial Information as the Transactions.

The following Unaudited Pro Forma Condensed Combined Balance Sheet as of June 30, 2015 and the Unaudited Pro Forma Condensed Combined Income Statement for the six months ended June 30, 2015 and for the year ended December 31, 2014 have been derived from the historical consolidated financial statements of the Company and Telx, as adjusted to give effect to the Transactions, and are intended to reflect the impact of the Transactions on the Company on a pro forma basis as of and for the periods indicated. The Unaudited Pro Forma Condensed Combined Financial Information does not give effect to any potential additional permanent financing of the Telx Acquisition.

The Unaudited Pro Forma Condensed Combined Financial Information has been prepared by the Company using the acquisition method of accounting in accordance with Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic 805, Business Combinations. The fair value of identifiable tangible and intangible assets acquired and liabilities assumed from the Telx Acquisition are based on a preliminary estimate of fair value using assumptions described in the accompanying notes to the Unaudited Pro Forma Condensed Combined Financial Information that the Company believes are reasonable.

The final purchase price allocation for the Transactions will be performed as soon as practicable after the closing of the Telx Acquisition and will depend on the final purchase price, which may be impacted by working capital adjustments, and final asset and liability valuations, which may depend in part on prevailing market rates and conditions. Final asset and liability valuations will be based on the actual net tangible and intangible assets that exist as of the closing of the Telx Acquisition. Any final adjustments may change the allocations of the purchase price, which could affect the fair value assigned to the assets acquired and liabilities assumed and could result in a change to the Unaudited Pro Forma Condensed Combined Financial Information, including the amount of goodwill and depreciation and amortization. Therefore, the result of the final purchase price allocation could be materially different from the preliminary allocation set forth herein.

Certain of the facilities acquired in the Telx Acquisition may be reassessed for property tax purposes after the consummation of the acquisition. Therefore, the amount of property taxes the Company pays in the future may change from what Telx has paid in the past. Given the uncertainty of the amounts involved, any property tax changes have not been reflected in the Unaudited Pro Forma Condensed Combined Financial Information. In addition, the Company plans to treat certain of Telx's assets as real property (rather than personal property) for federal income tax purposes. This change will require the Company to recognize additional income over the following four years. While the Company has net operating losses that may shield this income through 2016, the Company currently estimates that it may be required to pay up to \$20.0 million in federal income taxes, in the aggregate, as a result of this income recognition with respect to the 2017 to 2018 period.

The Unaudited Pro Forma Condensed Combined Balance Sheet reflects the Telx Acquisition, the Forward Equity Sale, the Preferred Offering, the Delta Notes Offerings and the Operating Partnership Merger as if they had been consummated on June 30, 2015, and the Unaudited Pro Forma Condensed Combined Income Statement give effect to the 2022 Notes Offering, the Notes Redemption, the Telx Acquisition, the Forward Equity Sale, the Preferred

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

Offering, the Delta Notes Offerings and the Operating Partnership Merger as if they had been consummated on January 1, 2014. The following Unaudited Pro Forma Condensed Combined Financial Information is based on, and should be read in conjunction with:

The historical audited consolidated and combined financial statements of the Company and the related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2014, as filed with the Securities and Exchange Commission (SEC) on March 2, 2015;

The historical unaudited condensed consolidated interim financial statements of the Company and the related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included in its quarterly report on Form 10-Q for the quarterly period ended June 30, 2015, as filed with the SEC on August 6, 2015;

The historical audited consolidated balance sheet of Telx as of December 31, 2014 and the consolidated statements of operations, cash flows and statements of stockholders' equity for the year ended December 31, 2014 (included as Exhibit 99.2 to the Company's and the Operating Partnership's combined Current Report on Form 8-K filed with the Securities and Exchange Commission on July 14, 2015); and

The historical unaudited consolidated balance sheet of Telx as of June 30, 2015 and the consolidated statements of operations, cash flows and statements of stockholders' equity for the six months ended June 30, 2015 (included as Exhibit 99.1 to the Company's and the Operating Partnership's combined Current Report on Form 8-K filed with the Securities and Exchange Commission on July 14, 2015).

The Unaudited Pro Forma Condensed Combined Financial Information included herein has been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. The Unaudited Pro Forma Condensed Combined Financial Information has been prepared to reflect adjustments to the Company's historical consolidated financial information that are (i) directly attributable to the Transactions, (ii) factually supportable and (iii) with respect to the Unaudited Pro Forma Condensed Combined Income Statement, expected to have a continuing impact on the combined results. Certain information and certain note disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations; however, management believes that the disclosures are adequate to make the information presented not misleading.

The Unaudited Pro Forma Condensed Combined Financial Information is presented for informational purposes only and is not necessarily indicative of the operating results or financial position that actually would have been achieved if the Transactions had occurred on the dates indicated or that may be achieved in future periods. The Unaudited Pro Forma Condensed Combined Financial Information should be read in conjunction with the financial statements of the Company and Telx. It also does not reflect any cost savings, operating synergies or revenue enhancements that the Company may achieve with respect to combining the companies or costs to integrate the business or the impact of any non-recurring activity and any one-time transaction related costs. Synergies and integration costs have been excluded from consideration because they do not meet the criteria for unaudited pro forma adjustments.

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES**UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET****AS OF JUNE 30, 2015**

	Historical				
	Digital Realty Trust, Inc.	Telx (See Note 1)	Pro Forma Adjustments	Note Reference	Pro Forma Combined Company
ASSETS					
Investments in real estate:					
Properties:					
Land	\$ 645,918	\$ 3,493	\$ 3,745	2(b)	\$ 653,156
Acquired ground leases	13,225				13,225
Buildings and improvements	8,938,019	483,057	113,580	2(b)	9,534,656
Tenant improvements	543,964				543,964
Total investments in properties	10,141,126	486,550	117,325		10,745,001
Accumulated depreciation and amortization	(2,033,289)	(117,124)	117,124		(2,033,289)
Net investments in properties	8,107,837	369,426	234,449		8,711,712
Investment in unconsolidated joint ventures	103,410				103,410
Net investments in real estate	8,211,247	369,426	234,449		8,815,122
Cash and cash equivalents	59,152	9,012			68,164
Accounts and other receivables, net of allowance for doubtful accounts	126,734	17,155			143,889
Deferred rent	467,262		(73,732)	2(g)	393,530
Acquired above-market leases, net	33,936				33,936
Acquired in-place lease value and deferred leasing costs, net	424,229		259,004	2(b)	683,233
Customer relationships		128,967	612,485	2(b)	741,452
Trademark		129,941	(121,785)	2(b)	8,156
Other intangible assets		5,787	(5,787)	2(b)	
Goodwill		339,013	(54,592)	2(b)	284,421
Deferred financing costs, net	30,203	19,296	(10,671)	2(a), 2(c), 2(d)	38,828
Restricted cash	9,394	1,773			11,167
Assets held for sale	171,990				171,990
Other assets	51,862	24,916			76,778
Total assets	\$ 9,586,009	\$ 1,045,286	\$ 839,371		\$ 11,470,666
LIABILITIES AND EQUITY					
Global revolving credit facility	\$ 777,013	\$	\$ (826)	2(a), 2(c), 2(d)	\$ 776,187
Unsecured term loan	961,098			2(d)	961,098

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

Unsecured senior notes, net of discount	2,856,408		948,885	2(c), 2(d)	3,805,293
Mortgage loans, net of premiums	374,307				374,307
Term loan and other loans payable		755,392	(755,392)	2(a)	
Accounts payable and other accrued liabilities	516,232	199,072	(75,369)	2(h)	639,935
Capital leases and other financing obligations		49,869			49,869
Accrued dividends and distributions					
Acquired below-market leases, net	94,312		10,908	2(b)	105,220
Deferred rent					
Security deposits and prepaid rents	109,005	2,361			111,366
Obligations associated with assets held for sale	7,441				7,441
Total liabilities	5,695,816	1,006,694	128,206		6,830,716
Commitments and contingencies					
Equity:					
Stockholders Equity:					
Preferred Stock	1,048,121		241,489	2(e)	1,289,610
Common Stock	1,351		105	2(f)	1,456
Additional paid-in capital	3,974,398	157,485	673,972	2(f)	4,805,855
Accumulated dividends in excess of earnings	(1,108,701)	(118,893)	(204,401)	2(i)	(1,431,995)
Accumulated other comprehensive loss, net	(67,324)				(67,324)
Total stockholders equity	3,847,845	38,592	711,165		4,597,602
Noncontrolling Interests:					
Noncontrolling interests in operating partnership	35,577				35,577
Noncontrolling interests in consolidated joint ventures	6,771				6,771
Total noncontrolling interests	42,348				42,348
Total equity	3,890,193	38,592	711,165		4,639,950
Total liabilities and equity	\$ 9,586,009	\$ 1,045,286	\$ 839,371		\$ 11,470,666

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES**UNAUDITED PRO FORMA CONDENSED COMBINED INCOME STATEMENT****FOR THE SIX MONTHS ENDED JUNE 30, 2015**

	Historical Digital Realty Trust, Inc.	Telx (See Note 1)	Pro Forma Adjustments	Note Reference	Pro Forma Combined Company
Operating Revenues:					
Rental	\$ 649,842	\$ 169,534	\$ (31,433)	3(a)	\$ 787,943
Tenant reimbursements	173,401				173,401
Fee income	3,163				3,163
Other	498				498
Total operating revenues	826,904	169,534	(31,433)		965,005
Operating Expenses:					
Rental property operating and maintenance	254,102	108,286	(32,231)	3(b)	330,157
Property taxes	44,163				44,163
Insurance	4,309				4,309
Change in fair value of contingent consideration	(42,682)				(42,682)
Depreciation and amortization	260,597	35,290	68,720	3(c)	364,607
General and administrative	46,807	16,355	(750)	3(d)	62,412
Transactions	3,259	932			4,191
Other	(22)				(22)
Total operating expenses	570,533	160,863	35,739		767,135
Operating income	256,371	8,671	(67,172)		197,870
Other Income (Expenses):					
Equity in earnings of unconsolidated joint ventures	8,001				8,001
Gain on sale of property	94,489				94,489
Interest and other income (expense)	(2,521)	5			(2,516)
Interest expense	(91,580)	(29,806)	7,975	3(e)	(113,411)
Tax (expense) / benefit	(4,290)	(1,425)			(5,715)
Loss from early extinguishment of debt	(148)				(148)
Net income	260,322	(22,555)	(59,197)		178,570
Net income attributable to noncontrolling interests	(4,628)		1,635	3(f)	(2,993)
	255,694	(22,555)	(57,562)		175,577

Net income attributable to Digital Realty Trust, Inc.

Preferred stock dividends	(36,911)	(7,938)	3(g)	(44,849)
---------------------------	----------	---------	------	----------

Net income available to common stockholders

	\$ 218,783	\$ (22,555)	\$ (65,500)	\$ 130,728
--	------------	-------------	-------------	------------

Net income per share available to common stockholders:

Basic	\$ 1.61			\$ 0.89
Diluted	\$ 1.61			\$ 0.89

Weighted average common shares outstanding:

Basic	135,757,584	10,500,000	2(f)	146,257,584
Diluted	136,260,995	10,500,000	2(f)	146,760,995

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES**UNAUDITED PRO FORMA CONDENSED COMBINED INCOME STATEMENT****FOR THE YEAR ENDED DECEMBER 31, 2014**

	Historical					Pro Forma
	Digital	Telx (See	Pro Forma	Note		Combined
	Realty	Note 1)	Adjustments	Reference		Company
	Trust, Inc.					
Operating Revenues:						
Rental	\$ 1,256,086	\$ 308,656	\$ (51,568)	3(a)	\$	1,513,174
Tenant reimbursements	350,234					350,234
Fee income	7,268					7,268
Other	2,850					2,850
Total operating revenues	1,616,438	308,656	(51,568)			1,873,526
Operating Expenses:						
Rental property operating and maintenance	503,140	193,165	(65,450)	3(b)		630,855
Property taxes	91,538					91,538
Insurance	8,643					8,643
Change in fair value of contingent consideration	(8,093)					(8,093)
Depreciation and amortization	538,513	62,472	145,540	3(c)		746,525
General and administrative	93,188	33,316	(1,036)	3(d)		125,468
Transactions	1,303	3,606				4,909
Impairment of investments in real estate	126,470					126,470
Other	3,070					3,070
Total operating expenses	1,357,772	292,559	79,054			1,729,385
Operating income	258,666	16,097	(130,622)			144,141
Other Income (Expenses):						
Equity in earnings of unconsolidated joint ventures	13,289					13,289
Gain on sale of property	15,945					15,945
Gain on contribution of properties to unconsolidated joint ventures	95,404					95,404
Gain on sale of investment	14,551					14,551
Interest and other income (expense)	2,663	32				2,695
Interest expense	(191,085)	(61,367)	20,140	3(e)		(232,312)
Tax expense	(5,238)	11,943				6,705
Loss from early extinguishment of debt	(780)					(780)

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

Net income	203,415	(33,295)	(110,482)		59,638
Net income attributable to noncontrolling interests	(3,232)		2,876	3(f)	(356)
Net income attributable to Digital Realty Trust, Inc.	200,183	(33,295)	(107,606)		59,282
Preferred stock dividends	(67,465)		(15,875)	3(g)	(83,340)
Net income available to common stockholders	\$ 132,718	\$ (33,295)	\$ (123,481)		\$ (24,058)
Net income per share available to common stockholders:					
Basic	\$ 1.00				\$ (0.17)
Diluted	\$ 0.99				\$ (0.17)
Weighted average common shares outstanding:					
Basic	133,369,047		10,500,000	2(f)	143,869,047
Diluted	133,637,235		10,500,000	2(f)	143,869,047

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

1. Reclassifications of Historical Telx

Financial information presented in the Historical Telx columns in the Unaudited Pro Forma Condensed Combined Balance Sheet and Income Statement represents the historical balance sheet of Telx as of June 30, 2015 and the historical statement of operations of Telx for the six months ended June 30, 2015 and for the year ended December 31, 2014, respectively. Such financial information has been reclassified or classified to conform to the historical presentation in the Company's consolidated financial statements as set forth below. Unless otherwise indicated, defined line items included in the footnotes have the meanings given to them in the historical financial statements of Telx.

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS
(continued)

	Before Reclassification	Reclassification Amount		After Reclassification
Balance Sheet				
Current deferred tax assets	\$ 1,833	\$ (1,833)	(1)	\$
Prepaid expenses	2,504	(2,504)	(1)	
Other current assets	11,285	(11,285)	(1)	
Property and equipment, net	369,426	(369,426)	(2)	
Land		3,493	(2)	3,493
Building and improvements		483,057	(2)	483,057
Accumulated depreciation and amortization		(117,124)	(2)	(117,124)
Other assets	9,294	15,622	(1)	24,916
Accounts payable	4,779	(4,779)	(3)	
Accrued expenses and other current liabilities	20,961	(20,961)	(3)	
Accounts payable and other accrued liabilities		199,072	(3)	199,072
Customer security deposits	2,020	(2,020)	(5)	
Security deposits and prepaid rents		2,361	(5)	2,361
Deferred revenue	4,278	(4,278)	(3)	
Capital leases and other financing obligations		49,869	(4)	49,869
Current portion of capital leases and other financing obligations	5,340	(5,340)	(4)	
Current portion of term loan and other loans payable	22,181	(22,181)	(6)	
Term loan and other loans payable		755,392	(6)	755,392
Customer security deposits, less current portion	341	(341)	(5)	
Deferred rent	103,246	(103,246)	(3)	
Deferred revenue, less current portion	6,680	(6,680)	(3)	
Deferred tax liabilities	59,128	(59,128)	(3)	
Capital leases and other financing obligations, less current portion	44,529	(44,529)	(4)	
Term loan and other loans payable, less current portion	733,211	(733,211)	(6)	

**Statement of Operations - For the Six Months
Ended June 30, 2015**

Cost of revenues	\$ 116,825	\$ (116,825)	(1)	\$
Sales and marketing	23,822	(23,822)	(2)	
General and administrative	19,285	(2,930)	(3)	16,355
Rental property operating and maintenance		108,286	(1)(2)	108,286
Depreciation and amortization		35,290	(1)(2)(3)	35,290

**Statement of Operations - For the Year Ended
December 31, 2014**

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

Cost of revenues	\$	206,232	\$	(206,232)	(1)	\$
Sales and marketing		44,030		(44,030)	(2)	
General and administrative		38,691		(5,375)	(3)	33,316
Rental property operating and maintenance				193,165	(1)(2)	193,165
Depreciation and amortization				62,472	(1)(2)(3)	62,472

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS
(continued)

Reclassification and classification of the Unaudited Pro Forma Condensed Combined Balance Sheet as of June 30, 2015:

- (1) Represents reclassification of Current deferred tax assets of \$1.8 million, Prepaid expenses of \$2.5 million and Other current assets of \$11.3 million to Other assets of \$15.6 million.
- (2) Represents disaggregation and reclassification of Property and equipment, net of \$369.4 million into Land of \$3.5 million, Buildings and improvements of \$483.0 million and Accumulated depreciation and amortization of \$117.1 million.
- (3) Represents reclassification of Accounts payable of \$4.8 million, Accrued expenses and other current liabilities of \$21.0 million, Deferred revenue of \$4.3 million, Deferred rent of \$103.2 million, Deferred revenue, less current portion of \$6.7 million and Deferred tax liabilities of \$59.1 million to Accounts payable and other accrued liabilities of \$199.1 million.
- (4) Represents reclassification of Current portion of capital leases and other financing obligations of \$5.4 million and Capital leases and other financing obligations, less current portion of \$44.5 million to Capital leases and other financing obligations of \$49.9 million.
- (5) Represents reclassification of Customer security deposits of \$2.0 million and Customer security deposits, less current portion of \$0.3 million to Security deposits and prepaid rents of \$2.4 million.
- (6) Represents reclassification of Current portion of term loan and other loans payable of \$22.2 million and Term loan and other loans payable, less current portion of \$733.2 million to Term loan and other loans payable of \$755.4 million.

Reclassification and classification of the Unaudited Pro Forma Condensed Combined Income Statement for the six months ended June 30, 2015:

- (1) Represents reclassification of Cost of revenues of \$95.3 million to Rental property operating and maintenance and \$21.6 million to Depreciation and amortization.
- (2) Represents reclassification of Sales and marketing of \$13.0 million to Rental property operating and maintenance and \$10.8 million to Depreciation and amortization.

(3) Represents reclassification of General and administrative of \$2.9 million to Depreciation and amortization.
Reclassification and classification of the Unaudited Pro Forma Condensed Combined Income Statement for the year ended December 31, 2014:

(1) Represents reclassification of Cost of revenues of \$170.6 million to Rental property operating and maintenance and \$35.7 million to Depreciation and amortization.

(2) Represents reclassification of Sales and marketing of \$22.6 million to Rental property operating and maintenance and \$21.4 million to Depreciation and amortization.

(3) Represents reclassification of General and administrative of \$5.4 million to Depreciation and amortization.

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES**NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS
(continued)****2. Unaudited Pro Forma Condensed Combined Balance Sheet Adjustments**

The Unaudited Pro Forma Condensed Combined Balance Sheet reflects the effect of the following adjustments:

(a) Summary of sources and uses for the Telx Acquisition (in thousands):

Sources of funds:

Net proceeds from Delta Note Offerings ⁽¹⁾	\$ 940,260
Net proceeds from Forward Equity Sale ⁽²⁾	674,077
Net proceeds from Preferred Offering ⁽³⁾	\$ 241,489

Total sources of funds	\$ 1,855,826
-------------------------------	---------------------

Uses of funds:

Purchase price	\$ 1,886,000
Assumed capital lease obligations	(46,000)

Cash paid to sellers at closing ⁽⁴⁾	1,840,000
--	-----------

Transaction costs ⁽⁵⁾	15,000
----------------------------------	--------

Repayments under our global revolving credit facility ⁽¹⁾	826
--	-----

Total uses of funds	\$ 1,855,826
----------------------------	---------------------

(1) See Note 2(d) for additional information on the net proceeds from the Delta Notes Offerings.

(2) See Note 2(f) for additional information on the net proceeds from the Forward Equity Sale.

(3) See Note 2(e) for additional information on the net proceeds from the Preferred Offering.

(4) Includes the payoff of Telx's term loan and other loans payable of \$755.4 million. These loans and the associated deferred financing costs of \$19.3 million have been eliminated from the Unaudited Pro Forma Condensed Combined Balance Sheet, with a corresponding decrease to accumulated deficit.

(5) The Company estimates that the total transaction costs will be approximately \$15.0 million, excluding costs associated with the Delta Notes Offerings, Forward Equity Sale, Preferred Offering and other offering costs of approximately \$38.0 million. The actual amount may vary. The Company also expects to incur other financing costs and integration costs associated with the Telx Acquisition. Given the uncertainty of the amounts involved, such financing costs and integration costs are not reasonably estimable.

(b)

Adjustment reflects the excess of purchase price over the estimated fair value of the net assets acquired. Under the acquisition method of accounting, the total estimated purchase price is allocated to Telx's net tangible and intangible assets based on their estimated fair values at the date of the completion of the Telx Acquisition. Below is a preliminary estimate of the purchase consideration for Telx and the adjustments to Telx's book values to reflect the preliminary allocation of that purchase consideration to acquired identifiable assets and assumed liabilities (in thousands):

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES**NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS
(continued)**

	Preliminary estimate for allocation of the purchase price	Historical Telx	Pro Forma Adjustment
Land	\$ 7,238	\$ 3,493	\$ 3,745
Buildings and improvements ⁽¹⁾	596,637	483,057	113,580
Acquired in-place lease value and deferred leasing costs, net	259,004		259,004
Customer relationships	741,452	128,967	612,485
Trademark	8,156	129,941	(121,785)
Other intangible assets		5,787	(5,787)
Goodwill	284,421	339,013	(54,592)
Unfavorable leases	(10,908)		(10,908)
Total	\$ 1,886,000	\$ 1,090,258	\$ 795,742

⁽¹⁾ Consists of building and improvements, equipment and construction in process.

Following the Telx Acquisition, the purchase consideration will be adjusted for working capital levels and other adjustments as stipulated in the Merger Agreement.

Upon completion of the fair value assessment, the final purchase price allocation may differ from the preliminary allocation provided above. Any changes to the initial estimates of the fair value of the assets and liabilities will be recorded as adjustments to those assets and liabilities and the residual amounts will be allocated as an increase or decrease to goodwill. The goodwill recorded is due primarily to the synergies expected to be realized between the two companies and the assembled workforce acquired in connection with the Telx Acquisition.

The fair value of investment in real estate acquired of \$603.9 million consists of land with an estimated fair value of \$7.2 million, building and improvements with an estimated fair value of \$272.1 million, equipment with an estimated fair value of \$311.8 million and construction in process with an estimated fair value of \$12.7 million. Investment in real estate is expected to be amortized on a straight-line basis over estimated useful lives of 3 - 39 years.

The components of investment in real estate have been valued using a combination of the income approach, the market approach and the cost approach, which is based on current replacement and/or reproduction cost of the asset as new, less depreciation attributable to physical, functional and economic factors.

The fair value of intangible assets acquired of \$997.7 million consist of in-place leases with an estimated fair value of \$259.0 million, customer relationships with an estimated fair value of \$741.5 million and the Telx trade name with an estimated fair value of \$8.2 million and unfavorable leases of \$(10.9) million. The in-place lease value is expected to

be amortized on a straight-line basis over an estimated useful life of two years, the customer relationship intangible assets are expected to be amortized on a straight-line basis over an estimated useful life of 18 years, the Telx trade name is expected to be amortized on a straight-line basis over an estimated useful life of five years and the unfavorable leases are expected to be amortized on a straight-line basis over the average remaining lease term of five years.

The fair value of intangible assets is determined primarily using the income approach, which is a valuation technique that provides an estimate of the fair value of an asset based on market participants' expectations of the cash flows an asset would generate over its remaining useful life. Some of the more significant assumptions inherent in the development of the valuations include the estimated annual net cash flows for each indefinite lived or definite lived intangible asset (including net revenues, operating expenses, selling and marketing costs and working capital asset/contributory asset charges), the appropriate discount rate that appropriately reflects the risk inherent in each future cash flow stream, the assessment of each asset's life cycle, and competitive trends as well as other factors.

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES**NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS
(continued)**

- (c) Adjustment reflects the 2022 Notes Offering (and related financing costs and discount), the use of proceeds therefrom and the Notes Redemption (in thousands):

	Principal balance used in pro forma adjustment	Pro Forma Financing Costs	Discount on Debt	Net proceeds / payments
Offering of 3.950% Notes due 2022	\$ 500,000	\$ (4,375)	\$ (3,820)	\$ 491,805
Redemption of 4.50% Notes due 2015	(375,000)			(375,000)
Repayments under global revolving credit facility	(116,805)			(116,805)
Total	\$ 8,195	\$ (4,375)	\$ (3,820)	\$

- (d) Adjustment reflects the Delta Notes Offerings (and related financing costs and discount) and the use of proceeds therefrom (in thousands):

	Principal balance used in pro forma adjustment	Pro Forma Financing Costs	Discount on Debt	Net proceeds / payments
Offering of 3.400% Notes due 2020	\$ 500,000	\$ (4,400)	\$ (1,115)	\$ 494,485
Offering of 4.750% Notes due 2025	450,000	(4,225)		445,775
Repayments under global revolving credit facility	(826)			(826)
Total	\$ 949,174	\$ (8,625)	\$ (1,115)	\$ 939,434

- (e) Adjustment reflects the sale of 10,000,000 shares of Digital Realty Trust, Inc.'s series I preferred stock in the Preferred Offering, resulting in net proceeds of approximately \$241.5 million, after deducting the underwriting discount and other offering costs, net.

- (f) Adjustment reflects the full physical settlement of the forward sale agreements by the delivery of 10,500,000 shares of the Company's common stock at a price of \$64.34 per share (based on the \$68.00 per share price at

which the forward purchasers sold the Company's common stock in the public offering, less the underwriting discount of \$2.72 per share and adjustments pursuant to the forward sale agreements), resulting in net proceeds of approximately \$674.1 million after other offering costs, net.

- (g) Adjustment removes the deferred rent receivable as the lessor from leases with Telx, resulting in a decrease in deferred rent of \$73.7 million.

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES

**NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS
(continued)**

- (h) Adjustment removes the deferred rent payable as the lessee from leases with the Company, resulting in a decrease in accounts payable and other accrued liabilities of \$75.4 million.
- (i) Adjustment primarily reflects the write off or write down of certain of Telx's assets, including trademark, goodwill, deferred finance costs, net and other intangible assets, based on the Company's preliminary purchase price allocation set forth in Note 2(b).

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS
(continued)

3. Unaudited Pro Forma Condensed Combined Income Statement Adjustments

The Unaudited Pro Forma Condensed Combined Income Statements reflect the effect of the following pro forma adjustments:

- (a) Adjustment removes the rental revenue and percentage rent earned as the lessor from leases with Telx, resulting in a decrease in rental revenue of \$31.4 million and \$51.6 million for the six months ended June 30, 2015 and the year ended December 31, 2014, respectively.
- (b) Adjustment removes the rent and percentage rent expense recorded as the lessee from leases with the Company, resulting in a decrease in rental property operating and maintenance expense of \$33.0 million and \$67.3 million for the six months ended June 30, 2015 and the year ended December 31, 2014, respectively. In addition, a straight-line rent expense adjustment was made for leases with third parties, assuming the Telx Acquisition occurred on January 1, 2014, resulting in an increase of \$0.8 million and \$1.8 million for the six months ended June 30, 2015 and the year ended December 31, 2014, respectively.
- (c) Reflects the net impact on depreciation and amortization expense of the following adjustments:

A decrease to depreciation and amortization expense of \$6.7 million and \$4.9 million for the six months ended June 30, 2015 and the year ended December 31, 2014, respectively, as a result of fair value accounting for investment in real estate and other fixed assets acquired in the Telx Acquisition.

An increase to depreciation and amortization expense of \$75.4 million and \$150.4 million for the six months ended June 30, 2015 and the year ended December 31, 2014, respectively, as a result of fair value accounting for definite-lived intangible assets acquired in the Telx Acquisition.

For the six months ended June 30, 2015, real estate depreciation expense for the assets acquired in the Telx Acquisition would have been \$101.6 million and non-real estate depreciation expense would have been \$2.4 million. For the year ended December 31, 2014, total real estate depreciation expense for the assets acquired in the Telx Acquisition would have been \$203.3 million and non-real estate depreciation expense would have been \$4.8 million.

- (d) Adjustment reflects a reduction of general and administrative expense of \$0.8 million and \$1.0 million for the six months ended June 30, 2015 and the year ended December 31, 2014, respectively, as a result of the elimination of an internal management fee. The Company expects to incur additional general and administrative costs as a result of the Telx Acquisition that will

include, but are not limited to, incremental salaries and benefits, audit, tax and legal fees and other administrative costs. As the Company has not yet entered into contracts with third-parties to provide the services included within this estimate, these expenses do not appear in the Unaudited Pro Forma Condensed Combined Income Statements.

(e) Reflects the net impact on interest expense of the following adjustments:

A reduction in interest expense of \$26.2 million and \$46.9 million for the six months ended June 30, 2015 and the year ended December 31, 2014, respectively, due to the payoff of Telx debt in connection with the Telx Acquisition, and elimination of the associated deferred financing cost amortization of \$3.6 million and \$10.6 million for the six months ended June 30, 2015 and the year ended December 31, 2014, respectively.

An increase in interest expense of \$9.7 million and \$20.2 million for the six months ended June 30, 2015 and the year ended December 31, 2014, respectively, due to the issuance of \$500.0 million aggregate principal amount of the Operating Partnership's 3.950% Notes due 2022 in the 2022 Notes Offering, and an increase in associated deferred financing cost amortization of \$0.3 million and \$0.6 million for the six months ended June 30, 2015 and the year ended December 31, 2014, respectively, net of a reduction in interest expense of \$0.9 million and \$1.9 million for the six months ended June 30, 2015 and the year ended December 31, 2014, respectively, due to the pay down of the Operating Partnership's revolving credit facility with a portion of the net proceeds therefrom.

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS
(continued)

A reduction in interest expense of \$6.8 million and \$16.9 million for the six months ended June 30, 2015 and the year ended December 31, 2014, respectively, due to the redemption of \$375.0 million aggregate principal amount of the Operating Partnership's 4.50% Notes due 2015 in connection with the Notes Redemption, and elimination of the associated deferred financing cost amortization of \$0.3 million and \$0.6 million for the six months ended June 30, 2015 and the year ended December 31, 2014, respectively.

An increase in interest expense of \$19.2 million and \$38.4 million for the six months ended June 30, 2015 and the year ended December 31, 2014, respectively, due to the issuance of \$500.0 million aggregate principal amount of 2020 Notes and \$450.0 million of 2025 Notes in the Delta Notes Offerings and an increase in associated deferred financing cost and discount amortization of \$0.7 million and \$1.4 million for the six months ended June 30, 2015 and the year ended December 31, 2014, respectively.

- (f) Adjustment reflects the noncontrolling interest portion of the adjustments to the Unaudited Pro Forma Condensed Combined Income Statements.
- (g) Adjustment reflects dividends on the series I preferred stock the Company sold in the Preferred Offering of \$7.9 million and \$15.9 million for the six months ended June 30, 2015 and the year ended December 31, 2014, respectively.

(d) Exhibits

Exhibit No.	Description
3.1	Fourteenth Amended and Restated Agreement of Limited Partnership of Digital Realty Trust, L.P.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned hereunto duly authorized.

Digital Realty Trust, Inc.

By: /s/ JOSHUA A. MILLS
Joshua A. Mills
Senior Vice President, General Counsel
and Secretary

Digital Realty Trust, L.P.

By: Digital Realty Trust, Inc.

Its general partner

By: /s/ JOSHUA A. MILLS
Joshua A. Mills
Senior Vice President, General Counsel
and Secretary

Date: October 19, 2015

EXHIBIT INDEX

Exhibit No.	Description
3.1	Fourteenth Amended and Restated Agreement of Limited Partnership of Digital Realty Trust, L.P.