

Digital Realty Trust, Inc.
Form 8-K/A
September 26, 2012
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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): July 11, 2012

DIGITAL REALTY TRUST, INC.
DIGITAL REALTY TRUST, L.P.

(Exact name of registrant as specified in its charter)

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Maryland
(State or other jurisdiction
of incorporation)

000-54023
(Commission
File Number)

20-2402955
(I.R.S. Employer
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 (*see* General Instruction A.2. below):

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

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This Form 8-K/A amends our Form 8-K filed on July 17, 2012 to provide additional financial information in connection with the acquisition of the Sentrum Portfolio. The following financial statements are filed as part of this report:

Item 9.01 Financial Statements and Exhibits.

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(d) Exhibits	

Exhibit No.	Description
23.1	Consent of KPMG LLP, Independent Auditors.

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Independent Auditors Report

The Board of Directors

Digital Realty Trust, Inc.

Digital Realty Trust, L.P:

We have audited the accompanying combined statement of revenue and certain expenses of the Sentrum Portfolio (the Portfolio) for the year ended December 31, 2011. This combined statement is the responsibility of management. Our responsibility is to express an opinion on this combined statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards as established by the Auditing Standards Board (United States) and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Portfolio is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Portfolio's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement. We believe that our audit provides a reasonable basis for our opinion.

The accompanying combined statement of revenue and certain expenses was prepared for the purpose of complying with the rules and regulations of the U.S. Securities and Exchange Commission, as described in note 1 to the combined statement of revenue and certain expenses. It is not intended to be a complete presentation of the Portfolio's combined revenue and expenses.

In our opinion, the combined statement of revenue and certain expenses referred to above present fairly, in all material respects, the combined revenue and certain expenses described in note 1 of the Sentrum Portfolio for the year ended December 31, 2011, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

San Francisco, California

September 25, 2012

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Sentrum Portfolio

Combined Statement of Revenue and Certain Expenses

	Six months ended June 30, 2012 (unaudited)	Year ended December 31, 2011
Revenue:		
Rental	£ 29,864	£ 55,468
Tenant reimbursements	7,442	11,401
	37,306	66,869
Certain expenses:		
Utilities	7,948	10,888
Property operating costs	2,996	5,281
Property taxes	1,083	2,051
Insurance	439	858
	12,466	19,078
Revenue in excess of certain expenses	£ 24,840	£ 47,791

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

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Sentrum Portfolio

Notes to the Combined Statement of Revenue and Certain Expenses

For the Year Ended December 31, 2011

(1) Basis of Presentation

The accompanying combined statement of revenue and certain expenses includes the revenue and certain expenses of the Sentrum Portfolio, a three-property data center portfolio located in the greater London area (the Portfolio). The Portfolio comprises approximately 761,000 square feet across three data centers located in Woking, Watford and Croydon, and a related service entity all located in the greater London, United Kingdom, metropolitan area.

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

Digital Realty Trust, Inc., through its consolidated operating partnership, Digital Realty Trust, L.P. (collectively, the Company), acquired the Portfolio on July 11, 2012 for a purchase price of approximately 715.9 million pounds Sterling (equivalent to \$1.1 billion based on the July 11, 2012 exchange rate of £1.00 to \$1.55) (subject to additional earn-out payments based on a multiple of the net operating income from the lease-up of currently vacant space in the portfolio during the next three years).

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

Depreciation and amortization

Income taxes

Interest expense

Management fees paid to related parties

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

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

(2) Summary of Significant Accounting Policies and Practices

(a) Revenue Recognition

Rental revenue is recognized on a straight-line basis over the term of the respective leases. The straight-line rent adjustment for minimum rents increased rental revenue by £4.0 million for the year ended December 31, 2011.

(b) Use of Estimates

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

Table of Contents***(c) Unaudited Interim Combined Statements***

The combined statement of revenue and certain expenses for the six months ended June 30, 2012 is unaudited. In the opinion of management, the statement reflects all adjustments necessary for a fair presentation of the results of the interim period. All such adjustments are of a normal recurring nature.

(d) Foreign Currency

The Portfolio is located in the greater London, United Kingdom area, as such, all transactions are denominated in the British Pound Sterling (GBP).

(3) Minimum Future Lease Payments

Future minimum lease payments to be received under non-cancelable agreements in effect as of December 31, 2011 are as follows:

Year ended December 31: (in thousands)	
2012	£ 56,800
2013	56,159
2014	56,733
2015	54,583
2016	55,230
Thereafter	206,432
Total	£ 485,937

(4) Tenant Concentrations

The top two tenants accounted for approximately £12.9 million and £5.7 million, or 23.3% and 10.2%, respectively, of the Portfolio's combined rental revenue and service charge for the year ended December 31, 2011. No other tenant comprised more than 10% of the Portfolio's combined rental revenue and service charge for the year ended December 31, 2011.

(5) Certain Expenses

Certain expenses include only those costs expected to be comparable to the proposed future operations of the property, such as utilities expense, property operating costs, property taxes, and insurance costs.

(6) Subsequent Events

The Company has evaluated subsequent events related to the Portfolio for recognition or disclosure through September 25, 2012, which is the date the combined statement was available to be issued and determined that there are no other items to disclose.

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DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES

Pro Forma Condensed Consolidated Financial Statements

(Unaudited)

The following unaudited pro forma condensed consolidated financial statements give effect to the acquisition of the Sentrum Portfolio, a three-property data center and related service entity portfolio located in the greater London area (the Sentrum Portfolio). The Sentrum Portfolio comprises approximately 761,000 square feet across three data centers located in Woking, Watford and Croydon, United Kingdom.

The unaudited pro forma condensed consolidated balance sheet of Digital Realty Trust, Inc. and subsidiaries (the Company) as of June 30, 2012 is presented as if the acquisition of the Sentrum Portfolio along with the related financings occurred on June 30, 2012. The acquisition closed on July 11, 2012. The related financings consisted of a common stock offering in July 2012 along with additional borrowings under our global revolving credit facility.

The unaudited pro forma condensed consolidated income statements for the six months ended June 30, 2012 and the year ended December 31, 2011 are presented as if the acquisition of the Sentrum Portfolio that closed on July 11, 2012 along with the related financings occurred on January 1, 2011.

This pro forma information should be read in conjunction with the historical consolidated financial statements of the Company as of June 30, 2012 and December 31, 2011, and the notes thereto. The unaudited pro forma condensed consolidated financial statements are prepared for informational purposes only and are not necessarily indicative of what the actual financial position or results of operations would have been had we completed these transactions as of the beginning of the periods presented, nor is it necessarily indicative of future results. In addition, the pro forma condensed consolidated balance sheet includes pro forma allocations of the purchase price of the Sentrum Portfolio based upon preliminary estimates of the fair value of the assets and liabilities acquired in connection with the acquisition. As of June 30, 2012, the allocation of the purchase price of the Sentrum Portfolio is preliminary pending the receipt of information necessary to complete the valuation of certain tangible and intangible assets and liabilities.

Table of Contents**DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES****Pro Forma Condensed Consolidated Balance Sheet****June 30, 2012****(unaudited, in thousands)**

	Company Historical (A)	Acquisition of Sentrum Portfolio (B)	Financing Transactions (C)	Company Pro Forma
Assets				
Net investments in real estate	\$ 5,795,798	\$ 1,201,868	\$	\$ 6,997,666
Cash and cash equivalents	47,777	(1,138,650)	1,138,650	47,777
Accounts and other receivables, net	96,609			96,609
Deferred rent	279,971			279,971
Acquired above market leases, net	25,367	44,371		69,738
Acquired in place lease value and deferred leasing costs, net	370,179	107,180		477,359
Deferred financing costs, net	31,024			31,024
Restricted cash	35,322			35,322
Other assets	35,066			35,066
Total assets	\$ 6,717,113	\$ 214,769	\$ 1,138,650	\$ 8,070,532
Liabilities and Equity				
Global revolving credit facility	\$ 324,476	\$	\$ 341,810	\$ 666,286
Unsecured term loan	520,942			520,942
Unsecured senior notes, net of discount	1,441,569			1,441,569
Exchangeable senior debentures	266,400			266,400
Mortgage loans, net of premiums	846,825			846,825
Accounts payable and other accrued liabilities	372,974	176,587		549,561
Acquired below market leases, net	112,891	38,182		151,073
Security deposits and prepaid rents	92,852			92,852
Total liabilities	3,978,929	214,769	341,810	4,535,508
Equity:				
Stockholders' Equity:				
Preferred	621,775			621,775
Common	1,098		115	1,213
Additional paid-in capital	2,687,065		796,725	3,483,790
Dividends in excess of earnings	(566,273)			(566,273)
Accumulated other comprehensive loss, net	(55,701)			(55,701)
Total stockholders' equity	2,687,964		796,840	3,484,804
Noncontrolling interests in operating partnership	46,273			46,273
Noncontrolling interest in consolidated joint ventures	3,947			3,947
Total equity	2,738,184		796,840	3,535,024

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Total liabilities and equity	\$ 6,717,113	\$ 214,769	\$ 1,138,650	\$ 8,070,532
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See accompanying notes to the pro forma condensed consolidated financial statements.

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DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES

Pro Forma Condensed Consolidated Income Statement

For the Six Months Ended June 30, 2012

(unaudited)

(in thousands, except share and per share data)

	Company Historical (AA)	Acquisition of Sentrum Portfolio (BB)	Financing Transactions (CC)	Noncontrolling Interests (DD)	Company Pro Forma
Operating Revenues:					
Rental	\$ 457,757	\$ 46,902	\$	\$	\$ 504,659
Tenant reimbursements	118,284	11,738			130,022
Construction management	4,406				