

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2012

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.)
000-54023 (Digital Realty Trust, L.P.)

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

(Exact name of registrant as specified in its charter)

Maryland (Digital Realty Trust, Inc.)
Maryland (Digital Realty Trust, L.P.)
(State or other jurisdiction of
incorporation or organization)

26-0081711
20-2402955
(IRS employer
identification number)

Four Embarcadero Center, Suite 3200
San Francisco, CA
(Address of principal executive offices)

94111
(Zip Code)

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

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.

Digital Realty Trust, Inc. Yes No
Digital Realty Trust, L.P. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Digital Realty Trust, Inc. Yes No
Digital Realty Trust, L.P. Yes No

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

Digital Realty Trust, Inc.:

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

Digital Realty Trust, L.P.:

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Digital Realty Trust, Inc. Yes No
Digital Realty Trust, L.P. Yes No

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

Digital Realty Trust, Inc.:

Class	Outstanding at July 30, 2012
Common Stock, \$.01 par value per share	121,993,651

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the quarter ended June 30, 2012 of Digital Realty Trust, Inc., a Maryland corporation, and Digital Realty Trust, L.P., a Maryland limited partnership, of which Digital Realty Trust, Inc. is the sole general partner. Unless otherwise indicated or unless the context requires otherwise, all references in this report to “we,” “us,” “our,” “our company” or “the company” refer to Digital Realty Trust, Inc. together with its consolidated subsidiaries, including Digital Realty Trust, L.P. Unless otherwise indicated or unless the context requires otherwise, all references to “our operating partnership” or “the operating partnership” refer to Digital Realty Trust, L.P. together with its consolidated subsidiaries.

Digital Realty Trust, Inc. is a real estate investment trust, or REIT, and the sole general partner of Digital Realty Trust, L.P. As of June 30, 2012, Digital Realty Trust, Inc. owned an approximate 95.8% common general partnership interest in Digital Realty Trust, L.P. The remaining approximate 4.2% common limited partnership interests are owned by non-affiliated investors and certain directors and officers of Digital Realty Trust, Inc. As of June 30, 2012, Digital Realty Trust, Inc. owned all of the preferred limited partnership interests of Digital Realty Trust, L.P. As the sole general partner of Digital Realty Trust, L.P., Digital Realty Trust, Inc. has the full, exclusive and complete responsibility for the operating partnership’s day-to-day management and control.

We believe combining the quarterly reports on Form 10-Q of Digital Realty Trust, Inc. and Digital Realty Trust, L.P. into this single report results in the following benefits:

- enhancing investors’ understanding of our company and our operating partnership by enabling investors to view the business as a whole in the same manner as management views and operates the business;
- eliminating duplicative disclosure and providing a more streamlined and readable presentation since a substantial portion of the disclosure applies to both our company and our operating partnership; and
- creating time and cost efficiencies through the preparation of one combined report instead of two separate reports.

There are a few differences between our company and our operating partnership, which are reflected in the disclosure in this report. We believe it is important to understand the differences between our company and our operating partnership in the context of how we operate as an interrelated consolidated company. Digital Realty Trust, Inc. is a REIT, whose only material asset is its ownership of partnership interests of Digital Realty Trust, L.P. As a result, Digital Realty Trust, Inc. does not conduct business itself, other than acting as the sole general partner of Digital Realty Trust, L.P., issuing public equity from time to time and guaranteeing certain unsecured debt of Digital Realty Trust, L.P. Digital Realty Trust, Inc. itself does not issue any indebtedness but guarantees the unsecured debt of Digital Realty Trust, L.P., as disclosed in this report. Digital Realty Trust, L.P. holds substantially all the assets of the company and holds the ownership interests in the company’s joint ventures. Digital Realty Trust, L.P. conducts the operations of the business and is structured as a partnership with no publicly traded equity. Except for net proceeds from public equity issuances by Digital Realty Trust, Inc., which are generally contributed to Digital Realty Trust, L.P. in exchange for partnership units, Digital Realty Trust, L.P. generates the capital required by the company’s business through Digital Realty Trust, L.P.’s operations, by Digital Realty Trust, L.P.’s direct or indirect incurrence of indebtedness or through the issuance of partnership units.

The presentation of noncontrolling interests in operating partnership, stockholders’ equity and partners’ capital are the main areas of difference between the condensed consolidated financial statements of Digital Realty Trust, Inc. and those of Digital Realty Trust, L.P. The common limited partnership interests held by the limited partners in Digital Realty Trust, L.P. are presented as limited partners’ capital within partners’ capital in Digital Realty Trust, L.P.’s condensed consolidated financial statements and as noncontrolling interests in operating partnership within equity in Digital Realty Trust, Inc.’s condensed consolidated financial statements. The common and preferred partnership interests held by Digital Realty Trust, Inc. in Digital Realty Trust, L.P. are presented as general partner’s capital within partners’ capital in Digital Realty Trust, L.P.’s condensed consolidated financial statements and as preferred stock, common stock, additional paid-in capital and accumulated dividends in excess of earnings within stockholders’ equity in Digital Realty Trust, Inc.’s condensed consolidated financial statements. The differences in the presentations between stockholders’ equity and partners’ capital result from the differences in the equity issued at the Digital Realty Trust, Inc. and the Digital Realty Trust, L.P. levels.

To help investors understand the significant differences between the company and the operating partnership, this report presents the following separate sections for each of the company and the operating partnership:

- condensed consolidated financial statements;
- the following notes to the condensed consolidated financial statements:
 - Debt of the company and Debt of the operating partnership;

[Table of Contents](#)

- Income per Share and Income per Unit; and
- Equity and Accumulated Other Comprehensive Loss, Net of the company and Capital and Accumulated Other Comprehensive Loss of the operating partnership;
- Liquidity and Capital Resources in Management's Discussion and Analysis of Financial Condition and Results of Operations; and
- Unregistered Sales of Equity Securities and Use of Proceeds.

This report also includes separate Item 4. Controls and Procedures sections and separate Exhibit 31 and 32 certifications for each of the company and the operating partnership in order to establish that the Chief Executive Officer and the Chief Financial Officer of each entity have made the requisite certifications and that the company and the operating partnership are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934 and 18 U.S.C. §1350.

In order to highlight the differences between the company and the operating partnership, the separate sections in this report for the company and the operating partnership specifically refer to the company and the operating partnership. In the sections that combine disclosure of the company and the operating partnership, this report refers to actions or holdings as being actions or holdings of the company. Although the operating partnership is generally the entity that enters into contracts and joint ventures and holds assets and debt, reference to the company is appropriate because the business is one enterprise and the company operates the business through the operating partnership.

As general partner with control of the operating partnership, Digital Realty Trust, Inc. consolidates the operating partnership for financial reporting purposes, and it does not have significant assets other than its investment in the operating partnership. Therefore, the assets and liabilities of Digital Realty Trust, Inc. and Digital Realty Trust, L.P. are the same on their respective condensed consolidated financial statements. The separate discussions of Digital Realty Trust, Inc. and Digital Realty Trust, L.P. in this report should be read in conjunction with each other to understand the results of the company on a consolidated basis and how management operates the company.

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

FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2012

TABLE OF CONTENTS

	<u>Page Number</u>
PART I.	FINANCIAL INFORMATION
ITEM 1.	Condensed Consolidated Financial Statements of Digital Realty Trust, Inc.:
	Condensed Consolidated Balance Sheets as of June 30, 2012 (unaudited) and December 31, 2011 5
	Condensed Consolidated Income Statements for the three and six months ended June 30, 2012 and 2011 (unaudited) 6
	Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2012 and 2011 (unaudited) 7
	Condensed Consolidated Statement of Equity for the six months ended June 30, 2012 (unaudited) 8
	Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2012 and 2011 (unaudited) 9
	Condensed Consolidated Financial Statements of Digital Realty Trust, L.P.:
	Condensed Consolidated Balance Sheets as of June 30, 2012 (unaudited) and December 31, 2011 11
	Condensed Consolidated Income Statements for the three and six months ended June 30, 2012 and 2011 (unaudited) 12
	Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2012 and 2011 (unaudited) 13
	Condensed Consolidated Statement of Capital for the six months ended June 30, 2012 (unaudited) 14
	Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2012 and 2011 (unaudited) 15
	Notes to Condensed Consolidated Financial Statements of Digital Realty Trust, Inc. and Digital Realty Trust, L.P. 17
ITEM 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations 47
ITEM 3.	Quantitative and Qualitative Disclosures About Market Risk 70
ITEM 4.	Controls and Procedures (Digital Realty Trust, Inc.) 73
	Controls and Procedures (Digital Realty Trust, L.P.) 74
PART II.	<u>OTHER INFORMATION</u> 75
ITEM 1.	Legal Proceedings 75
ITEM 1A.	Risk Factors 75
ITEM 2.	Unregistered Sales of Equity Securities and Use of Proceeds 75
ITEM 3.	Defaults Upon Senior Securities 75
ITEM 4.	Mine Safety Disclosures 75
ITEM 5.	Other Information 75
ITEM 6.	Exhibits 76
	Signatures 77
	Exhibit Index 78

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	June 30, 2012 (unaudited)	December 31, 2011
ASSETS		
Investments in real estate:		
Properties:		
Land	\$ 596,771	\$ 555,113
Acquired ground leases	6,103	6,214
Buildings and improvements	5,838,885	5,253,754
Tenant improvements	344,215	303,502
Total investments in properties	6,785,974	6,118,583
Accumulated depreciation and amortization	(1,033,128)	(900,044)
Net investments in properties	5,752,846	5,218,539
Investment in unconsolidated joint ventures	42,952	23,976
Net investments in real estate	5,795,798	5,242,515
Cash and cash equivalents	47,777	40,631
Accounts and other receivables, net of allowance for doubtful accounts of \$2,624 and \$2,436 as of June 30, 2012 and December 31, 2011, respectively	96,609	90,580
Deferred rent	279,971	246,815
Acquired above market leases, net	25,367	29,701
Acquired in place lease value and deferred leasing costs, net	370,179	335,381
Deferred financing costs, net	31,024	29,849
Restricted cash	35,322	55,165
Other assets	35,066	27,929
Total assets	\$ 6,717,113	\$6,098,566
LIABILITIES AND EQUITY		
Global revolving credit facility	\$ 324,476	\$ 275,106
Unsecured term loan	520,942	—
Unsecured senior notes, net of discount	1,441,569	1,441,072
Exchangeable senior debentures	266,400	266,400
Mortgage loans, net of premiums	846,825	947,132
Other secured loan	—	10,500
Accounts payable and other accrued liabilities	372,974	315,133
Accrued dividends and distributions	—	75,455
Acquired below market leases, net	112,891	85,819
Security deposits and prepaid rents	92,852	101,538
Total liabilities	3,978,929	3,518,155
Commitments and contingencies		
Equity:		
Stockholders' Equity:		
Preferred Stock: \$0.01 par value per share, 30,000,000 shares authorized:		
Series C Cumulative Convertible Preferred Stock, 4.375%, \$0 and \$128,159 liquidation preference, respectively (\$25.00 per share), 0 and 5,126,364 shares issued and outstanding as of June 30, 2012 and December 31, 2011, respectively	—	123,820
Series D Cumulative Convertible Preferred Stock, 5.500%, \$174,096 and \$174,426 liquidation preference, respectively (\$25.00 per share), 6,963,848 and 6,977,055 shares issued and outstanding as of June 30, 2012 and December 31, 2011, respectively	168,350	168,669
Series E Cumulative Redeemable Preferred Stock, 7.000%, \$287,500 and \$287,500 liquidation preference, respectively (\$25.00 per share), 11,500,000 and 11,500,000 shares issued and outstanding as of June 30, 2012 and December 31, 2011, respectively	277,172	277,292
Series F Cumulative Redeemable Preferred Stock, 6.625%, \$182,500 and \$0 liquidation preference, respectively (\$25.00 per share), 7,300,000 and 0 shares issued and outstanding as of June 30, 2012 and December 31, 2011, respectively	176,253	—
Common Stock: \$0.01 par value, 165,000,000 shares authorized, 110,268,388 and 106,039,279 shares issued and outstanding as of June 30, 2012 and December 31, 2011, respectively	1,098	1,057
Additional paid-in capital	2,687,065	2,496,651
Dividends in excess of earnings	(566,273)	(488,692)
Accumulated other comprehensive loss, net	(55,701)	(55,880)
Total stockholders' equity	2,687,964	2,522,917
Noncontrolling Interests:		
Noncontrolling interests in operating partnership	46,273	45,057
Noncontrolling interests in consolidated joint ventures	3,947	12,437
Total noncontrolling interests	50,220	57,494
Total equity	2,738,184	2,580,411
Total liabilities and equity	\$ 6,717,113	\$6,098,566

See accompanying notes to the condensed consolidated financial statements.

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED INCOME STATEMENTS
(unaudited, in thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Operating Revenues:				
Rental	\$ 234,923	\$ 202,806	\$ 457,757	\$ 399,601
Tenant reimbursements	60,422	51,311	118,284	103,145
Construction management	1,954	13,759	4,406	15,576
Other	6,405	5	6,405	300
Total operating revenues	<u>303,704</u>	<u>267,881</u>	<u>586,852</u>	<u>518,622</u>
Operating Expenses:				
Rental property operating and maintenance	87,576	72,337	167,421	144,060
Property taxes	15,769	13,962	31,811	27,433
Insurance	2,260	1,998	4,490	4,049
Construction management	596	11,199	789	12,936
Depreciation and amortization	89,000	76,848	172,995	150,766
General and administrative	15,109	14,077	29,359	26,482
Transactions	4,608	740	5,285	1,421
Other	337	—	337	90
Total operating expenses	<u>215,255</u>	<u>191,161</u>	<u>412,487</u>	<u>367,237</u>
Operating income	88,449	76,720	174,365	151,385
Other Income (Expenses):				
Equity in earnings of unconsolidated joint ventures	3,493	1,058	4,882	2,266
Interest and other income	1,216	380	1,925	644
Interest expense	(37,681)	(39,334)	(75,711)	(75,416)
Tax expense	(1,206)	(233)	(1,927)	(661)
Loss from early extinguishment of debt	(303)	(363)	(303)	(978)
Net income	53,968	38,228	103,231	77,240
Net income attributable to noncontrolling interests	(1,634)	(1,525)	(2,855)	(3,035)
Net income attributable to Digital Realty Trust, Inc.	52,334	36,703	100,376	74,205
Preferred stock dividends	(10,313)	(4,713)	(19,144)	(11,235)
Net income available to common stockholders	<u>\$ 42,021</u>	<u>\$ 31,990</u>	<u>\$ 81,232</u>	<u>\$ 62,970</u>
Net income per share available to common stockholders:				
Basic	\$ 0.38	\$ 0.33	\$ 0.75	\$ 0.67
Diluted	<u>\$ 0.38</u>	<u>\$ 0.33</u>	<u>\$ 0.75</u>	<u>\$ 0.66</u>
Weighted average common shares outstanding:				
Basic	109,761,017	96,295,585	108,430,437	93,875,415
Diluted	110,166,082	97,511,811	108,809,574	95,012,965

See accompanying notes to the condensed consolidated financial statements.

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited, in thousands)

	Three months ended June 30,		Six months ended June 30,	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Net income	\$ 53,968	\$38,228	\$103,231	\$ 77,240
Other comprehensive income (loss):				
Foreign currency translation adjustments	(18,002)	8,631	1,301	25,037
Decrease in fair value of interest rate swaps	(1,943)	(2,453)	(2,888)	(947)
Reclassification to interest expense from interest rate swaps	686	1,589	1,790	3,174
Comprehensive income	34,709	45,995	103,434	104,504
Comprehensive income attributable to noncontrolling interests	(901)	(1,891)	(2,879)	(4,387)
Comprehensive income attributable to Digital Realty Trust, Inc.	<u>\$ 33,808</u>	<u>\$44,104</u>	<u>\$100,555</u>	<u>\$100,117</u>

See accompanying notes to the condensed consolidated financial statements.

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF EQUITY
(unaudited, in thousands, except share data)

	Preferred Stock	Number of Common Shares	Common Stock	Additional Paid-in Capital	Accumulated Dividends in Excess of Earnings	Accumulated Other Comprehensive Loss, net	Total Stockholders' Equity	Noncontrolling Interests in Operating Partnership	Noncontrolling Interests in Consolidated Joint Ventures	Total Noncontrolling Interests	Total Equity
Balance as of December 31, 2011	\$ 569,781	106,039,279	\$ 1,057	\$ 2,496,651	\$ (488,692)	\$ (55,880)	\$ 2,522,917	\$ 45,057	\$ 12,437	\$ 57,494	\$ 2,580,411
Conversion of units to common stock	—	304,120	3	3,218	—	—	3,221	(3,221)	—	(3,221)	—
Issuance of restricted stock, net of forfeitures	—	93,861	—	—	—	—	—	—	—	—	—
Net proceeds from sale of common stock	—	956,818	10	62,753	—	—	62,763	—	—	—	62,763
Exercise of stock options	—	56,775	—	2,005	—	—	2,005	—	—	—	2,005
Issuance of series F preferred stock, net of offering costs	176,133	—	—	—	—	—	176,133	—	—	—	176,133
Conversion of convertible preferred stock	(124,139)	2,817,535	28	124,111	—	—	—	—	—	—	—
Amortization of unearned compensation regarding share based awards	—	—	—	8,612	—	—	8,612	—	—	—	8,612
Reclassification of vested share based awards	—	—	—	(8,252)	—	—	(8,252)	8,252	—	8,252	—
Dividends declared on preferred stock	—	—	—	—	(19,144)	—	(19,144)	—	—	—	(19,144)
Dividends and distributions on common stock and common and incentive units	—	—	—	—	(158,813)	—	(158,813)	(7,086)	—	(7,086)	(165,899)
Contributions from noncontrolling interests in consolidated joint ventures	—	—	—	—	—	—	—	—	2,253	2,253	2,253
Purchase of noncontrolling interests of a consolidated joint venture	—	—	—	(2,033)	—	—	(2,033)	—	(10,351)	(10,351)	(12,384)
Net income	—	—	—	—	100,376	—	100,376	3,247	(392)	2,855	103,231
Other comprehensive income - foreign currency translation adjustments	—	—	—	—	—	1,235	1,235	66	—	66	1,301
Other comprehensive income - fair value of interest rate swaps	—	—	—	—	—	(2,777)	(2,777)	(111)	—	(111)	(2,888)
Other comprehensive income - reclassification of accumulated other comprehensive	—	—	—	—	—	1,721	1,721	69	—	69	1,790

loss to interest
expense

Balance as of

June 30, 2012	<u>\$ 621,775</u>	<u>110,268,388</u>	<u>\$ 1,098</u>	<u>\$ 2,687,065</u>	<u>\$ (566,273)</u>	<u>\$ (55,701)</u>	<u>\$ 2,687,964</u>	<u>\$ 46,273</u>	<u>\$ 3,947</u>	<u>\$ 50,220</u>	<u>\$ 2,738,184</u>
----------------------	--------------------------	---------------------------	------------------------	----------------------------	----------------------------	---------------------------	----------------------------	-------------------------	------------------------	-------------------------	----------------------------

See accompanying notes to the condensed consolidated financial statements.

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands)

	<u>Six Months Ended June 30,</u>	
	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Net income	\$ 103,231	\$ 77,240
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on early extinguishment of debt-non cash portion	—	567
Equity in earnings of unconsolidated joint ventures	(4,882)	(2,266)
Distributions from unconsolidated joint ventures	16,498	2,000
Write-off of net assets due to early lease terminations	337	81
Depreciation and amortization of buildings and improvements, tenant improvements and acquired ground leases	142,870	118,520
Amortization of share-based unearned compensation	7,181	6,702
Allowance for (recovery of) doubtful accounts	188	(1,295)
Amortization of deferred financing costs	4,013	4,961
Write-off of deferred financing costs, included in net loss on early extinguishment of debt	254	85
Amortization of debt discount/premium	480	1,498
Amortization of acquired in place lease value and deferred leasing costs	30,124	32,246
Amortization of acquired above market leases and acquired below market leases, net	(5,110)	(3,674)
Changes in assets and liabilities:		
Restricted cash	13,225	2,654
Accounts and other receivables	(3,413)	(7,224)
Deferred rent	(35,551)	(27,053)
Deferred leasing costs	(8,520)	(7,770)
Other assets	(8,757)	(12,915)
Accounts payable and other accrued liabilities	(12,384)	4,154
Security deposits and prepaid rents	(8,584)	1,212
Net cash provided by operating activities	<u>231,200</u>	<u>189,723</u>
Cash flows from investing activities:		
Acquisitions of real estate	(222,105)	(17,523)
Investment in unconsolidated joint ventures	(30,592)	(244)
Deposits paid for acquisitions of real estate	(500)	(2,224)
Receipt of value added tax refund	6,793	5,623
Refundable value added tax paid	(9,269)	(7,674)
Change in restricted cash	3,857	118
Improvements to and advances for investments in real estate	(394,245)	(307,890)
Improvement advances to tenants	(1,798)	(2,935)
Collection of advances from tenants for improvements	1,427	1,728
Net cash used in investing activities	<u>(646,432)</u>	<u>(331,021)</u>

See accompanying notes to the condensed consolidated financial statements.

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(unaudited, in thousands)

	<u>Six Months Ended June 30,</u>	
	<u>2012</u>	<u>2011</u>
Cash flows from financing activities:		
Borrowings on revolving credit facilities	\$ 869,848	\$ 537,431
Repayments on revolving credit facilities	(824,802)	(527,500)
Borrowings on unsecured term loan	526,628	—
Borrowings on 5.250% unsecured senior notes due 2021	—	399,100
Repayments on other secured loan	(10,500)	—
Principal payments on mortgage loans	(106,124)	(123,645)
Principal repayments on 2026 exchangeable senior debentures	—	(40,457)
Equity component settled associated with exchange of 2026 exchangeable senior debentures	—	(11,783)
Change in restricted cash	2,507	1,311
Payment of loan fees and costs	(5,452)	(3,825)
Capital contributions received from noncontrolling interests in joint ventures	2,253	42
Gross proceeds from the sale of common stock	63,346	179,583
Gross proceeds from the issuance of Series F preferred stock	182,500	—
Common stock offering costs paid	(583)	(3,317)
Preferred stock offering costs paid	(6,367)	—
Proceeds from exercise of stock options	2,005	3,053
Payment of dividends to preferred stockholders	(19,144)	(11,235)
Payment of dividends to common stockholders and distributions to noncontrolling interests in operating partnership	(241,354)	(188,039)
Purchase of noncontrolling interests in consolidated joint ventures	(12,384)	(53,240)
Net cash provided by financing activities	<u>422,378</u>	<u>157,479</u>
Net (decrease) increase in cash and cash equivalents	7,146	16,181
Cash and cash equivalents at beginning of period	40,631	11,719
Cash and cash equivalents at end of period	<u>\$ 47,777</u>	<u>\$ 27,900</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest, including amounts capitalized	\$ 81,322	\$ 72,557
Cash paid for taxes	1,517	1,080
Supplementary disclosure of noncash investing and financing activities:		
Change in net assets related to foreign currency translation adjustments	\$ 1,301	\$ 25,037
Decrease (increase) in accounts payable and other accrued liabilities related to change in fair value of interest rate swaps	(2,888)	(947)
Noncontrolling interests in operating partnership redeemed for or converted to shares of common stock	3,221	6,434
Convertible preferred stock converted to shares of common stock	124,139	—
Accrual for additions to investments in real estate and tenant improvement advances included in accounts payable and accrued expenses	215,456	126,039
Issuance of common stock in exchange of 2026 exchangeable senior debentures, net	—	230
Allocation of purchase price of real estate/investment in partnership to:		
Investments in real estate	226,855	17,523
Acquired below market leases	(36,708)	—
Acquired in place lease value and deferred leasing costs	38,848	—
Mortgage loan assumed, net of premium	(6,890)	—
Cash paid for acquisition of real estate	<u>\$ 222,105</u>	<u>\$ 17,523</u>

See accompanying notes to the condensed consolidated financial statements.

DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except unit and per unit data)

	June 30, 2012 (unaudited)	December 31, 2011
ASSETS		
Investments in real estate:		
Properties:		
Land	\$ 596,771	\$ 555,113
Acquired ground leases	6,103	6,214
Buildings and improvements	5,838,885	5,253,754
Tenant improvements	344,215	303,502
Total investments in properties	6,785,974	6,118,583
Accumulated depreciation and amortization	(1,033,128)	(900,044)
Net investments in properties	5,752,846	5,218,539
Investment in unconsolidated joint ventures	42,952	23,976
Net investments in real estate	5,795,798	5,242,515
Cash and cash equivalents	47,777	40,631
Accounts and other receivables, net of allowance for doubtful accounts of \$2,624 and \$2,436 as of June 30, 2012 and December 31, 2011, respectively	96,609	90,580
Deferred rent	279,971	246,815
Acquired above market leases, net	25,367	29,701
Acquired in place lease value and deferred leasing costs, net	370,179	335,381
Deferred financing costs, net	31,024	29,849
Restricted cash	35,322	55,165
Other assets	35,066	27,929
Total assets	\$ 6,717,113	\$6,098,566
LIABILITIES AND CAPITAL		
Global revolving credit facility	\$ 324,476	\$ 275,106
Unsecured term loan	520,942	—
Unsecured senior notes, net of discount	1,441,569	1,441,072
Exchangeable senior debentures	266,400	266,400
Mortgage loans, net of premiums	846,825	947,132
Other secured loan	—	10,500
Accounts payable and other accrued liabilities	372,974	315,133
Accrued dividends and distributions	—	75,455
Acquired below market leases, net	112,891	85,819
Security deposits and prepaid rents	92,852	101,538
Total liabilities	3,978,929	3,518,155
Commitments and contingencies		
Capital:		
Partners' capital:		
General Partner:		
Series C Cumulative Convertible Preferred Units, 4.375%, \$0 and \$128,159 liquidation preference, respectively (\$25.00 per unit), 0 and 5,126,364 units issued and outstanding as of June 30, 2012 and December 31, 2011, respectively	—	123,820
Series D Cumulative Convertible Preferred Units, 5.500%, \$174,096 and \$174,426 liquidation preference, respectively (\$25.00 per unit), 6,963,848 and 6,977,055 units issued and outstanding as of June 30, 2012 and December 31, 2011, respectively	168,350	168,669
Series E Cumulative Redeemable Preferred Units, 7.000%, \$287,500 and \$287,500 liquidation preference, respectively (\$25.00 per unit), 11,500,000 and 11,500,000 units issued and outstanding as of June 30, 2012 and December 31, 2011, respectively	277,172	277,292
Series F Cumulative Redeemable Preferred Units, 6.625%, \$182,500 and \$0 liquidation preference, respectively (\$25.00 per unit), 7,300,000 and 0 units issued and outstanding as of June 30, 2012 and December 31, 2011, respectively	176,253	—
110,268,388 and 106,039,279 common units issued and outstanding as of June 30, 2012 and December 31, 2011, respectively	2,121,890	2,009,016
Limited partners, 3,235,814 and 3,405,814 common units, 1,099,409 and 1,054,473 profits interest units and 446,917 and 475,843 class C units outstanding as of June 30, 2012 and December 31, 2011, respectively	50,436	49,240
Accumulated other comprehensive loss	(59,864)	(60,063)
Total partners' capital	2,734,237	2,567,974
Noncontrolling interests in consolidated joint ventures	3,947	12,437
Total capital	2,738,184	2,580,411
Total liabilities and capital	\$ 6,717,113	\$6,098,566

See accompanying notes to the condensed consolidated financial statements.

DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED INCOME STATEMENTS
(unaudited, in thousands, except unit and per unit data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Operating Revenues:				
Rental	\$ 234,923	\$ 202,806	\$ 457,757	\$ 399,601
Tenant reimbursements	60,422	51,311	118,284	103,145
Construction management	1,954	13,759	4,406	15,576
Other	6,405	5	6,405	300
Total operating revenues	<u>303,704</u>	<u>267,881</u>	<u>586,852</u>	<u>518,622</u>
Operating Expenses:				
Rental property operating and maintenance	87,576	72,337	167,421	144,060
Property taxes	15,769	13,962	31,811	27,433
Insurance	2,260	1,998	4,490	4,049
Construction management	596	11,199	789	12,936
Depreciation and amortization	89,000	76,848	172,995	150,766
General and administrative	15,109	14,077	29,359	26,482
Transactions	4,608	740	5,285	1,421
Other	337	—	337	90
Total operating expenses	<u>215,255</u>	<u>191,161</u>	<u>412,487</u>	<u>367,237</u>
Operating income	<u>88,449</u>	<u>76,720</u>	<u>174,365</u>	<u>151,385</u>
Other Income (Expenses):				
Equity in earnings of unconsolidated joint ventures	3,493	1,058	4,882	2,266
Interest and other income	1,216	380	1,925	644
Interest expense	(37,681)	(39,334)	(75,711)	(75,416)
Tax expense	(1,206)	(233)	(1,927)	(661)
Loss from early extinguishment of debt	(303)	(363)	(303)	(978)
Net income	<u>53,968</u>	<u>38,228</u>	<u>103,231</u>	<u>77,240</u>
Net loss attributable to noncontrolling interests in consolidated joint ventures	27	57	392	199
Net income attributable to Digital Realty Trust, L.P.	<u>53,995</u>	<u>38,285</u>	<u>103,623</u>	<u>77,439</u>
Preferred units distributions	(10,313)	(4,713)	(19,144)	(11,235)
Net income available to common unitholders	<u>\$ 43,682</u>	<u>\$ 33,572</u>	<u>\$ 84,479</u>	<u>\$ 66,204</u>
Net income per unit available to common unitholders:				
Basic	<u>\$ 0.38</u>	<u>\$ 0.33</u>	<u>\$ 0.75</u>	<u>\$ 0.67</u>
Diluted	<u>\$ 0.38</u>	<u>\$ 0.33</u>	<u>\$ 0.75</u>	<u>\$ 0.66</u>
Weighted average common units outstanding:				
Basic	114,100,498	101,056,387	112,766,660	98,698,968
Diluted	114,505,563	102,272,613	113,145,797	99,836,518

See accompanying notes to the condensed consolidated financial statements.

DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited, in thousands)

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Net income	\$ 53,968	\$ 38,228	\$ 103,231	\$ 77,240
Other comprehensive income (loss):				
Foreign currency translation adjustments	(18,002)	8,631	1,301	25,037
Decrease in fair value of interest rate swaps	(1,943)	(2,453)	(2,888)	(947)
Reclassification to interest expense from interest rate swaps	686	1,589	1,790	3,174
Comprehensive income	<u>\$ 34,709</u>	<u>\$ 45,995</u>	<u>\$ 103,434</u>	<u>\$ 104,504</u>

See accompanying notes to the condensed consolidated financial statements.

DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CAPITAL
(unaudited, in thousands, except unit data)

	General Partner				Limited Partners		Accumulated Other Comprehensive Loss	Noncontrolling Interests in Consolidated Joint Ventures	Total Capital
	Preferred Units		Common Units		Common Units				
	Units	Amount	Units	Amount	Units	Amount			
Balance as of									
December 31, 2011	<u>23,603,419</u>	<u>\$ 569,781</u>	<u>106,039,279</u>	<u>\$2,009,016</u>	<u>4,936,130</u>	<u>\$49,244</u>	<u>\$ (60,067)</u>	<u>\$ 12,437</u>	<u>\$2,580,411</u>
Conversion of limited partner common units to general partner common units	—	—	304,120	3,221	(304,120)	(3,221)	—	—	—
Issuance of restricted common units, net of forfeitures	—	—	93,861	—	—	—	—	—	—
Net proceeds from issuance of common units	—	—	956,818	62,763	—	—	—	—	62,763
Issuance of common units in connection with the exercise of stock options	—	—	56,775	2,005	—	—	—	—	2,005
Issuance of common units, net of forfeitures	—	—	—	—	150,130	—	—	—	—
Net proceeds from issuance of preferred units	7,300,000	176,133	—	—	—	—	—	—	176,133
Conversion of convertible preferred units	(5,139,571)	(124,139)	2,817,535	124,139	—	—	—	—	—
Amortization of unearned compensation regarding share based awards	—	—	—	8,612	—	—	—	—	8,612
Reclassification of vested share based awards	—	—	—	(8,252)	—	8,252	—	—	—
Distributions	—	(19,144)	—	(158,813)	—	(7,086)	—	—	(185,043)
Purchase of noncontrolling interests of a consolidated joint venture	—	—	—	(2,033)	—	—	—	(10,351)	(12,384)
Contributions from noncontrolling interest in consolidated joint ventures	—	—	—	—	—	—	—	2,253	2,253
Net income	—	19,144	—	81,232	—	3,247	—	(392)	103,231
Other comprehensive loss - foreign currency translation adjustments	—	—	—	—	—	—	1,301	—	1,301
Other comprehensive loss - fair value of interest rate swaps	—	—	—	—	—	—	(2,888)	—	(2,888)
Other comprehensive income - reclassification of accumulated other comprehensive loss to interest expense	—	—	—	—	—	—	1,790	—	1,790
Balance as of June 30, 2012	<u>25,763,848</u>	<u>\$ 621,775</u>	<u>110,268,388</u>	<u>\$2,121,890</u>	<u>4,782,140</u>	<u>\$50,436</u>	<u>\$ (59,864)</u>	<u>\$ 3,947</u>	<u>\$2,738,184</u>

See accompanying notes to the condensed consolidated financial statements.

DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands)

	<u>Six Months Ended June 30,</u>	
	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Net income	\$ 103,231	\$ 77,240
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on early extinguishment of debt-non cash portion	—	567
Equity in earnings of unconsolidated joint ventures	(4,882)	(2,266)
Distributions from unconsolidated joint ventures	16,498	2,000
Write-off of net assets due to early lease terminations	337	81
Depreciation and amortization of buildings and improvements, tenant improvements and acquired ground leases	142,870	118,520
Amortization of share-based unearned compensation	7,181	6,702
Allowance for (recovery of) doubtful accounts	188	(1,295)
Amortization of deferred financing costs	4,013	4,961
Write-off of deferred financing costs, included in net loss on early extinguishment of debt	254	85
Amortization of debt discount/premium	480	1,498
Amortization of acquired in place lease value and deferred leasing costs	30,124	32,246
Amortization of acquired above market leases and acquired below market leases, net	(5,110)	(3,674)
Changes in assets and liabilities:		
Restricted cash	13,225	2,654
Accounts and other receivables	(3,413)	(7,224)
Deferred rent	(35,551)	(27,053)
Deferred leasing costs	(8,520)	(7,770)
Other assets	(8,757)	(12,915)
Accounts payable and other accrued liabilities	(12,384)	4,154
Security deposits and prepaid rents	(8,584)	1,212
Net cash provided by operating activities	<u>231,200</u>	<u>189,723</u>
Cash flows from investing activities:		
Acquisitions of real estate	(222,105)	(17,523)
Investment in unconsolidated joint ventures	(30,592)	(244)
Deposits paid for acquisitions of real estate	(500)	(2,224)
Receipt of value added tax refund	6,793	5,623
Refundable value added tax paid	(9,269)	(7,674)
Change in restricted cash	3,857	118
Improvements to and advances for investments in real estate	(394,245)	(307,890)
Improvement advances to tenants	(1,798)	(2,935)
Collection of advances from tenants for improvements	1,427	1,728
Net cash used in investing activities	<u>(646,432)</u>	<u>(331,021)</u>

See accompanying notes to the condensed consolidated financial statements.

DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(unaudited, in thousands)

	<u>Six Months Ended June 30,</u>	
	<u>2012</u>	<u>2011</u>
Cash flows from financing activities:		
Borrowings on revolving credit facilities	\$ 869,848	\$ 537,431
Repayments on revolving credit facilities	(824,802)	(527,500)
Borrowings on unsecured term loan	526,628	—
Borrowings on 5.250% unsecured senior notes due 2021	—	399,100
Repayments on other secured loan	(10,500)	—
Principal payments on mortgage loans	(106,124)	(123,645)
Principal repayments on 2026 exchangeable senior debentures	—	(40,457)
Equity component settled associated with exchange of 2026 exchangeable senior debentures	—	(11,783)
Change in restricted cash	2,507	1,311
Payment of loan fees and costs	(5,452)	(3,825)
Capital contributions received from noncontrolling interests in joint ventures	2,253	42
General partner contributions	240,901	179,319
Payment of distributions to preferred unitholders	(19,144)	(11,235)
Payment of distributions to common unitholders	(241,354)	(188,039)
Net cash provided by financing activities	<u>422,378</u>	<u>157,479</u>
Net (decrease) increase in cash and cash equivalents	7,146	16,181
Cash and cash equivalents at beginning of period	40,631	11,719
Cash and cash equivalents at end of period	<u>\$ 47,777</u>	<u>\$ 27,900</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest, including amounts capitalized	\$ 81,322	\$ 72,557
Cash paid for taxes	1,517	1,080
Supplementary disclosure of noncash investing and financing activities:		
Change in net assets related to foreign currency translation adjustments	\$ 1,301	\$ 25,037
Decrease (increase) in accounts payable and other accrued liabilities related to change in fair value of interest rate swaps	(2,888)	(947)
Convertible preferred units converted to common units	124,139	—
Accrual for additions to investments in real estate and tenant improvement advances included in accounts payable and accrued expenses	215,456	126,039
Issuance of common units associated with exchange of 2026 exchangeable senior debentures, net	—	230
Allocation of purchase price of real estate/investment in partnership to:		
Investments in real estate	226,855	17,523
Acquired below market leases	(36,708)	—
Acquired in place lease value and deferred leasing costs	38,848	—
Mortgage loan assumed, net of premium	(6,890)	—
Cash paid for acquisition of real estate	<u>\$ 222,105</u>	<u>\$ 17,523</u>

See accompanying notes to the condensed consolidated financial statements.

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2012 and 2011
(unaudited)

1. Organization and Description of Business

Digital Realty Trust, Inc. through its controlling interest in Digital Realty Trust, L.P. (the Operating Partnership) and the subsidiaries of the Operating Partnership (collectively, we, our, us or the Company) is engaged in the business of owning, acquiring, developing, redeveloping and managing technology-related real estate. The Company is focused on providing Turn-Key FlexSM and Powered Base Building[®] datacenter solutions for domestic and international tenants across a variety of industry verticals ranging from information technology and Internet enterprises, to manufacturing and financial services. As of June 30, 2012, our portfolio consisted of 105 properties, excluding three properties held as investments in unconsolidated joint ventures and land held for development, of which 89 are located throughout North America, 15 are located in Europe and one is located in Asia. We are diversified in major markets where corporate datacenter and technology tenants are concentrated, including the Boston, Chicago, Dallas, Los Angeles, New York Metro, Northern Virginia, Phoenix, San Francisco and Silicon Valley metropolitan areas in the U.S., Amsterdam, Dublin, London and Paris markets in Europe and Singapore, Sydney and Melbourne markets in the Asia Pacific region. The portfolio consists of Internet gateway and corporate datacenter properties, technology manufacturing properties and regional or national headquarters of technology companies.

The Operating Partnership was formed on July 21, 2004 in anticipation of Digital Realty Trust, Inc.'s initial public offering (IPO) on November 3, 2004 and commenced operations on that date. As of June 30, 2012, Digital Realty Trust, Inc. owns a 95.8% common interest and a 100% preferred interest in the Operating Partnership. As sole general partner, Digital Realty Trust, Inc. has control over the Operating Partnership. The limited partners of the Operating Partnership do not have rights to replace Digital Realty Trust, Inc. as the general partner nor do they have participating rights, although they do have certain protective rights.

2. Summary of Significant Accounting Policies

(a) Principles of Consolidation and Basis of Presentation

The accompanying interim condensed consolidated financial statements include all of the accounts of Digital Realty Trust, Inc., the Operating Partnership and the subsidiaries of the Operating Partnership. Intercompany balances and transactions have been eliminated.

The accompanying interim condensed consolidated financial statements are unaudited, but have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) for interim financial information and in compliance with the rules and regulations of the United States Securities and Exchange Commission. Accordingly, they do not include all of the disclosures required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments necessary for a fair presentation have been included. All such adjustments are considered to be of a normal recurring nature, except as otherwise indicated. The results of operations for the interim periods are not necessarily indicative of the results to be obtained for the full fiscal year. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in our annual report on Form 10-K for the year ended December 31, 2011.

The notes to the condensed consolidated financial statements of Digital Realty Trust, Inc. and the Operating Partnership have been combined to provide the following benefits:

- enhancing investors' understanding of the Company and the Operating Partnership by enabling investors to view the business as a whole in the same manner as management views and operates the business;
- eliminating duplicative disclosure and providing a more streamlined and readable presentation since a substantial portion of the disclosure applies to both the Company and the Operating Partnership; and
- creating time and cost efficiencies through the preparation of one set of notes instead of two separate sets of notes.

There are few differences between the Company and the Operating Partnership, which are reflected in these condensed consolidated financial statements. We believe it is important to understand the differences between the Company and the Operating Partnership in the context of how we operate as an interrelated consolidated company. Digital Realty Trust, Inc.'s only material asset is its ownership of partnership interests of the Operating Partnership. As a result, Digital Realty Trust, Inc. does not conduct business itself, other than acting as the sole general partner of the Operating Partnership, issuing public

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
June 30, 2012 and 2011
(unaudited)

equity from time to time and guaranteeing certain unsecured debt of the Operating Partnership. Digital Realty Trust, Inc. itself does not hold any indebtedness but guarantees the unsecured debt of the Operating Partnership, as disclosed in these notes. The Operating Partnership holds substantially all the assets of the Company and holds the ownership interests in the Company's joint ventures. The Operating Partnership conducts the operations of the business and is structured as a partnership with no publicly traded equity. Except for net proceeds from public equity issuances by Digital Realty Trust, Inc., which are generally contributed to the Operating Partnership in exchange for partnership units, the Operating Partnership generates the capital required by the Company's business through the Operating Partnership's operations, by the Operating Partnership's direct or indirect incurrence of indebtedness or through the issuance of partnership units.

The presentation of noncontrolling interests in operating partnership, stockholder's equity and partners' capital are the main areas of difference between the condensed consolidated financial statements of Digital Realty Trust, Inc. and those of the Operating Partnership. The common limited partnership interests held by the limited partners in the Operating Partnership are presented as limited partners' capital within partners' capital in the Operating Partnership's condensed consolidated financial statements and as noncontrolling interests in operating partnership within equity in Digital Realty Trust, Inc.'s condensed consolidated financial statements. The common and preferred partnership interests held by Digital Realty Trust, Inc. in the Operating Partnership are presented as general partner's capital within partners' capital in the Operating Partnership's condensed consolidated financial statements and as preferred stock, common stock, additional paid-in capital and accumulated dividends in excess of earnings within stockholders' equity in Digital Realty Trust, Inc.'s condensed consolidated financial statements. The differences in the presentations between stockholders' equity and partners' capital result from the differences in the equity issued at the Digital Realty Trust, Inc. and the Operating Partnership levels.

To help investors understand the significant differences between the Company and the Operating Partnership, these condensed consolidated financial statements present the following separate sections for each of the Company and the Operating Partnership:

- condensed consolidated face financial statements; and
- the following notes to the condensed consolidated financial statements:
 - Debt of the Company and Debt of the Operating Partnership;
 - Income per Share and Income per Unit; and
 - Equity and Accumulated Other Comprehensive Loss, Net of the Company and Capital and Comprehensive Income of the Operating Partnership.

In the sections that combine disclosure of Digital Realty Trust, Inc. and the Operating Partnership, these notes refer to actions or holdings as being actions or holdings of the Company. Although the Operating Partnership is generally the entity that enters into contracts and joint ventures and holds assets and debt, reference to the Company is appropriate because the business is one enterprise and the Company operates the business through the Operating Partnership.

(b) Cash Equivalents

For the purpose of the condensed consolidated statements of cash flows, we consider short-term investments with original maturities of 90 days or less to be cash equivalents. As of June 30, 2012, cash equivalents consist of investments in money market instruments.

(c) Share Based Compensation

We account for share based compensation using the fair value method of accounting. The estimated fair value of the stock options granted by us is being amortized on a straight-line basis over the vesting period of the stock options. The estimated fair value of the long-term incentive units and Class C Units (discussed in note 12(b)) granted by us is being amortized on a straight-line basis over the expected service period.

For share based compensation awards with performance conditions, we estimate the fair value of the award for each of the possible performance condition outcomes and amortize the compensation cost based on management's projected performance outcome. In the instance management's projected performance outcome changes prior to the final measurement date, compensation cost is adjusted accordingly.

(d) Income Taxes

Digital Realty Trust, Inc. (the Parent Company) has elected to be treated and believes that it has been organized and has operated in a manner that has enabled the Parent Company to qualify as a REIT for federal income tax purposes. As a REIT, the Parent Company generally is not required to pay federal corporate income taxes on its taxable income to the extent it is currently distributed to its stockholders.

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
June 30, 2012 and 2011
(unaudited)

However, qualification and taxation as a REIT depend upon the Parent Company's ability to meet the various qualification tests imposed under the Internal Revenue Code of 1986, as amended (the Code), including tests related to annual operating results, asset composition, distribution levels and diversity of stock ownership. Accordingly, no assurance can be given that the Parent Company has been organized or has operated or will continue to operate in a manner so as to qualify or remain qualified as a REIT. If the Parent Company fails to qualify as a REIT in any taxable year, it will be subject to federal income tax (including any applicable alternative minimum tax) on its taxable income at regular corporate tax rates.

The Operating Partnership is a partnership and is not required to pay federal income tax. Instead, taxable income is allocated to its partners, who include such amounts on their federal income tax returns. As such, no provision for federal income taxes has been included in the Operating Partnership's accompanying condensed consolidated financial statements.

Even if the Parent Company and the Operating Partnership are not subject to federal income taxes, they are taxed in certain states in which they operate. The Company is also taxed in non-U.S. countries where it operates that do not recognize U.S. REITs under their respective tax laws. The Company's consolidated taxable REIT subsidiary is subject to both federal and state income taxes to the extent there is taxable income. Accordingly, the Company recognizes and accrues income taxes for its taxable REIT subsidiary, certain states and non-U.S. jurisdictions, as appropriate.

We assess our significant tax positions in accordance with U.S. GAAP for all open tax years and determine whether we have any material unrecognized liabilities from uncertain tax benefits. If a tax position is not considered "more-likely-than-not" to be sustained solely on its technical merits, no benefits of the tax position are to be recognized (for financial statement purposes). As of June 30, 2012 and December 31, 2011, we have no assets or liabilities for uncertain tax positions. We classify interest and penalties from significant uncertain tax positions as interest expense and operating expense, respectively, in our condensed consolidated statements of operations. For the three and six months ended June 30, 2012 and 2011, we had no such interest or penalties. The tax years 2008 through 2011 remain open to examination by the major taxing jurisdictions with which the Parent Company and its subsidiaries file tax returns.

See Note 9 for further discussion on income taxes.

(e) Presentation of Transactional-based Taxes

We account for transactional-based taxes, such as value added tax, or VAT, for our international properties on a net basis.

(f) Asset Retirement Obligations

We record accruals for estimated retirement obligations as required by current accounting guidance. The amount of asset retirement obligations relates primarily to estimated asbestos removal costs at the end of the economic life of properties that were built before 1984. As of June 30, 2012 and December 31, 2011, the amount included in accounts payable and other accrued liabilities on our condensed consolidated balance sheets was approximately \$1.7 million and \$1.2 million, respectively.

(g) Construction Management Revenue

Construction management revenue for long-term contracts are recognized under the percentage-of-completion method of accounting. Revenues are determined by measuring the percentage of total costs incurred to date to estimated total costs for each construction management contract based on current estimates of costs to complete. Contract costs include all labor and benefits, materials, subcontracts, and an allocation of indirect costs related to contract performance. Indirect costs are allocated to projects based upon labor hours charged. As long-term design-build projects extend over one or more years, revisions in cost and estimated earnings during the course of the work are reflected in the accounting period in which the facts which require the revision become known. At the time a loss on a design-build project becomes known, the entire amount of the estimated ultimate loss is recognized in the condensed consolidated financial statements. Change orders are recognized when they are approved by the client.

Costs and estimated earnings in excess of billings on uncompleted construction management projects are included in other assets in the condensed consolidated balance sheets. Billings in excess of costs and estimated earnings on uncompleted construction management projects are included in accounts payable and other accrued liabilities in the condensed consolidated balance sheets. Customers are billed on a monthly basis at the end of each month, which can be in advance of work performed.

(h) Assets and Liabilities Measured at Fair Value

Fair value under U.S. GAAP is a market-based measurement, not an entity-specific measurement. Therefore, our fair value measurements are determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair-value measurements, we use a fair-value hierarchy that

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
June 30, 2012 and 2011
(unaudited)

distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability which are typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair-value measurement is based on inputs from different levels of the fair-value hierarchy, the level in the fair-value hierarchy within which the entire fair-value measurement falls is based on the lowest level input that is significant to the fair-value measurement in its entirety. Our assessment of the significance of a particular input to the fair-value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

(i) Transactions Expense

Transactions expense includes acquisition-related expenses and other business development expenses, which are expensed as incurred. Acquisition-related expenses include closing costs, broker commissions and other professional fees, including legal and accounting fees related to acquisitions and potential acquisitions.

(j) Capitalization of Costs

Direct and indirect project costs that are clearly associated with the development and redevelopment of properties are capitalized as incurred. Project costs include all costs directly associated with the development or redevelopment of a property, including construction costs, interest, property taxes, insurance, legal fees and costs of personnel working on the project. Indirect costs that do not clearly relate to the projects under development/redevelopment are not capitalized and are charged to expense as incurred.

Capitalization of costs begins when the activities necessary to get the development/redevelopment project ready for its intended use begins, which include costs incurred before the beginning of construction. Capitalization of costs ceases when the development/redevelopment project is substantially complete and ready for its intended use. Determining when a development/redevelopment project commences, and when it is substantially complete and ready for its intended use involves a degree of judgment. We generally consider a development/redevelopment project to be substantially complete and ready for its intended use upon recommissioning, which is when the redeveloped/developed project has been tested at full load, or receipt of a certificate of occupancy. We cease cost capitalization if activities necessary for the development/redevelopment of the property have been suspended. Capitalized costs are allocated to the specific components of a project that are benefited.

During the three months ended June 30, 2012 and 2011, we capitalized interest of approximately \$4.6 million and \$4.2 million, respectively, and \$9.1 million and \$8.9 million during the six months ended June 30, 2012 and 2011, respectively. During the three months ended June 30, 2012 and 2011, we capitalized amounts relating to compensation expense of employees direct and incremental to construction and successful leasing activities of approximately \$7.4 million and \$6.1 million, respectively, and \$15.3 million and \$12.3 million during the six months ended June 30, 2012 and 2011, respectively. Cash flows from capitalized leasing costs of \$14.7 million and \$13.2 million are included in improvements to and advances for investments in real estate in cash flows from investing activities in the condensed consolidated statements of cash flows for the six months ended June 30, 2012 and 2011, respectively.

(k) Management's Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates made. On an on-going basis, we evaluate our estimates, including those related to the valuation of our real estate properties, accounts receivable and deferred rent receivable, performance-based equity compensation plans, the completeness of accrued liabilities and Digital Realty Trust, Inc.'s qualification as a REIT. We base our estimates on historical experience, current market conditions, and various other assumptions that are believed to be reasonable under the circumstances. Actual results may vary from those estimates and those estimates could vary under different assumptions or conditions.

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
June 30, 2012 and 2011
(unaudited)

(l) Segment Information

All of our properties generate similar revenues and expenses related to tenant rent and reimbursements and operating expenses. The delivery of our products is consistent across all properties and although services are provided to a wide range of customers, the types of services provided to them are limited to a few core principles. As such, the properties in our portfolio have similar economic characteristics and the nature of the products and services provided to our customers and the method to distribute such services are consistent throughout the portfolio. Consequently, our properties qualify for aggregation into one reporting segment.

(m) Recent Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-04, *Fair Value Measurement (Topic 820)*. This ASU is intended to create consistency between U.S. GAAP and International Financial Reporting Standards on the definition of fair value and on the guidance on how to measure fair value and on what to disclose about fair value measurements. We adopted this accounting guidance for financial statements issued for fiscal periods beginning after December 15, 2011. This update did not have a material effect on our financial statements.

In June 2011, the FASB issued ASU No. 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income (ASU 2011-05)*. This update amends Accounting Standards Codification (ASC) Topic 220, Comprehensive Income, to provide that total comprehensive income will be reported in one continuous statement or two separate but consecutive statements of financial performance. Presentation of total comprehensive income in the statement of stockholders' equity (or statement of capital) or the footnotes will no longer be allowed. The calculation of net income and basic and diluted net income per share (or per unit) will not be affected. ASU 2011-05 is effective for fiscal years, and interim periods within those years, beginning on or after December 15, 2011. This update did not have a material effect on our financial statements.

3. Investments in Real Estate

We acquired the following real estate properties during the six months ended June 30, 2012:

<u>Location</u>	<u>Metropolitan Area</u>	<u>Date Acquired</u>	<u>Amount (in millions)</u>
Convergence Business Park ⁽¹⁾	Dallas, Texas	February 22, 2012	\$ 123.0
9333, 9355, 9377 Grand Avenue ⁽²⁾	Chicago, Illinois	May 10, 2012	22.3
8025 North Interstate 35 ⁽³⁾	Austin, Texas	May 18, 2012	12.5
400 S. Akard Street	Dallas, Texas	June 13, 2012	75.0
			<u>\$ 232.8</u>

(1) Convergence Business Park is comprised of nine buildings along with undeveloped land. It is considered one property for our property count.

(2) 9333, 9355, 9377 Grand Avenue is comprised of three buildings. It is considered one property for our property count.

(3) In connection with the acquisition, we assumed a \$6.7 million secured mortgage loan.

On July 11, 2012, we completed the acquisition of a three-property data center portfolio, totaling approximately 761,000 square feet, located in the greater London area, referred to as the Sentrum Portfolio. The purchase price was £715.9 million (equivalent to approximately \$1.1 billion based on the July 11, 2012 exchange rate of £1.00 to \$1.55), subject to adjustment in limited circumstances and to earn-out payments, and was funded with proceeds from our common stock offering in July 2012 along with borrowings under our global revolving credit facility.

We will account for this acquisition under current purchase accounting guidance, and will include the Sentrum Portfolio's results of operations in our consolidated financial statements beginning on July 11, 2012, the acquisition date. Under current purchase accounting guidance, the fair value of the real estate acquired is allocated to the acquired tangible assets, consisting primarily of land, building and tenant improvements, and identified intangible assets and liabilities, consisting of the value of above-market and below-market leases, other value of in-place leases, value of tenant relationships and acquired ground leases, based in each case on their fair values. Given the recent date on which we acquired the Sentrum Portfolio, we are unable to provide the acquisition date fair value of assets acquired at this time. Accordingly, we are also unable at this time to provide a qualitative description of the factors that make up identified intangible assets and liabilities to be recognized, if any, such as above-market and below-market lease values, in-place lease value and tenant relationship value.

In March 2012, we entered into a joint venture with Savvis, Inc., a CenturyLink company. On June 26, 2012, this unconsolidated joint venture acquired a 164,000 square foot property in Hong Kong. The property is located at Tseung Kwan O Industrial Estate in New Territories, approximately 12 miles from downtown Hong Kong. As of June 30, 2012, we have contributed approximately \$20.6 million to the joint venture.

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
June 30, 2012 and 2011
(unaudited)

4. Acquired Intangible Assets and Liabilities

The following summarizes our acquired intangible assets (acquired in place lease value and acquired above-market lease value) and intangible liabilities (acquired below-market lease value) as of June 30, 2012 and December 31, 2011.

<u>(Amounts in thousands)</u>	<u>Balance as of</u>	
	<u>June 30,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
Acquired in place lease value:		
Gross amount	\$ 584,012	\$ 545,409
Accumulated amortization	(336,632)	(312,499)
Net	<u>\$ 247,380</u>	<u>\$ 232,910</u>
Acquired above-market lease value:		
Gross amount	\$ 87,674	\$ 87,800
Accumulated amortization	(62,307)	(58,099)
Net	<u>\$ 25,367</u>	<u>\$ 29,701</u>
Acquired below-market lease value:		
Gross amount	\$ 237,553	\$ 201,275
Accumulated amortization	(124,662)	(115,456)
Net	<u>\$ 112,891</u>	<u>\$ 85,819</u>

Amortization of acquired below-market lease value, net of acquired above-market lease value, resulted in an increase to rental revenues of \$2.9 million and \$1.9 million for the three months ended June 30, 2012 and 2011, respectively, and \$5.1 million and \$3.7 million for the six months ended June 30, 2012 and 2011, respectively. The expected average remaining lives for acquired below market leases and acquired above market leases is 6.9 years and 4.2 years, respectively, as of June 30, 2012. Estimated annual amortization of acquired below-market lease value, net of acquired above-market lease value, for each of the five succeeding years, commencing January 1, 2013 is as follows:

<u>(Amounts in thousands)</u>	
2013	\$12,658
2014	10,732
2015	9,687
2016	8,788
2017	7,869

Costs associated with extending or renewing acquired leases are capitalized and classified as deferred leasing cost. Amortization of acquired in place lease value (a component of depreciation and amortization expense) was \$12.4 million and \$13.5 million for the three months ended June 30, 2012 and 2011, respectively, and \$24.3 million and \$27.8 million for the six months ended June 30, 2012 and 2011, respectively. The expected average amortization period for acquired in place lease value is 6.2 years as of June 30, 2012. The weighted average remaining contractual life for acquired leases excluding renewals or extensions is 5.3 years as of June 30, 2012. Estimated annual amortization of acquired in place lease value for each of the five succeeding years, commencing January 1, 2013 is as follows:

<u>(Amounts in thousands)</u>	
2013	\$46,609
2014	41,425
2015	32,748
2016	30,321
2017	15,849

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
June 30, 2012 and 2011
(unaudited)

5. Debt of the Company

In this Note 5, the “Company” refers only to Digital Realty Trust, Inc. and not to any of its subsidiaries.

The Company itself does not have any indebtedness. All debt is held directly or indirectly by the Operating Partnership.

Guarantee of Debt

The Company guarantees the Operating Partnership’s obligations with respect to its 5.50% exchangeable senior debentures due 2029 (2029 Debentures), 4.50% notes due 2015 (2015 Notes), 5.875% notes due 2020 (2020 Notes), 5.25% notes due 2021 (2021 Notes) and its unsecured senior notes sold to Prudential Investment Management, Inc. and certain of its affiliates pursuant to the Amended and Restated Note Purchase and Private Shelf Agreement, which we refer to as the Prudential shelf facility. The Company is also the guarantor of the Operating Partnership’s obligations under its global revolving credit facility and unsecured term loan.

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
June 30, 2012 and 2011
(unaudited)

6. Debt of the Operating Partnership

A summary of outstanding indebtedness of the Operating Partnership as of June 30, 2012 and December 31, 2011 is as follows (in thousands):

<u>Indebtedness</u>	<u>Interest Rate at June 30, 2012</u>	<u>Maturity Date</u>	<u>Principal Outstanding June 30, 2012</u>	<u>Principal Outstanding December 31, 2011</u>
Global revolving credit facility	Various (1)	Nov. 3, 2015	\$ 324,476 (2)	\$ 275,106 (2)
Unsecured term loan	Various (3)(9)	Apr. 16, 2017	\$ 520,942 (4)	\$ —
Unsecured senior notes:				
Prudential Shelf Facility:				
Series B	9.320%	Nov. 5, 2013	33,000	33,000
Series C	9.680%	Jan. 6, 2016	25,000	25,000
Series D	4.570%	Jan. 20, 2015	50,000	50,000
Series E	5.730%	Jan. 20, 2017	50,000	50,000
Series F	4.500%	Feb. 3, 2015	17,000	17,000
Total Prudential shelf facility			175,000	175,000
Senior notes:				
4.50% notes due 2015	4.500%	Jul. 15, 2015	375,000	375,000
5.875% notes due 2020	5.875%	Feb. 1, 2020	500,000	500,000
5.25% notes due 2021	5.250%	Mar. 15, 2021	400,000	400,000
Unamortized discounts			(8,431)	(8,928)
Total senior notes, net of discount			1,266,569	1,266,072
Total unsecured senior notes, net of discount			1,441,569	1,441,072
Exchangeable senior debentures:				
5.50% exchangeable senior debentures due 2029	5.50%	Apr. 15, 2029 (5)	266,400	266,400
Total exchangeable senior debentures			266,400	266,400

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
June 30, 2012 and 2011
(unaudited)

<u>Indebtedness</u>	<u>Interest Rate at June 30, 2012</u>	<u>Maturity Date</u>	<u>Principal Outstanding June 30, 2012</u>	<u>Principal Outstanding December 31, 2011</u>
Mortgage loans:				
Secured Term Debt (6)(7)	5.65%	Nov. 11, 2014	137,430	138,828
200 Paul Avenue 1-4 (7)	5.74%	Oct. 8, 2015	73,565	74,458
Mundells Roundabout	3-month GBP LIBOR + 1.20% (9)	Nov. 30, 2013	67,265 (10)	66,563 (10)
2045 & 2055 LaFayette Street (7)	5.93%	Feb. 6, 2017	65,093	65,551
34551 Ardenwood Boulevard 1-4 (7)	5.95%	Nov. 11, 2016	53,277	53,627
1100 Space Park Drive (7)	5.89%	Dec. 11, 2016	53,255	53,609
1350 Duane Avenue/3080 Raymond Street (7)	5.42%	Oct. 1, 2012	52,800	52,800
600 West Seventh Street	5.80%	Mar. 15, 2016	51,953	52,709
150 South First Street (7)	6.30%	Feb. 6, 2017	51,175	51,508
360 Spear Street (7)	6.32%	Nov. 8, 2013	47,098	47,569
114 Rue Ambroise Croizat	3-month EURIBOR + 1.35%	Jan. 18, 2012 (13)	—	39,483 (11)
2334 Lundy Place (7)	5.96%	Nov. 11, 2016	38,748	39,003
Clonsaugh Industrial Estate II (8)	3-month EURIBOR + 4.50% (9)	Sep. 4, 2014	38,001 (11)	38,883 (11)
1500 Space Park Drive (7)	6.15%	Oct. 5, 2013	36,796	37,875
Unit 9, Blanchardstown Corporate Park	3-month EURIBOR + 1.35%	Jan. 18, 2012 (13)	—	33,946 (11)
Cressex 1 (12)	5.68%	Oct. 16, 2014	27,838 (10)	27,786 (10)
1201 Comstock Street (7)	1-month LIBOR + 3.50%	Jun. 24, 2012 (13)	—	16,163
Paul van Vlissingenstraat 16	3-month EURIBOR + 1.60% (9)	Jul. 18, 2013	12,910 (11)	13,319 (11)
800 Central Expressway (7)	1-month LIBOR + 4.75%	Jun. 9, 2013 (13)	—	10,000
Chemin de l'Épinglier 2	3-month EURIBOR + 1.50% (9)	Jul. 18, 2013	9,341 (11)	9,636 (11)
Gyroscoopweg 2E-2F	3-month EURIBOR + 1.50% (9)	Oct. 18, 2013	8,220 (11)	8,480 (11)
Manchester Technopark (12)	5.68%	Oct. 16, 2014	8,469 (10)	8,453 (10)
8025 North Interstate 35	4.09%	Mar. 6, 2017	6,680	—
731 East Trade Street	8.22%	Jul. 1, 2020	4,661	4,806
Unamortized net premiums			2,250	2,077
Total mortgage loans, net of premiums			846,825	947,132
Other secured loan:				
800 Central Expressway Mezzanine (7)	1-month LIBOR + 8.50%	Jun. 9, 2013 (13)	—	10,500
Total other secured loan			—	10,500
Total indebtedness			\$ 3,400,212	\$ 2,940,210

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
June 30, 2012 and 2011
(unaudited)

- (1) The interest rate for borrowings under the global revolving credit facility equals the applicable index plus a margin which is based on the credit rating of our long-term debt and is currently 125 basis points. An annual facility fee on the unused portion of the facility, based on the credit rating of our long-term debt and currently 25 basis points, is payable quarterly.
- (2) Balances as of June 30, 2012 and December 31, 2011 are as follows (balances, in thousands):

<u>Denomination of Draw</u>	<u>Balance as of June 30, 2012</u>	<u>Weighted-average interest rate</u>	<u>Balance as of December 31, 2011</u>	<u>Weighted-average interest rate</u>
U.S. Dollar (\$)	\$ 261,500	1.50%	\$ 194,000	1.54%
British Pound Sterling (£)	19,634 (a)	1.92%	49,892 (b)	1.99%
Singapore Dollar (SGD)	10,276 (a)	1.57%	28,151 (b)	1.56%
Australian Dollar (AUD)	13,923 (a)	4.90%	3,063 (b)	5.89%
Hong Kong Dollar (HKD)	19,143 (a)	1.55%	—	—
Total	<u>\$ 324,476</u>	<u>1.68%</u>	<u>\$ 275,106</u>	<u>1.67%</u>

(a) Based on exchange rates of \$1.57 to £1.00, \$0.80 to 1.00 SGD, \$1.02 to 1.00 AUD and \$0.13 to 1.00 HKD, respectively, as of June 30, 2012.

(b) Based on exchange rates of \$1.55 to £1.00, \$0.77 to 1.00 SGD and \$1.02 to 1.00 AUD, respectively, as of December 31, 2011.

- (3) Interest rates are based on our senior unsecured debt ratings and are currently 145 basis points over the applicable index for floating rate advances.
- (4) Balances as of June 30, 2012 are as follows (balances, in thousands):

<u>Denomination of Draw</u>	<u>Balance as of June 30, 2012</u>	<u>Weighted-average interest rate</u>
U.S. Dollar (\$)	\$ 206,000	1.69%
Singapore Dollar (SGD)	149,791 (a)	1.79%
British Pound Sterling (£)	88,116 (a)	2.14%
Euro (€)	62,702 (a)	1.81%
Australian Dollar (AUD)	14,333 (a)	5.74%
Total	<u>\$ 520,942</u>	<u>1.92%</u>

(a) Based on exchange rates of \$0.80 to 1.00 SGD, \$1.57 to £1.00, \$1.27 to €1.00 and \$1.02 to 1.00 AUD, respectively, as of June 30, 2012.

- (5) The holders of the debentures have the right to require the Operating Partnership to repurchase the debentures in cash in whole or in part for a price of 100% of the principal amount plus accrued and unpaid interest on each of April 15, 2014, April 15, 2019 and April 15, 2024. We have the right to redeem the debentures in cash for a price of 100% of the principal amount plus accrued and unpaid interest commencing on April 18, 2014.
- (6) This amount represents six mortgage loans secured by our interests in 36 NE 2nd Street, 3300 East Birch Street, 100 & 200 Quannapowitt Parkway, 300 Boulevard East, 4849 Alpha Road, and 11830 Webb Chapel Road. Each of these loans is cross-collateralized by the six properties.
- (7) The respective borrower's assets and credit are not available to satisfy the debts and other obligations of affiliates or any other person.
- (8) The Operating Partnership or its subsidiary provides a limited recourse guarantee with respect to this loan.
- (9) We have entered into interest rate swap agreements as a cash flow hedge for interest generated by these US LIBOR, EURIBOR and GBP LIBOR based loans as well as a portion of the U.S. Dollar portion of the unsecured term loan. See note 13 for further information.
- (10) Based on exchange rate of \$1.57 to £1.00 as of June 30, 2012 and \$1.55 to £1.00 as of December 31, 2011.
- (11) Based on exchange rate of \$1.27 to €1.00 as of June 30, 2012 and \$1.30 to €1.00 as of December 31, 2011.
- (12) These loans are also secured by a £7.8 million letter of credit. These loans are cross-collateralized by the two properties.
- (13) These loans were repaid in full: 114 Rue Ambroise Croizat (January 2012), Unit 9, Blanchardstown Corporate Park (January 2012), 1201 Comstock Street (April 2012), 800 Central Expressway (May 2012) and 800 Central Expressway Mezzanine (May 2012). Net loss from early extinguishment of debt related to write-off of unamortized deferred loan costs on 1201 Comstock Street, 800 Central Expressway and 800 Central Expressway Mezzanine amounted to \$0.3 million for both the three and six months ended June 30, 2012.

Global Revolving Credit Facility

On November 3, 2011, the Operating Partnership replaced its corporate and Asia Pacific revolving credit facilities with an expanded revolving credit facility, which we refer to as the global revolving credit facility, increasing its total capacity to \$1.5 billion from \$850 million. The global revolving credit facility has an accordion feature that would enable us to increase the borrowing capacity of the credit facility to \$2.25 billion. The renewed facility matures in November 2015, with a one-year extension option. The interest rate for borrowings under the expanded facility equals the applicable index plus a margin which is based on the credit rating of our long-term debt and is currently 125 basis points. An annual facility fee on the unused portion of the facility, based on the credit rating of our long-term debt and currently 25 basis points, is payable quarterly. Funds may be drawn in U.S., Canadian, Singapore, Australian and Hong Kong dollars, as well as Euro, Pound Sterling, Swiss Franc and Japanese yen denominations. As of June 30, 2012, borrowings under the global revolving credit facility bore interest at a blended rate of 1.50% (U.S.), 1.92% (GBP), 1.57% (Singapore Dollars), 4.90% (Australian Dollars) and 1.55% (Hong Kong Dollars), which are based on 1-month LIBOR, 1-month GBP LIBOR, 1-month SIBOR, 1-month BBR and 1-month HIBOR, respectively, plus a margin of 1.25%. We have used and intend to use available borrowings under the global revolving credit facility to acquire additional properties, fund development and redevelopment opportunities and to provide for working capital and other corporate purposes, including potentially for the repurchase, redemption or retirement of outstanding debt or preferred equity securities. We capitalized approximately \$10.2 million of financing costs related to the global revolving credit facility. As of June 30, 2012, approximately \$324.5 million was drawn under this facility and \$22.5 million of letters of credit were issued.

The global revolving credit facility contains various restrictive covenants, including limitations on our ability to incur additional indebtedness, make certain investments or merge with another company, and requirements to maintain financial coverage ratios, including with respect to unencumbered assets. In addition, the global revolving credit facility restricts Digital Realty Trust, Inc. from making distributions to its stockholders, or redeeming or otherwise repurchasing shares of its capital stock, after the occurrence and during the continuance of an event of default, except in limited circumstances including as necessary to enable Digital Realty Trust, Inc. to maintain its qualification as a REIT and to minimize the payment of income or excise tax. As of June 30, 2012, we were in compliance with all of such covenants.

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
June 30, 2012 and 2011
(unaudited)

Unsecured Term Loan

On April 17, 2012, we closed a new \$750.0 million senior unsecured multi-currency term loan facility. The new facility matures on April 16, 2017. Interest rates are based on our senior unsecured debt ratings and are currently 145 basis points over the applicable index for floating rate advances. Funds may be drawn in U.S, Singapore and Australian dollars, as well as Euro and Pound Sterling denominations with the option to add Hong Kong dollars and Yen upon an accordion exercise. We have the ability to delay draw up to \$250.0 million for up to 90 days from the date of closing. The new term loan provides funds for acquisitions, repayment of indebtedness, development and redevelopment, working capital and general corporate purposes. The covenants under this loan are consistent with our global revolving credit facility. We capitalized approximately \$5.1 million of financing costs related to the unsecured term loan. As of June 30, 2012, there was \$520.9 million outstanding under the unsecured term loan. In July 2012, the delay draw of approximately \$222.5 million was funded on the unsecured term loan.

5.50% Exchangeable Senior Debentures due 2029

On April 20, 2009, the Operating Partnership issued \$266.4 million of its 5.50% exchangeable senior debentures due April 15, 2029. The 2029 Debentures bear interest at 5.50% per annum and may be exchanged for shares of Digital Realty Trust, Inc. common stock at an exchange rate that was initially 23.2558 shares per \$1,000 principal amount of 2029 Debentures. The exchange rate on the 2029 Debentures is subject to adjustment for certain events, including, but not limited to, certain dividends on Digital Realty Trust, Inc. common stock in excess of \$0.33 per share per quarter (the "reference dividend"). Effective June 13, 2012, the exchange rate was adjusted to 24.4550 shares per \$1,000 principal amount of 2029 Debentures as a result of the aggregate dividends in excess of the reference dividend that Digital Realty Trust, Inc. declared and paid on its common stock beginning with the quarter ended March 31, 2012 and through the quarter ended June 30, 2012.

The table below summarizes our debt maturities and principal payments as of June 30, 2012 (in thousands):

	<u>Global Revolving Credit Facility ⁽¹⁾</u>	<u>Unsecured Term Loan</u>	<u>Prudential Senior Notes</u>	<u>Senior Notes</u>	<u>Exchangeable Senior Debentures</u>	<u>Mortgage Loans ⁽²⁾</u>	<u>Total Debt</u>
Remainder of 2012	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 60,176	\$ 60,176
2013	—	—	33,000	—	—	191,388	224,388
2014	—	—	—	—	266,400 ⁽³⁾	214,774	481,174
2015	324,476	—	67,000	375,000	—	75,493	841,969
2016	—	—	25,000	—	—	191,979	216,979
Thereafter	—	520,942	50,000	900,000	—	110,765	1,581,707
Subtotal	\$ 324,476	\$ 520,942	\$ 175,000	\$ 1,275,000	\$ 266,400	\$ 844,575	\$ 3,406,393
Unamortized discount	—	—	—	(8,431)	—	—	(8,431)
Unamortized premium	—	—	—	—	—	2,250	2,250
Total	<u>\$ 324,476</u>	<u>\$ 520,942</u>	<u>\$ 175,000</u>	<u>\$ 1,266,569</u>	<u>\$ 266,400</u>	<u>\$ 846,825</u>	<u>\$ 3,400,212</u>

- (1) Subject to a one-year extension option exercisable by us. The bank group is obligated to grant the extension option provided we give proper notice, we make certain representations and warranties and no default exists under the global revolving credit facility.
- (2) Our mortgage loans are generally non-recourse to us, subject to carve-outs for specified actions by us or specified undisclosed environmental liabilities. As of June 30, 2012, we provided limited recourse guarantees with respect to approximately \$38.0 million principal amount of the outstanding mortgage indebtedness, and partial letter of credit support with respect to approximately an additional \$36.3 million of the outstanding mortgage indebtedness.
- (3) Assumes maturity of the 2029 Debentures at their first redemption date in April 2014.

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
June 30, 2012 and 2011
(unaudited)

7. Income per Share

The following is a summary of basic and diluted income per share (in thousands, except share and per share amounts):

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Net income available to common stockholders	\$ 42,021	\$ 31,990	\$ 81,232	\$ 62,970
Weighted average shares outstanding—basic	109,761,017	96,295,585	108,430,437	93,875,415
Potentially dilutive common shares:				
Stock options	195,635	203,078	193,775	193,985
Class C Units (2007 Grant)	1,334	73,855	—	67,856
Unvested incentive units	208,096	180,377	185,362	152,927
Excess exchange value of the 2026 Debentures	—	758,916	—	722,782
Weighted average shares outstanding—diluted	<u>110,166,082</u>	<u>97,511,811</u>	<u>108,809,574</u>	<u>95,012,965</u>
Income per share:				
Basic	\$ 0.38	\$ 0.33	\$ 0.75	\$ 0.67
Diluted	<u>\$ 0.38</u>	<u>\$ 0.33</u>	<u>\$ 0.75</u>	<u>\$ 0.66</u>

During the year ended December 31, 2011, the Operating Partnership's remaining 4.125% exchangeable senior debentures due August 15, 2026 (2026 Debentures) were redeemed and exchanged. On or after July 15, 2026, the 2026 Debentures would have been exchangeable at the then-applicable exchange rate for cash (up to the principal amount of the 2026 Debentures) and, with respect to any excess exchange value, into cash, shares of Digital Realty Trust, Inc. common stock or a combination of cash and shares of Digital Realty Trust, Inc. common stock. The 2026 Debentures also would have been exchangeable prior to July 15, 2026, but only upon the occurrence of certain specified events, including if the weighted average common stock price exceeded a specified strike price as of the end of a fiscal quarter. Using the treasury stock method, 758,916 and 722,782 shares of common stock contingently issuable upon settlement of the excess exchange value were included as potentially dilutive common shares in determining diluted earnings per share for the three and six months ended June 30, 2011, respectively.

We have excluded the following potentially dilutive securities in the calculations above as they would be antidilutive or not dilutive:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Weighted average of Operating Partnership common units not owned by us	4,339,481	4,760,686	4,336,223	4,823,375
Potentially dilutive 2029 Debentures	6,456,471	6,289,434	6,449,278	6,279,766
Potentially dilutive Series C Cumulative Convertible Preferred Stock	489,298	2,864,660	1,637,072	3,256,316
Potentially dilutive Series D Cumulative Convertible Preferred Stock	4,374,117	6,418,585	4,355,773	7,370,713
Potentially dilutive Series E Cumulative Redeemable Preferred Stock	3,959,975	—	3,992,679	—
Potentially dilutive Series F Cumulative Redeemable Preferred Stock	2,509,588	—	1,185,849	—
	<u>22,128,930</u>	<u>20,333,365</u>	<u>21,956,874</u>	<u>21,730,170</u>

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
June 30, 2012 and 2011
(unaudited)

8. Income per Unit

The following is a summary of basic and diluted income per unit (in thousands, except unit and per unit amounts):

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Net income available to common unitholders	\$ 43,682	\$ 33,572	\$ 84,479	\$ 66,204
Weighted average units outstanding—basic	114,100,498	101,056,387	112,766,660	98,698,968
Potentially dilutive common units:				
Stock options	195,635	203,078	193,775	193,985
Class C Units (2007 Grant)	1,334	73,855	—	67,856
Unvested incentive units	208,096	180,377	185,362	152,927
Excess exchange value of the 2026 Debentures	—	758,916	—	722,782
Weighted average units outstanding—diluted	<u>114,505,563</u>	<u>102,272,613</u>	<u>113,145,797</u>	<u>99,836,518</u>
Income per unit:				
Basic	\$ 0.38	\$ 0.33	\$ 0.75	\$ 0.67
Diluted	<u>\$ 0.38</u>	<u>\$ 0.33</u>	<u>\$ 0.75</u>	<u>\$ 0.66</u>

During the year ended December 31, 2011, the remaining 2026 Debentures were redeemed and exchanged. On or after July 15, 2026, the 2026 Debentures would have been exchangeable at the then-applicable exchange rate for cash (up to the principal amount of the 2026 Debentures) and, with respect to any excess exchange value, into cash, shares of Digital Realty Trust, Inc. common stock or a combination of cash and shares of Digital Realty Trust, Inc. common stock. Pursuant to the terms of the Operating Partnership's agreement of limited partnership, the Operating Partnership would have delivered to Digital Realty Trust, Inc. one common unit for each share of common stock issued upon exchange of the 2026 Debentures. The 2026 Debentures also would have been exchangeable prior to July 15, 2026, but only upon the occurrence of certain specified events, including if the weighted average common stock price exceeded a specified strike price as of the end of a fiscal quarter. Using the treasury method, 758,916 and 722,782 common units contingently issuable upon settlement of the excess exchange value were included as potentially dilutive common units in determining diluted earnings per unit for the three and six months ended June 30, 2011, respectively.

We have excluded the following potentially dilutive securities in the calculations above as they would be antidilutive or not dilutive:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2012</u>	<u>2011</u>	<u>2011</u>	<u>2010</u>
Potentially dilutive 2029 Debentures	6,456,471	6,289,434	6,449,278	6,279,766
Potentially dilutive Series C Cumulative Convertible Preferred Units	489,298	2,864,660	1,637,072	3,256,316
Potentially dilutive Series D Cumulative Convertible Preferred Units	4,374,117	6,418,585	4,355,773	7,370,713
Potentially dilutive Series E Cumulative Redeemable Preferred Units	3,959,975	—	3,992,679	—
Potentially dilutive Series F Cumulative Redeemable Preferred Units	2,509,588	—	1,185,849	—
	<u>17,789,449</u>	<u>15,572,679</u>	<u>17,620,651</u>	<u>16,906,795</u>

9. Income Taxes

Digital Realty Trust, Inc. (the Parent Company) has elected to be taxed as a REIT and believes that it has complied with the REIT requirements of the Code. As a REIT, the Parent Company is generally not subject to corporate level federal income taxes on taxable income to the extent it is currently distributed to its stockholders. Since inception, the Parent Company has distributed 100% of its taxable income and intends to do so for the tax year ending December 31, 2012. As such, no provision for federal income taxes has been included in the accompanying condensed consolidated financial statements for the three and six months ended June 30, 2012 and 2011.

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
June 30, 2012 and 2011
(unaudited)

We have elected taxable REIT subsidiary (TRS) status for some of our consolidated subsidiaries. In general, a TRS may provide services that would otherwise be considered impermissible for REITs and hold assets that REITs cannot hold directly. A TRS is subject to federal income tax as a regular C corporation. Income taxes for TRS entities were accrued, as necessary, for the three and six months ended June 30, 2012 and 2011.

For our TRS entities and foreign subsidiaries that are subject to U.S. federal, state and foreign income taxes, deferred tax assets and liabilities are established for temporary differences between the financial reporting basis and the tax basis of assets and liabilities at the enacted tax rates expected to be in effect when the temporary differences reverse. A valuation allowance for deferred tax assets is provided if we believe it is more likely than not that the deferred tax asset may not be realized, based on available evidence at the time the determination is made. An increase or decrease in the valuation allowance that results from the change in circumstances that causes a change in our judgment about the realizability of the related deferred tax asset is included in income. Deferred tax assets (net of valuation allowance) and liabilities for our TRS entities and foreign subsidiaries were accrued, as necessary, for the three and six months ended June 30, 2012 and 2011.

10. Equity and Accumulated Other Comprehensive Loss, Net

(a) Equity Distribution Agreements

On December 31, 2009, Digital Realty Trust, Inc. entered into equity distribution agreements, as amended, which we refer to as the 2009 Equity Distribution Agreements under which it could issue and sell shares of its common stock having an aggregate offering price of up to \$400.0 million. The sales of common stock made under the 2009 Equity Distribution Agreements were made in “at the market” offerings as defined in Rule 415 of the Securities Act. In June 2011, we completed this equity distribution program. For the six months ended June 30, 2011, Digital Realty Trust, Inc. generated aggregate net proceeds of approximately \$176.9 million from the issuance of approximately 3.0 million common shares under the 2009 Equity Distribution Agreements at an average price of \$60.51 per share after payment of approximately \$2.7 million of commissions to the sales agents and before offering expenses. Pursuant to the program, we sold 6.8 million shares of common stock for gross proceeds of \$400.0 million, resulting in net proceeds of approximately \$394.0 million after deducting commissions.

On June 29, 2011, Digital Realty Trust, Inc. entered into new equity distribution agreements, which we refer to as the 2011 Equity Distribution Agreements, with each of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, Deutsche Bank Securities Inc. and Morgan Stanley & Co. LLC, or the Agents, under which it could issue and sell shares of its common stock having an aggregate offering price of up to \$400.0 million from time to time through, at its discretion, any of the Agents as its sales agents. The sales of common stock made under the 2011 Equity Distribution Agreements will be made in “at the market” offerings as defined in Rule 415 of the Securities Act. For the three and six months ended June 30, 2012, Digital Realty Trust, Inc. generated net proceeds of approximately \$62.7 million from the issuance of approximately 1.0 million common shares under the 2011 Equity Distribution Agreements at an average price of \$66.19 per share after payment of approximately \$0.6 million of commissions to the sales agents and before offering expenses.

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
June 30, 2012 and 2011
(unaudited)

(b) Redeemable Preferred Stock

On April 5, 2012 and April 18, 2012, Digital Realty Trust, Inc. issued an aggregate of 7,300,000 shares of its 6.625% series F cumulative redeemable preferred stock, or the series F preferred stock, for gross proceeds of \$182.5 million. Dividends are cumulative on the series F preferred stock from the date of original issuance in the amount of \$1.65625 per share each year, which is equivalent to 6.625% of the \$25.00 liquidation preference per share. Dividends on the series F preferred stock are payable quarterly in arrears. The first dividend paid on the series F preferred stock on June 29, 2012 was a pro rata dividend from and including the original issue date to and including June 30, 2012 in the amount of \$0.395660 per share. The series F preferred stock does not have a stated maturity date and is not subject to any sinking fund or mandatory redemption provisions. Upon liquidation, dissolution or winding up, the series F preferred stock will rank senior to Digital Realty Trust, Inc. common stock with respect to the payment of distributions and other amounts and rank on parity with Digital Realty Trust, Inc.'s series D cumulative convertible preferred stock and series E cumulative redeemable preferred stock. Digital Realty Trust, Inc. is not allowed to redeem the series F preferred stock before April 5, 2017, except in limited circumstances to preserve its status as a REIT. On or after April 5, 2017, Digital Realty Trust, Inc. may, at its option, redeem the series F preferred stock, in whole or in part, at any time or from time to time, for cash at a redemption price of \$25.00 per share, plus all accrued and unpaid dividends on such series F preferred stock up to but excluding the redemption date. Holders of the series F preferred stock generally have no voting rights except for limited voting rights if Digital Realty Trust, Inc. fails to pay dividends for six or more quarterly periods (whether or not consecutive) and in certain other circumstances. Upon the occurrence of specified changes of control, as a result of which neither Digital Realty Trust, Inc.'s common stock nor the common securities of the acquiring or surviving entity (or American Depositary Receipts representing such securities) is listed on the New York Stock Exchange, or NYSE, the NYSE Amex Equities or the NASDAQ Stock Market or listed or quoted on a successor exchange or quotation system, each holder of series F preferred stock will have the right (unless, prior to the change of control conversion date specified in the Articles Supplementary governing the series F preferred stock, Digital Realty Trust, Inc. has provided or provides notice of its election to redeem the series F preferred stock) to convert some or all of the series F preferred stock held by it into a number of shares of Digital Realty Trust, Inc.'s common stock per share of series F preferred stock to be converted equal to the lesser of:

- the quotient obtained by dividing (i) the sum of the \$25.00 liquidation preference plus the amount of any accrued and unpaid dividends to, but not including, the change of control conversion date (unless the change of control conversion date is after a record date for a series F preferred stock dividend payment and prior to the corresponding series F preferred stock dividend payment date, in which case no additional amount for such accrued and unpaid dividend will be included in this sum) by (ii) the common stock price specified in the Articles Supplementary governing the series F preferred stock; and
- 0.6843, or the share cap, subject to certain adjustments;

subject, in each case, to provisions for the receipt of alternative consideration as described in the Articles Supplementary governing the series F preferred stock. Except in connection with specified change of control transactions, the series F preferred stock is not convertible into or exchangeable for any other property or securities of Digital Realty Trust, Inc.

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
June 30, 2012 and 2011
(unaudited)

(c) Noncontrolling Interests in Operating Partnership

Noncontrolling interests in the Operating Partnership relate to the interests that are not owned by Digital Realty Trust, Inc. The following table shows the ownership interest in the Operating Partnership as of June 30, 2012 and December 31, 2011:

	June 30, 2012		December 31, 2011	
	Number of units	Percentage of total	Number of units	Percentage of total
Digital Realty Trust, Inc.	110,268,388	95.8%	106,039,279	95.6%
Noncontrolling interests consist of:				
Common units held by third parties	3,235,814	2.8	3,405,814	3.0
Incentive units held by employees and directors (see note 12)	1,546,326	1.4	1,530,316	1.4
	<u>115,050,528</u>	<u>100.0%</u>	<u>110,975,409</u>	<u>100.0%</u>

Limited partners have the right to require the Operating Partnership to redeem part or all of their common units for cash based on the fair market value of an equivalent number of shares of Digital Realty Trust, Inc. common stock at the time of redemption. Alternatively, Digital Realty Trust, Inc. may elect to acquire those common units in exchange for shares of Digital Realty Trust, Inc. common stock on a one-for-one basis, subject to adjustment in the event of stock splits, stock dividends, issuance of stock rights, specified extraordinary distributions and similar events. Pursuant to authoritative accounting guidance, Digital Realty Trust, Inc. evaluated whether it controls the actions or events necessary to issue the maximum number of shares that could be required to be delivered under the share settlement of the noncontrolling Operating Partnership common and incentive units. Based on the results of this analysis, we concluded that the common and incentive Operating Partnership units met the criteria to be classified within equity.

The redemption value of the noncontrolling Operating Partnership common units and the vested incentive units was approximately \$323.3 million and \$291.5 million based on the closing market price of Digital Realty Trust, Inc. common stock on June 30, 2012 and December 31, 2011, respectively.

The following table shows activity for the noncontrolling interests in the Operating Partnership for the six months ended June 30, 2012:

	Common Units	Incentive Units	Total
As of December 31, 2011	3,405,814	1,530,316	4,936,130
Redemption of common units for shares of Digital Realty Trust, Inc. common stock ⁽¹⁾	(170,000)	—	(170,000)
Conversion of incentive units held by employees and directors for shares of Digital Realty Trust, Inc. common stock ⁽¹⁾	—	(134,120)	(134,120)
Cancellation of incentive units held by employees and directors	—	(15,950)	(15,950)
Grant of incentive units to employees and directors	—	166,080	166,080
As of June 30, 2012	<u>3,235,814</u>	<u>1,546,326</u>	<u>4,782,140</u>

(1) This redemption was recorded as a reduction to noncontrolling interests in the Operating Partnership and an increase to common stock and additional paid in capital based on the book value per unit in the accompanying condensed consolidated balance sheet of Digital Realty Trust, Inc.

Under the terms of certain third parties' (the eXchange parties) contribution agreements signed in the third quarter of 2004, we have agreed to indemnify each eXchange party against adverse tax consequences in the event the Operating Partnership directly or indirectly sells, exchanges or otherwise disposes of (whether by way of merger, sale of assets or otherwise) in a taxable transaction any interest in 200 Paul Avenue 1-4 or 1100 Space Park Drive until the earlier of November 3, 2013 and the date on which these contributors or certain transferees hold less than 25% of the Operating Partnership common units issued to them in the formation transactions consummated concurrently with the IPO. Under the eXchange parties' amended contribution agreement, the Operating

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
June 30, 2012 and 2011
(unaudited)

Partnership has agreed to make approximately \$17.8 million of indebtedness available for guaranty by the eXchange parties until the earlier of November 3, 2013 and the date on which these contributors or certain transferees hold less than 25% of the Operating Partnership common units issued to them in the formation transactions consummated concurrently with the IPO, and we have agreed to indemnify each eXchange party against adverse tax consequences if the Operating Partnership does not provide such indebtedness to guarantee.

(d) Dividends

We have declared and paid the following dividends on our common and preferred stock for the six months ended June 30, 2012 (in thousands):

<u>Date dividend declared</u>	<u>Dividend payable date</u>	<u>Series C Preferred Stock⁽¹⁾⁽⁶⁾</u>	<u>Series D Preferred Stock⁽²⁾</u>	<u>Series E Preferred Stock⁽³⁾</u>	<u>Series F Preferred Stock⁽⁴⁾</u>	<u>Common Stock⁽⁵⁾</u>
February 14, 2012	March 30, 2012	\$ 1,402	\$ 2,398	\$ 5,031	\$ —	\$ 78,335
April 23, 2012	June 29, 2012	—	2,394	5,031	2,888 ⁽⁷⁾	80,478
		<u>\$ 1,402</u>	<u>\$ 4,792</u>	<u>\$10,062</u>	<u>\$ 2,888</u>	<u>\$ 158,813</u>

(1) \$1.094 annual rate of dividend per share.

(2) \$1.375 annual rate of dividend per share.

(3) \$1.750 annual rate of dividend per share.

(4) \$1.656 annual rate of dividend per share.

(5) \$2.920 annual rate of dividend per share.

(6) Effective April 17, 2012, Digital Realty Trust, Inc. converted all outstanding shares of its 4.375% series C cumulative convertible preferred stock, or the series C preferred stock, into shares of its of common stock in accordance with the terms of the series C preferred stock. Each share of series C preferred stock was converted into 0.5480 shares of common stock of Digital Realty Trust, Inc.

(7) Represents a pro rata dividend from and including the original issue date to and including June 30, 2012.

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
June 30, 2012 and 2011
(unaudited)

Distributions out of Digital Realty Trust, Inc.'s current or accumulated earnings and profits are generally classified as dividends whereas distributions in excess of its current and accumulated earnings and profits, to the extent of a stockholder's U.S. federal income tax basis in Digital Realty Trust, Inc.'s stock, are generally classified as a return of capital. Distributions in excess of a stockholder's U.S. federal income tax basis in Digital Realty Trust, Inc.'s stock are generally characterized as capital gain. Cash provided by operating activities has generally been sufficient to fund all distributions, however, we may also need to utilize borrowings under the global revolving credit facility to fund all distributions.

(e) Accumulated Other Comprehensive Loss, Net

The accumulated balances for each classification of other comprehensive loss, net as of June 30, 2012 are as follows (in thousands):

	Foreign currency translation adjustments	Cash flow hedge adjustments	Accumulated other comprehensive loss, net
Balance as of December 31, 2011	\$ (49,298)	\$ (6,582)	\$ (55,880)
Net current period change	1,235	(2,777)	(1,542)
Reclassification to interest expense from interest rate swaps	—	1,721	1,721
Balance as of June 30, 2012	<u>\$ (48,063)</u>	<u>\$ (7,638)</u>	<u>\$ (55,701)</u>

(f) Noncontrolling Interests in Consolidated Joint Ventures

On May 4, 2012, we acquired all of the noncontrolling ownership interest in the entity that owns 800 Central Expressway from our joint venture partner for approximately \$12.4 million (subject to adjustment in limited circumstances). Concurrent with the acquisition, we repaid the secured debt on the property. The acquisition and debt repayment were financed with borrowings under our global revolving credit facility. The amount paid in excess of the carrying value of the noncontrolling ownership interest resulted in a decrease to additional paid-in capital, as presented in the accompanying condensed consolidated statement of equity.

11. Capital and Comprehensive Income

(a) Redeemable Preferred Units

On April 5, 2012 and April 18, 2012, the Operating Partnership issued a total of 7,300,000 units of its 6.625% series F cumulative redeemable preferred units, or series F preferred units, to Digital Realty Trust, Inc. (the General Partner) in conjunction with the General Partner's issuance of an equivalent number of shares of its 6.625% series F cumulative redeemable preferred stock, or the series F preferred stock. Distributions are cumulative on the series F preferred units from the date of original issuance in the amount of \$1.65625 per unit each year, which is equivalent to 6.625% of the \$25.00 liquidation preference per unit. Distributions on the series F preferred units are payable quarterly in arrears. The first distribution paid on the series F preferred units on June 29, 2012 was a pro rata distribution from and including the original issue date to and including June 30, 2012 in the amount of \$0.395660 per unit. The series F preferred units do not have a stated maturity date and are not subject to any sinking fund. The Operating Partnership is required to redeem the series F preferred units in the event that the General Partner redeems the series F preferred stock. The General Partner is not allowed to redeem the series F preferred stock prior to April 5, 2017 except in limited circumstances to preserve the General Partner's status as a REIT. On or after April 5, 2017, the General Partner may, at its option, redeem the series F preferred stock, in whole or in part, at any time or from time to time, for cash at a redemption price of \$25.00 per share, plus all accrued and unpaid dividends on such series F preferred stock up to but excluding the redemption date. Upon liquidation, dissolution or winding up, the series F preferred units will rank senior to the common units with respect to the

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
June 30, 2012 and 2011
(unaudited)

payment of distributions and other amounts and rank on parity with the Operating Partnership's series D cumulative convertible and series E cumulative redeemable preferred units. Except in connection with specified change of control transactions of the General Partner, the series F preferred units are not convertible into or exchangeable for any other property or securities of the Operating Partnership.

(b) Allocations of Net Income and Net Losses to Partners

Except for special allocations to holders of profits interest units described below in note 12(a) under the heading "Incentive Plan-Long-Term Incentive Units," the Operating Partnership's net income will generally be allocated to the General Partner to the extent of the accrued preferred return on its preferred units, and then to the General Partner and the Operating Partnership's limited partners in accordance with the respective percentage interests in the common units issued by the Operating Partnership. Net loss will generally be allocated to the General Partner and the Operating Partnership's limited partners in accordance with the respective common percentage interests in the Operating Partnership until the limited partner's capital is reduced to zero and any remaining net loss would be allocated to the General Partner. However, in some cases, losses may be disproportionately allocated to partners who have guaranteed our debt. The allocations described above are subject to special allocations relating to depreciation deductions and to compliance with the provisions of Sections 704(b) and 704(c) of the Code, and the associated Treasury Regulations.

(c) Partnership Units

Limited partners have the right to require the Operating Partnership to redeem part or all of their common units for cash based on the fair market value of an equivalent number of shares of the General Partner's common stock at the time of redemption. Alternatively, the General Partner may elect to acquire those common units in exchange for shares of the General Partner's common stock on a one-for-one basis, subject to adjustment in the event of stock splits, stock dividends, issuance of stock rights, specified extraordinary distributions and similar events. Pursuant to authoritative accounting guidance, the Operating Partnership evaluated whether it controls the actions or events necessary to issue the maximum number of shares that could be required to be delivered under the share settlement of the limited partners' common units and the vested incentive units. Based on the results of this analysis, the Operating Partnership concluded that the common and vested incentive Operating Partnership units met the criteria to be classified within capital.

The redemption value of the limited partners' common units and the vested incentive units was approximately \$323.3 million and \$291.5 million based on the closing market price of Digital Realty Trust, Inc.'s common stock on June 30, 2012 and December 31, 2011, respectively.

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
June 30, 2012 and 2011
(unaudited)

(d) Distributions

All distributions on our units are at the discretion of Digital Realty Trust, Inc.'s board of directors. As of June 30, 2012, the Operating Partnership declared and paid the following distributions (in thousands):

<u>Date distribution declared</u>	<u>Distribution payable date</u>	Series C Preferred Units ⁽¹⁾⁽⁶⁾	Series D Preferred Units ⁽²⁾	Series E Preferred Units ⁽³⁾	Series F Preferred Units ⁽⁴⁾	Common Units ⁽⁵⁾
February 14, 2012	March 30, 2012	\$ 1,402	\$ 2,398	\$ 5,031	\$ —	\$ 81,917
April 23, 2012	June 29, 2012	—	2,394	5,031	2,888 ⁽⁷⁾	83,982
		<u>\$ 1,402</u>	<u>\$ 4,792</u>	<u>\$10,062</u>	<u>\$ 2,888</u>	<u>\$165,899</u>

- (1) \$1.094 annual rate of distribution per unit.
- (2) \$1.375 annual rate of distribution per unit.
- (3) \$1.750 annual rate of distribution per unit.
- (4) \$1.656 annual rate of distribution per unit.
- (5) \$2.920 annual rate of distribution per unit.
- (6) Effective April 17, 2012, in connection with the conversion of the series C preferred stock by Digital Realty Trust, Inc., all of the outstanding 4.375% series C cumulative convertible preferred units, or the series C preferred units, were converted into common units in accordance with the terms of the series C preferred units. Each series C preferred unit was converted into 0.5480 common units of the Operating Partnership.
- (7) Represents a pro rata distribution from and including the original issue date to and including June 30, 2012.

(e) Accumulated Other Comprehensive Loss

The accumulated balances for each classification of other comprehensive loss as of June 30, 2012 are as follows (in thousands):

	Foreign currency translation adjustments	Cash flow hedge adjustments	Accumulated other comprehensive loss
Balance as of December 31, 2011	\$ (52,704)	\$ (7,363)	\$ (60,067)
Net current period change	1,301	(2,888)	(1,587)
Reclassification to interest expense from interest rate swaps	—	1,790	1,790
Balance as of June 30, 2012	<u>\$ (51,403)</u>	<u>\$ (8,461)</u>	<u>\$ (59,864)</u>

(f) Noncontrolling Interests in Consolidated Joint Ventures

On May 4, 2012, we acquired all of the noncontrolling ownership interest in the entity that owns 800 Central Expressway from our joint venture partner for approximately \$12.4 million (subject to adjustment in limited circumstances). Concurrent with the acquisition, we repaid the secured debt on the property. The acquisition and debt repayment were financed with borrowings under our global revolving credit facility. The amount paid in excess of the carrying value of the noncontrolling ownership interest resulted in a decrease to general partner common capital as presented in the accompanying condensed consolidated statement of capital.

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
June 30, 2012 and 2011
(unaudited)

12. Incentive Plan

Our Amended and Restated 2004 Incentive Award Plan (as defined below) provides for the grant of incentive awards to employees, directors and consultants. Awards issuable under the Amended and Restated 2004 Incentive Award Plan include stock options, restricted stock, dividend equivalents, stock appreciation rights, long-term incentive units, cash performance bonuses and other incentive awards. Only employees are eligible to receive incentive stock options under the Amended and Restated 2004 Incentive Award Plan. Initially, we had reserved a total of 4,474,102 shares of common stock for issuance pursuant to the 2004 Incentive Award Plan, subject to certain adjustments set forth in the 2004 Incentive Award Plan. On May 2, 2007, Digital Realty Trust, Inc.'s stockholders approved the First Amended and Restated Digital Realty Trust, Inc., Digital Services, Inc. and Digital Realty Trust, L.P. 2004 Incentive Award Plan (as amended, the Amended and Restated 2004 Incentive Award Plan). The Amended and Restated 2004 Incentive Award Plan increases the aggregate number of shares of stock which may be issued or transferred under the plan by 5,000,000 shares to a total of 9,474,102 shares, and provides that the maximum number of shares of stock with respect to awards granted to any one participant during a calendar year will be 1,500,000 and the maximum amount that may be paid in cash during any calendar year with respect to any performance-based award not denominated in stock or otherwise for which the foregoing limitation would not be an effective limitation for purposes of Section 162(m) of the Code will be \$10.0 million.

As of June 30, 2012, 3,494,942 shares of common stock or awards convertible into or exchangeable for common stock remained available for future issuance under the Amended and Restated 2004 Incentive Award Plan. Each long-term incentive unit and Class C Unit issued under the Amended and Restated 2004 Incentive Award Plan will count as one share of common stock for purposes of calculating the limit on shares that may be issued under the Amended and Restated 2004 Incentive Award Plan and the individual award limit discussed above.

(a) Long-Term Incentive Units

Long-term incentive units, which are also referred to as profits interest units, may be issued to eligible participants for the performance of services to or for the benefit of the Operating Partnership. Long-term incentive units, whether vested or not, will receive the same quarterly per unit distributions as Operating Partnership common units, which equal per share distributions on Digital Realty Trust, Inc. common stock. Initially, long-term incentive units do not have full parity with common units with respect to liquidating distributions. If such parity is reached, vested long-term incentive units may be converted into an equal number of common units of the Operating Partnership at any time, and thereafter enjoy all the rights of common units of the Operating Partnership, including redemption rights.

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
June 30, 2012 and 2011
(unaudited)

In order to achieve full parity with common units, long-term incentive units must be fully vested and the holder's capital account balance in respect of such long-term incentive units must be equal to the capital account balance of a holder of an equivalent number of common units. The capital account balance attributable to each common unit is generally expected to be the same, in part because of the amount credited to a partner's capital account upon the partner's contribution of property to the Operating Partnership, and in part because the partnership agreement provides, in most cases, that allocations of income, gain, loss and deduction (which will adjust the partner's capital accounts) are to be made to the common units on a proportionate basis. As a result, with respect to a number of long-term incentive units, it is possible to determine the capital account balance of an equivalent number of common units by multiplying the number of long-term incentive units by the capital account balance with respect to a common unit.

A partner's initial capital account balance is equal to the amount the partner paid (or contributed to the Operating Partnership) for the partner's units and is subject to subsequent adjustments, including with respect to the partner's share of income, gain or loss of the Operating Partnership. Because a holder of long-term incentive units generally will not pay for the long-term incentive units, the initial capital account balance attributable to such long-term incentive units will be zero. However, the Operating Partnership is required to allocate income, gain, loss and deduction to the partner's capital accounts in accordance with the terms of the partnership agreement, subject to applicable Treasury Regulations. The partnership agreement provides that holders of long-term incentive units will receive special allocations of gain in the event of a sale or "hypothetical sale" of assets of the Operating Partnership prior to the allocation of gain to Digital Realty Trust, Inc. or other limited partners with respect to their common units. The amount of such allocation will, to the extent of any such gain, be equal to the difference between the capital account balance of a holder of long-term incentive units attributable to such units and the capital account balance attributable to an equivalent number of common units. If and when such gain allocation is fully made, a holder of long-term incentive units will have achieved full parity with holders of common units. To the extent that, upon an actual sale or a "hypothetical sale" of the Operating Partnership's assets as described above, there is not sufficient gain to allocate to a holder's capital account with respect to long-term incentive units, or if such sale or "hypothetical sale" does not occur, such units will not achieve parity with common units.

The term "hypothetical sale" refers to circumstances that are not actual sales of the Operating Partnership's assets but that require certain adjustments to the value of the Operating Partnership's assets and the partners' capital account balances. Specifically, the partnership agreement provides that, from time to time, in accordance with applicable Treasury Regulations, the Operating Partnership will adjust the value of its assets to equal their respective fair market values, and adjust the partners' capital accounts, in accordance with the terms of the partnership agreement, as if the Operating Partnership sold its assets for an amount equal to their value. Times for making such adjustments generally include the liquidation of the Operating Partnership, the acquisition of an additional interest in the Operating Partnership by a new or existing partner in exchange for more than a de minimis capital contribution, the distribution by the Operating Partnership to a partner of more than a de minimis amount of partnership property as consideration for an interest in the Operating Partnership, in connection with the grant of an interest in the Operating Partnership (other than a de minimis interest) as consideration for the performance of services to or for the benefit of the Operating Partnership (including the grant of a long-term incentive unit), and at such other times as may be desirable or required to comply with the Treasury Regulations.

During the six months ended June 30, 2012 and 2011, certain employees were granted an aggregate of 79,237 and 84,873 long-term incentive units, respectively. During the six months ended June 30, 2012 and 2011, certain employees were also granted an aggregate of 86,843 and 98,632 long-term incentive units, respectively, which, in addition to a service condition, are subject to a performance condition that impacts the number of units which ultimately vests. The performance condition is based upon our achievement of the respective fiscal years' Funds From Operations, or FFO, per share targets. Upon evaluating the results of the performance condition, the final number of units is determined and such units vest based on satisfaction of the service conditions. The service conditions of the awards provide for 20% vesting on each of the first and second anniversaries of the grant date and 30% vesting on each of the third and fourth anniversaries of the grant date, provided the grantee continues employment on each anniversary date. Based on our 2011 FFO per diluted share and unit, all of the 2011 long-term incentive units satisfied the performance condition. The grant date fair values, which equal the market price of Digital Realty Trust, Inc. common stock, are being expensed on a straight-line basis for service awards over the vesting period of the long-term incentive units, which ranges from three to five years. For performance based awards, we expense the fair value using an accelerated method with each vesting tranche valued as a separate award.

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
June 30, 2012 and 2011
(unaudited)

The expense recorded for the three months ended June 30, 2012 and 2011 related to long-term incentive units was approximately \$2.9 million and \$2.5 million, respectively, and approximately \$5.1 million and \$4.4 million for the six months ended June 30, 2012 and 2011, respectively. We capitalized amounts relating to compensation expense of employees direct and incremental to construction and successful leasing activities of approximately \$0.2 million for the three months ended June 30, 2012 and 2011 and approximately \$0.4 million for the six months ended June 30, 2012 and 2011. Unearned compensation representing the unvested portion of the long-term incentive units totaled \$17.9 million and \$12.7 million as of June 30, 2012 and December 31, 2011, respectively. We expect to recognize this unearned compensation over the next 2.9 years on a weighted average basis.

(b) Class C Profits Interest Units

On May 2, 2007, we granted awards of Class C Profits Interest Units of the Operating Partnership or similar stock-based performance awards, which we refer to collectively as the Class C Units, under the Amended and Restated 2004 Incentive Award Plan (2007 Grant) to each of our named executive officers and certain other officers and employees.

The Class C Units subject to this award were subject to vesting based on the achievement of a total stockholder return (which we refer to as the market condition) as measured on November 1, 2008 (which we refer to as the first measurement date) and May 1, 2010 (which we refer to as the second measurement date).

We previously determined that the market condition with respect to the first measurement date was not achieved. On May 1, 2010, we determined that 593,316 of the Class C Units and 20,169 shares of restricted stock subject to the 2007 Grant satisfied the market condition on the second measurement date (May 1, 2010), with the value of these units equal to the maximum amount of the award pool payable pursuant to the 2007 Grant on the second measurement date. Of the Class C Units that satisfied the market condition on May 1, 2010, 60% vested on May 1, 2010 and the remaining 40% will vest ratably each month thereafter for 24 months.

The fair value of the 2007 Grant was measured on the grant date using a Monte Carlo simulation to estimate the probability of the multiple market conditions being satisfied. The Monte Carlo simulation uses a statistical formula underlying the Black-Scholes and binomial formulas, and such simulation was run approximately 100,000 times. For each simulation, the value of the payoff was calculated at the settlement date and was then discounted to the grant date at a risk-free interest rate. The expected value of the Class C Units on the grant date was determined by multiplying the average of the values over all simulations by the number of outstanding shares of Digital Realty Trust, Inc. common stock and Operating Partnership units. The valuation was performed in a risk-neutral framework, so no assumption was made with respect to an equity risk premium. Other significant assumptions used in the valuation included an expected term of 36 months, expected stock price volatility of 23%, a risk-free interest rate of 4.6%, and a dividend growth rate of 5.0%. The fixed award limit under the plan was \$17 million for the first market condition and \$40 million for the second market condition, and there were 69.2 million shares of Digital Realty Trust, Inc. common stock and Operating Partnership units outstanding as of the 2007 grant date. The grant date fair value of these awards of approximately \$11.8 million will be recognized as compensation expense on a straight-line basis over the expected service period of five years, which ended during the three months ended June 30, 2012. The unearned compensation as of June 30, 2012 and December 31, 2011 was \$0 and \$0.6 million, respectively. As of June 30, 2012, all of the Class C Units subject to the 2007 Grant had vested. We recognized compensation expense related to the Class C Units subject to the 2007 Grant of \$0.1 million and \$0.5 million for the three months ended June 30, 2012 and 2011, respectively, and \$0.5 million and \$1.1 million for the six months ended June 30, 2012 and 2011, respectively. We capitalized amounts relating to compensation expense of employees direct and incremental to construction and successful leasing activities of approximately \$23,000 and \$0.1 million for the three months ended June 30, 2012 and 2011, respectively, and approximately \$0.1 million for the six months ended June 30, 2012 and 2011.

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
June 30, 2012 and 2011
(unaudited)

(c) Stock Options

The fair value of each option granted under the Amended and Restated 2004 Incentive Award Plan is estimated on the date of the grant using the Black-Scholes option-pricing model. For the six months ended June 30, 2012 and 2011, no stock options were granted. The fair values are being expensed on a straight-line basis over the vesting period of the options, which ranges from four to five years. The expense recorded for the three months ended June 30, 2012 and 2011 was approximately \$42,000 and \$0.2 million, respectively, and approximately \$0.2 million and \$0.4 million for the six months ended June 30, 2012 and 2011, respectively. We capitalized amounts relating to compensation expense of employees direct and incremental to construction and successful leasing activities of approximately \$18,000 and \$0.1 million for the three months ended June 30, 2012 and 2011, respectively, and approximately \$0.1 million for the six months ended June 30, 2012 and 2011. Unearned compensation representing the unvested portion of the stock options totaled \$0 and \$0.3 million as of June 30, 2012 and December 31, 2011, respectively. All unearned compensation has been recognized as of June 30, 2012.

The following table summarizes the Amended and Restated 2004 Incentive Award Plan's stock option activity for the six months ended June 30, 2012:

	Period ended June 30, 2012	
	Shares	Weighted average exercise price
Options outstanding, beginning of period	337,760	\$ 24.17
Exercised	(56,775)	35.32
Cancelled / Forfeited	(151)	41.73
Options outstanding, end of period	<u>280,834</u>	\$ 21.91
Exercisable, end of period	<u>280,834</u>	\$ 21.91

The following table summarizes information about stock options outstanding and exercisable as of June 30, 2012:

Exercise price	Options outstanding				Options exercisable			
	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Aggregate intrinsic value	Number exercisable	Weighted average remaining contractual life (years)	Weighted average exercise price	Aggregate intrinsic value
\$12.00-13.02	173,540	2.33	\$ 12.00	\$10,945,168	173,540	2.33	\$ 12.00	\$10,945,168
\$20.37-28.09	17,000	3.39	21.28	914,460	17,000	3.39	21.28	914,460
\$33.18-41.73	90,294	4.80	41.07	3,070,192	90,294	4.80	41.07	3,070,192
	<u>280,834</u>	<u>3.19</u>	<u>\$ 21.91</u>	<u>\$14,929,820</u>	<u>280,834</u>	<u>3.19</u>	<u>\$ 21.91</u>	<u>\$14,929,820</u>

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
June 30, 2012 and 2011
(unaudited)

(d) Restricted Stock

During the six months ended June 30, 2012 and 2011, certain employees were granted an aggregate of 45,184 and 40,807 shares of restricted stock, respectively. During the six months ended June 30, 2012 and 2011, certain employees were also granted an aggregate of 52,947 and 50,999 shares of restricted stock, respectively, which, in addition to a service condition, are subject to a performance condition that impacts the number of shares which ultimately vests. The performance condition is based upon our achievement of the respective year's FFO per share targets. Upon evaluating the results of the performance condition, the final number of shares is determined and such shares vest based on satisfaction of the service conditions. The service conditions of the awards provide for 20% vesting on each of the first and second anniversaries of the grant date and 30% vesting on each of the third and fourth anniversaries of the grant date provided the grantee continues employment on each anniversary date. Based on our 2011 FFO per diluted share and unit, all of the 2011 restricted stock satisfied the performance condition.

The grant date fair values, which equal the market price of Digital Realty Trust, Inc. common stock, are being expensed on a straight-line basis for service awards over the vesting period of the restricted stock, which ranges from three to four years. For performance based awards, we expense the fair value using an accelerated method with each vesting tranche valued as a separate award.

The expense recorded for the three months ended June 30, 2012 and 2011 related to grants of restricted stock was approximately \$0.8 million and \$0.5 million, respectively, and approximately \$1.4 million and \$1.0 million for the six months ended June 30, 2012 and 2011, respectively. We capitalized amounts relating to compensation expense of employees direct and incremental to construction and successful leasing activities of approximately \$0.5 million and \$0.4 million for the three months ended June 30, 2012 and 2011, respectively, and approximately \$0.9 million and \$0.7 million for the six months ended June 30, 2012 and 2011, respectively. Unearned compensation representing the unvested portion of the restricted stock totaled \$10.0 million and \$5.5 million as of June 30, 2012 and December 31, 2011, respectively. We expect to recognize this unearned compensation over the next 3.1 years on a weighted average basis.

13. Derivative Instruments

Currently, we use interest rate caps and swaps to manage our interest rate risk. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves.

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
June 30, 2012 and 2011
(unaudited)

To comply with the provisions of fair value accounting guidance, we incorporate credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of our derivative contracts for the effect of nonperformance risk, we have considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Although we have determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by us and our counterparties. However, as of December 31, 2011, we have assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our derivative positions and have determined that the credit valuation adjustments are not significant to the overall valuation of our derivatives. As a result, we have determined that our derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy. We do not have any fair value measurements on a recurring basis using significant unobservable inputs (Level 3) as of June 30, 2012 or December 31, 2011.

Cash Flow Hedges of Interest Rate Risk

Our objectives in using interest rate derivatives are to add stability to interest expense and to manage our exposure to interest rate movements related to US LIBOR, GBP LIBOR and EURIBOR based mortgage loans as well as the unsecured term loan. To accomplish this objective, we primarily use interest rate swaps and caps as part of our interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. Under an interest rate cap, if the reference interest rate, such as one-month LIBOR, increases above the cap rate, the holder of the instrument receives a payment based on the notional value of the instrument, the length of the period, and the difference between the current reference rate and the cap rate. If the reference rate increases above the cap rate, the payment received under the interest rate cap will offset the increase in the payments due under the variable rate notes payable.

We record all our interest rate swaps and caps on the condensed consolidated balance sheet at fair value. In determining the fair value of our interest rate swaps and caps, we consider the credit risk of our counterparties. These counterparties are generally larger financial institutions engaged in providing a variety of financial services. These institutions generally face similar risks regarding adverse changes in market and economic conditions, including, but not limited to, fluctuations in interest rates, exchange rates, equity and commodity prices and credit spreads. The current and pervasive disruptions in the financial markets have heightened the risks to these institutions.

Interest rate caps are viewed as a series of call options or caplets which exist for each period the cap agreement is in existence. As each caplet expires, the related cost of the expired caplet is amortized to interest expense with the remaining caplets carried at fair value. The value of interest rate caps is primarily impacted by interest rates, market expectations about interest rates, and the remaining life of the instrument. In general, increases in interest rates, or anticipated increases in interest rates, will increase the value of interest rate caps. As the remaining life of an interest rate cap decreases, the value of the instrument will generally decrease towards zero. The purchase price of an interest rate cap is amortized to interest expense over the contractual life of the instrument. For interest rate caps that are designated as cash flow hedges under accounting guidance as it relates to derivative instruments, the change in the fair value of an effective interest rate cap is recorded to accumulated other comprehensive income in equity. Amounts we are entitled to under interest rate caps, if any, are recognized on an accrual basis, and are recorded as a reduction against interest expense in the accompanying condensed consolidated statements of operations.

Our agreements with some of our derivative counterparties provide that (1) we could be declared in default on our derivative obligations if repayment of any of our indebtedness over \$75.0 million is accelerated by the lender due to our default on the indebtedness and (2) we could be declared in default on a certain derivative obligation if we default on any of our indebtedness, including a default where repayment of underlying indebtedness has not been accelerated by the lender.

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive income (loss) and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During 2012, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt. The fair value of these derivatives was (\$6.6) million and (\$5.5) million at June 30, 2012 and December 31, 2011, respectively. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. During the three and six months ended June 30, 2012 and 2011, respectively, there were no ineffective portions to our interest rate swaps.

Amounts reported in accumulated other comprehensive loss related to interest rate swaps will be reclassified to interest expense as interest payments are made on our debt. As of June 30, 2012, we estimate that an additional \$4.7 million will be reclassified as an increase to interest expense during the twelve months ending June 30, 2013, when the hedged forecasted transactions impact earnings.

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
June 30, 2012 and 2011
(unaudited)

As of June 30, 2012 and December 31, 2011, we had the following outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk (in thousands):

<u>Notional Amount</u>		<u>Type of Derivative</u>	<u>Strike Rate</u>	<u>Effective Date</u>	<u>Expiration Date</u>	<u>Fair Value at Significant Other Observable Inputs (Level 2)</u>	
<u>As of June 30, 2012</u>	<u>As of December 31, 2011</u>					<u>As of June 30, 2012</u>	<u>As of December 31, 2011</u>
\$67,265(1)	\$ 66,563(1)	Swap	2.980	April 6, 2009	Nov. 30, 2013	\$ (2,100)	\$ (2,363)
12,910(2)	13,319(2)	Swap	3.981	May 17, 2006	Jul. 18, 2013	(458)	(583)
9,341(2)	9,636(2)	Swap	4.070	Jun. 23, 2006	Jul. 18, 2013	(340)	(435)
8,220(2)	8,480(2)	Swap	3.989	Jul. 27, 2006	Oct. 18, 2013	(360)	(432)
—	39,483(2)	Swap	3.776	Dec. 5, 2006	Jan. 18, 2012(3)	—	(41)
—	33,946(2)	Swap	4.000	Dec. 20, 2006	Jan. 18, 2012(3)	—	(38)
38,001(2)	38,883(2)	Swap	2.703	Dec. 3, 2009	Sep. 4, 2014	(1,695)	(1,592)
206,000(6)	—	Swap	0.932	Jun. 18, 2012	Apr. 18, 2017	(1,682)	—
—	16,163	Cap	4.000	June 24, 2009	June 25, 2012(4)	—	—
—	20,500	Cap	4.000	Aug. 4, 2010	June 15, 2013(5)	—	—
<u>\$341,737</u>	<u>\$ 246,973</u>					<u>\$ (6,635)</u>	<u>\$ (5,484)</u>

- (1) Translation to U.S. dollars is based on exchange rate of \$1.57 to £1.00 as of June 30, 2012 and \$1.55 to £1.00 as of December 31, 2011.
- (2) Translation to U.S. dollars is based on exchange rate of \$1.27 to €1.00 as of June 30, 2012 and \$1.30 to €1.00 as of December 31, 2011.
- (3) The swap agreements were terminated as the mortgage loans were paid in full at maturity in January 2012.
- (4) This cap agreement was terminated on April 27, 2012 as the mortgage loan was paid in full on April 26, 2012.
- (5) This cap agreement was terminated on May 9, 2012 as the loans were paid in full on May 4, 2012.
- (6) Represents the U.S. Dollar portion of the unsecured term loan.

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
June 30, 2012 and 2011
(unaudited)

14. Fair Value of Instruments

We disclose fair value information about all financial instruments, whether or not recognized in the condensed consolidated balance sheets, for which it is practicable to estimate fair value.

Current accounting guidance requires the Company to disclose fair value information about all financial instruments, whether or not recognized in the balance sheets, for which it is practicable to estimate fair value. The Company's disclosures of estimated fair value of financial instruments at June 30, 2012 and December 31, 2011 were determined using available market information and appropriate valuation methods. Considerable judgment is necessary to interpret market data and develop estimated fair value. The use of different market assumptions or estimation methods may have a material effect on the estimated fair value amounts.

The carrying amounts for cash and cash equivalents, restricted cash, accounts and other receivables, accounts payable and other accrued liabilities, security deposits and prepaid rents approximate fair value because of the short-term nature of these instruments. As described in note 13, the interest rate cap and interest rate swaps are recorded at fair value.

We calculate the fair value of our mortgage loans, unsecured senior notes and exchangeable senior debentures based on currently available market rates assuming the loans are outstanding through maturity and considering the collateral and other loan terms. In determining the current market rate for fixed rate debt, a market spread is added to the quoted yields on federal government treasury securities with similar maturity dates to debt. The carrying value of our global revolving credit facility approximates fair value, due to the short-term nature of this instrument along with the variability of interest rates.

As of June 30, 2012 and December 31, 2011, the aggregate estimated fair value and carrying value of our global revolving credit facility, unsecured senior notes, exchangeable senior debentures, mortgage loans and other secured loan were as follows (in thousands):

	<u>As of June 30, 2012</u>		<u>As of December 31, 2011</u>	
	<u>Estimated Fair Value</u>	<u>Carrying Value</u>	<u>Estimated Fair Value</u>	<u>Carrying Value</u>
Global revolving credit facility ⁽¹⁾	\$ 324,476	\$ 324,476	\$ 275,106	\$ 275,106
Unsecured term loan	520,942	520,942	—	—
Unsecured senior notes ⁽²⁾⁽³⁾	1,566,087	1,441,569	1,502,271	1,441,072
Exchangeable senior debentures ⁽²⁾	491,740	266,400	438,327	266,400
Mortgage loans ⁽²⁾	895,934	846,825	1,007,615	947,132
Other secured loan	—	—	10,688	10,500
	<u>\$ 3,799,179</u>	<u>\$ 3,400,212</u>	<u>\$ 3,234,007</u>	<u>\$ 2,940,210</u>

- (1) The carrying value of our global revolving credit facility approximates estimated fair value, due to the short-term nature of this instrument along with the variability of interest rates.
- (2) Valuations for our unsecured senior notes, mortgage loans and other secured loan are determined based on the expected future payments discounted at risk-adjusted rates. The 2015 Notes, 2020 Notes, 2021 Notes and exchangeable senior debentures are valued based on quoted market prices.
- (3) The carrying value of the 2015 Notes, 2020 Notes and 2021 Notes are net of discount of \$8,430 and \$8,928 in the aggregate as of June 30, 2012 and December 31, 2011, respectively.

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
June 30, 2012 and 2011
(unaudited)

15. Related Party Transactions

In December 2006, we entered into ten leases with The tel(x) Group, Inc., or tel(x), pursuant to which tel(x) provides enhanced meet-me-room services to our customers. The initial terms of these leases expire in 2026, and tel(x) has options to extend them through 2046. tel(x) was acquired by GI Partners Fund II, LLP in November 2006, which, collectively with GI Partners Side Fund II, L.P., owned the majority of the outstanding stock of tel(x). Richard Magnuson, our director and Chairman until our 2012 Annual Meeting of Stockholders, or the Annual Meeting, is the chief executive officer of the advisor to GI Partners Fund II, LLP and GI Partners Side Fund II, L.P. During the year ended December 31, 2011, GI Partners Fund II, LLP and GI Partners Side Fund II, L.P. completed the sale of tel(x) to an unrelated third party. Our condensed consolidated statements of operations include rental revenues of approximately \$11.3 million and \$10.7 million from tel(x) for the three months ended June 30, 2012 and 2011, respectively, and approximately \$21.7 million and \$19.5 million for the six months ended June 30, 2012 and 2011, respectively, from leases entered into before tel(x) was sold to an unrelated third party. In connection with the lease agreements, we entered into an operating agreement with tel(x), effective as of December 1, 2006, with respect to joint sales and marketing efforts, designation of representatives to manage the national relationship between us and tel(x) and future meet-me-room facilities. As of June 30, 2012 and December 31, 2011, tel(x) leased from us 259,294 square feet under 43 lease agreements and 254,314 square feet under 41 lease agreements, respectively; all but two leases for 4,980 square feet, were entered into prior to the sale of tel(x) to an unrelated third party in September 2011.

We also entered into an agreement with tel(x), effective as of December 1, 2006, with respect to percentage rent arising out of potential future lease agreements for rentable space in buildings covered by the meet-me-room lease agreements. Percentage rent earned during the three months ended June 30, 2012 and 2011 amounted to approximately \$1.1 million and \$0.6 million, respectively, and \$1.4 million and \$0.7 million during the six months ended June 30, 2012 and 2011, respectively. In addition, in connection with the lease agreements, we entered into a management agreement with tel(x), effective as of December 1, 2007, pursuant to which tel(x) agreed to provide us with certain management services in exchange for a management fee of one percent of rents actually collected by tel(x).

We are party to nine leases with SoftLayer, all of which are in place as of June 30, 2012. The initial terms of these leases expire from 2013 to 2025, and SoftLayer has options to extend them from 2018 through 2035. On August 3, 2010, GI Partners Fund III, L.P. acquired a controlling interest in SoftLayer. Richard Magnuson, our director and Chairman until our Annual Meeting, is also a manager of the general partner to GI Partners Fund III, L.P. Our condensed consolidated statements of operations include rental revenues of approximately \$14.5 million and \$4.6 million from SoftLayer for the three months ended June 30, 2012 and 2011, respectively, and approximately \$21.7 million and \$6.9 million for the six months ended June 30, 2012 and 2011, respectively.

Mr. Magnuson did not stand for re-election to our Board of Directors at our Annual Meeting. His term as a member of our Board of Directors and our Chairman ended effective April 23, 2012, the date of the Annual Meeting.

DIGITAL REALTY TRUST, INC. AND SUBSIDIARIES
DIGITAL REALTY TRUST, L.P. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
June 30, 2012 and 2011
(unaudited)

16. Commitments and Contingencies

We have agreed with the seller of 350 East Cermak Road to share a portion, not to exceed \$135,000 per month, of rental revenue, adjusted for our costs to lease the premises, from the leases of the 192,000 square feet of space held for redevelopment. This revenue sharing agreement terminated in May 2012. We made payments of approximately \$0.7 million and \$0.8 million to the seller during the six months ended June 30, 2012 and 2011, respectively.

As part of the acquisition of 29A International Business Park, the seller could earn additional consideration based on future net operating income growth in excess of certain performance targets, as defined. As of June 30, 2012, construction is not complete and none of the leases executed subsequent to purchase would cause an amount to become probable of payment and therefore no amount is accrued as of June 30, 2012. The maximum amount that could be earned by the seller is \$50.0 million SGD (or approximately \$39.5 million based on the exchange rate as of June 30, 2012). The earnout contingency expires in November 2020.

One of the tenants at our Convergence Business Park property has an option to expand as part of their lease agreement, which expires in April 2017. As part of this option, development activities are not permitted on specifically identified expansion space within the property until April 2014. If the tenant elects to take this option, we can elect one of two options. The first option is to construct and develop an additional shell building on the expansion space. Concurrent with this obligation, the tenant would execute an amendment to the existing lease to reflect the expansion of the space and include the additional shell building. The second option is to sell the existing building and the expansion space to the tenant for a price of approximately \$24.0 million and \$225,000 per square acre, respectively, plus additional adjustments as provided in the lease.

As part of the acquisition of the noncontrolling interest in the entity that owns 800 Central Expressway from our joint venture partner, the partner could earn additional consideration if between May 4, 2012 and January 31, 2013, we enter into a qualifying lease for this property, as defined in the agreement. As of June 30, 2012 no leases were executed for this property that would cause an amount to become probable of payment and therefore, no amount is accrued as of June 30, 2012.

Our properties require periodic investments of capital for tenant-related capital expenditures and for general capital improvements and from time to time in the normal course of our business, we enter into various construction contracts with third parties that may obligate us to make payments. At June 30, 2012, we had open commitments related to construction contracts of approximately \$223.6 million.

17. Subsequent Events

On July 2, 2012, we completed an offering of 11,500,000 shares of common stock for total net proceeds, after deducting discounts and estimated expenses, of approximately \$796.8 million. We used the net proceeds from the offering to fund a portion of the purchase price for the acquisition of the Sentrum Portfolio and the balance of the proceeds to temporarily repay borrowings under our global revolving credit facility

On July 19, 2012, we declared the following dividends per share and the Operating Partnership declared an equivalent distribution per unit:

<u>Share Class</u>	<u>Series D Preferred Stock and Unit</u>	<u>Series E Preferred Stock and Unit</u>	<u>Series F Preferred Stock and Unit</u>	<u>Common stock and common unit</u>
Dividend and distribution amount	\$ 0.343750	\$ 0.437500	\$ 0.4140625	\$ 0.730000
Dividend and distribution payable date	September 28, 2012	September 28, 2012	September 28, 2012	September 28, 2012
Dividend payable to shareholders of record on	September 14, 2012	September 14, 2012	September 14, 2012	September 14, 2012
Annual equivalent rate of dividend and distribution	\$ 1.375	\$ 1.750	\$ 1.65625	\$ 2.920

On July 16, 2012, we exercised a portion of the accordion feature under the global revolving credit facility for \$300 million US dollar equivalent, which is expected to close in early August 2012.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion should be read in conjunction with the condensed consolidated financial statements and notes thereto appearing elsewhere in this report. This report contains forward-looking statements within the meaning of the federal securities laws. In particular, statements pertaining to our capital resources, expected use of proceeds from our equity distribution program and other securities offerings, expected use of borrowings under our credit facilities, portfolio performance, leverage policy, acquisition and capital expenditure plans, supply and demand for data center space, and expected rental rates on new or renewed data center space, as well as our discussion of “Factors Which May Influence Future 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,” “approximately,” “intends,” “plans,” “pro forma,” “estimates” or “anticipates” or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and discussions 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 that may be incorrect or imprecise and that we may not be able to realize. 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: the impact of the recent deterioration in global economic, credit and market conditions, including the downgrade of the U.S. government’s credit rating; current local economic conditions in our geographic markets; decreases in information technology spending, including as a result of economic slowdowns or recession; adverse economic or real estate developments in our industry or the industry sectors that we sell to (including risks relating to decreasing real estate valuations and impairment charges); our dependence upon significant tenants; bankruptcy or insolvency of a major tenant or a significant number of smaller tenants; defaults on or non-renewal of leases by tenants; our failure to obtain necessary debt and equity financing; increased interest rates and operating costs; risks associated with using debt to fund our business activities, including re-financing and interest rate risks, our failure to repay debt when due, adverse changes in our credit ratings or our breach of covenants or other terms contained in our loan facilities and agreements; financial market fluctuations; changes in foreign currency exchange rates; our inability to manage our growth effectively; difficulty acquiring or operating properties in foreign jurisdictions; our failure to successfully integrate and operate acquired or redeveloped properties or businesses; risks related to joint venture investments, including as a result of our lack of control of such investments; delays or unexpected costs in development or redevelopment of properties; decreased rental rates or increased vacancy rates; increased competition or available supply of data center space; our inability to successfully develop and lease new properties and space held for redevelopment; difficulties in identifying properties to acquire and completing acquisitions; our inability to acquire off-market properties; our inability to comply with the rules and regulations applicable to reporting companies; Digital Realty Trust, Inc.’s failure to maintain its status as a REIT; possible adverse changes to tax laws; restrictions on our ability to engage in certain business activities; environmental uncertainties and risks related to natural disasters; losses in excess of our insurance coverage; changes in foreign laws and regulations, including those related to taxation and real estate ownership and operation; and changes in local, state and federal regulatory requirements, including 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.

The risks included here are not exhaustive, and additional factors could adversely affect our business and financial performance, including factors and risks included in other sections of this report, including under Part II, Item 1A, Risk Factors. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can we assess the impact of all such risk factors on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, you should not place undue reliance on forward-looking statements as a prediction of actual results.

Occupancy percentages included in the following discussion, for some of our properties, are calculated based on factors in addition to contractually leased square feet, including available power, required support space and common area.

Overview

Our company. Digital Realty Trust, Inc. completed its initial public offering of common stock, or our IPO, on November 3, 2004. We believe that we have operated in a manner that has enabled us to qualify, and have elected to be treated, as a REIT under Sections 856 through 860 of the Code. Our company was formed on March 9, 2004. During the period from our formation until we commenced operations in connection with the completion of our IPO, we did not have any corporate activity other than the issuance of shares of Digital Realty Trust, Inc. common stock in connection with the initial capitalization of the company. Our operating partnership was formed on July 21, 2004.

[Table of Contents](#)

Business and strategy. Our primary business objectives are to maximize: (i) sustainable long-term growth in earnings and funds from operations per share and unit and (ii) cash flow and returns to our stockholders and our operating partnership's unitholders, including through the payment of distributions. We expect to achieve our objectives by focusing on our core business of investing in and redeveloping technology-related real estate. 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. We target high quality, strategically located properties containing applications and operations critical to the day-to-day operations of corporate enterprise datacenter and technology industry tenants and properties that may be redeveloped for such use. Most of our properties contain fully redundant electrical supply systems, multiple power feeds, above-standard precision cooling systems, raised floor areas, extensive in-building communications cabling and high-level security systems. We focus solely on technology-related real estate because we believe that the growth in corporate datacenter adoption and the technology-related real estate industry generally will continue to be superior to that of the overall economy.

As of June 30, 2012, we owned an aggregate of 105 technology-related real estate properties, excluding three properties held as investments in unconsolidated joint ventures, with approximately 20.1 million rentable square feet including approximately 2.2 million square feet of space held for redevelopment. At June 30, 2012, approximately 1,829,000 square feet of space was under construction for Turn-Key FlexSM, Powered Base Building[®] and Build-to-Suit product, all of which are expected to be income producing on or after completion, in 11 U.S. domestic markets, one European market, two Australian markets and Singapore, consisting of approximately 1,034,000 square feet of development projects and 795,000 square feet of redevelopment projects. We have developed detailed, standardized procedures for evaluating acquisitions to ensure that they meet our financial, technical and other criteria. We expect to continue to acquire additional assets as a part of our growth strategy. We intend to aggressively manage and lease our assets to increase their cash flow. We intend to continue to build out our redevelopment portfolio when justified by anticipated returns.

We may acquire properties subject to existing mortgage financing and other indebtedness or we may incur new indebtedness in connection with acquiring or refinancing these properties. Debt service on such indebtedness will have a priority over any cash dividends with respect to Digital Realty Trust, Inc.'s common stock and preferred stock. We currently intend to limit our indebtedness to 60% of our total enterprise value and, based on the closing price of Digital Realty Trust, Inc. common stock on June 30, 2012 of \$75.07, our ratio of debt to total enterprise value was approximately 27% as of June 30, 2012. Our total enterprise value is defined as the sum of the market value of Digital Realty Trust, Inc.'s outstanding common stock (which may decrease, thereby increasing our debt to total enterprise value ratio), excluding options issued under our company's incentive award plan, plus the liquidation value of Digital Realty Trust, Inc.'s preferred stock, plus the aggregate value of our operating partnership's units not held by Digital Realty Trust, Inc. (with the per unit value equal to the market value of one share of its common stock and excluding long-term incentive units and Class C units), plus the book value of our total consolidated indebtedness.

Table of Contents

Revenue base. As of June 30, 2012, we owned 105 properties through our operating partnership, excluding three properties held as investments in unconsolidated joint ventures. These properties are mainly located throughout the U.S., with 15 properties located in Europe, one property in Asia and one property in Canada. We, through our predecessor, acquired our first portfolio property in January 2002 and have added properties as follows:

<u>Year Ended December 31:</u>	<u>Properties Acquired ⁽¹⁾</u>	<u>Net Rentable Square Feet ⁽²⁾</u>	<u>Square Feet of Space Held for Redevelopment as of June 30, 2012 ⁽³⁾</u>
2002	5	1,156,483	46,530
2003	6	1,058,360	—
2004	10	2,544,144	142,325
2005	20	3,388,978	161,319
2006	16	2,173,493	48,105
2007 ⁽⁴⁾	13	2,091,966	216,089
2008	5	343,710	220,538
2009 ⁽⁵⁾	6	904,722	645,089
2010	15	2,039,599	447,863
2011	5	571,930	131,771
2012	4	1,608,472	117,515
Properties owned as of June 30, 2012	<u>105</u>	<u>17,881,857</u>	<u>2,177,144</u>

- (1) Excludes properties sold in 2007 and 2006: 100 Technology Center Drive (March 2007), 4055 Valley View Lane (March 2007) and 7979 East Tufts Avenue (July 2006). Also excludes a leasehold interest acquired in March 2007 related to an acquisition made in 2006.
- (2) Current net rentable square feet as of June 30, 2012, which represents the current square feet at buildings under lease as specified in the applicable lease agreements plus management's estimate of space available for lease based on engineering drawings. 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 and requires a large capital investment in order to build out the space. The amounts included in this table represent redevelopment space as of June 30, 2012 in the properties acquired during the relevant period.
- (4) Includes three developed buildings (43915 Devin Shafron Drive, 43830 Devin Shafron Drive and 43790 Devin Shafron Drive) placed into service in 2010 and 2011 that are being included with a property (Devin Shafron buildings) that was acquired in 2007.
- (5) Includes a developed building (21551 Beaumeade Circle) placed into service in 2011 that is being included with a property (21561 & 21571 Beaumeade Circle) that was acquired in 2009.

As of June 30, 2012, the properties in our portfolio were approximately 93.5% leased excluding 2.2 million square feet held for redevelopment. Due to the capital-intensive and long-term nature of the operations being supported, our lease terms are generally longer than standard commercial leases. As of June 30, 2012, our original average lease term was approximately 14 years, with an average of approximately seven years remaining. The majority of our leasing since the completion of our IPO has been at lease terms shorter than 12 years. Our lease expirations through December 31, 2013 are 6.2% of rentable square feet excluding space held for redevelopment as of June 30, 2012.

Operating revenues from properties outside the United States were \$38.8 million and \$27.5 million for the three months ended June 30, 2012 and 2011, respectively, and \$75.5 million and \$53.2 million for the six months ended June 30, 2012 and 2011, respectively. For the three and six months ended June 30, 2012 and 2011, no single foreign country comprised more than 10% of total revenues.

Factors Which May Influence Future Results of Operations

Global market and economic conditions

In the United States and globally, market and economic conditions have been unprecedented over the past few years and challenging with tighter credit conditions and slower economic growth in all markets in which we own properties and conduct our operations. The U.S. and global economies have experienced a recession and face continued concerns about the

[Table of Contents](#)

systemic impact of adverse economic conditions, such as high energy costs, geopolitical issues, the availability and cost of credit, unstable global financial and mortgage markets, high corporate, consumer and governmental debt levels, high unemployment and declining residential and commercial real estate markets. The current European debt crisis, particularly most recently in Greece, Italy, Ireland, Portugal and Spain, has raised concerns regarding the debt burden of certain countries using the euro as their currency and their ability to meet future financial obligations, the overall stability of the Euro and the suitability of the Euro as a single currency given the diverse economic and political circumstances in individual Eurozone countries. These concerns could lead to the re-introduction of individual currencies in one or more Eurozone countries, or, in more extreme circumstances, the possible dissolution of the Euro currency entirely. Should the Euro be dissolved entirely, the legal and contractual consequences for parties to Euro-denominated contracts are uncertain and would be determined by laws in effect at such time. These potential developments, or market perceptions concerning these and related issues, could adversely affect our leasing activities, rents we receive, potential acquisitions and redevelopment projects in Europe.

As a result of these conditions, general economic conditions and the cost and availability of capital have been and may again be adversely affected in some or all of the markets in which we own properties and conduct our operations. Renewed or increased turbulence in the U.S., European, Asia Pacific and other international financial markets and economies may adversely affect our ability, and the ability of our tenants, to replace or renew maturing liabilities on a timely basis, access the capital markets to meet liquidity and capital expenditure requirements and may result in adverse effects on our, and our tenants', financial condition and results of operations.

In addition, our access to funds under our global revolving credit facility and other lines of credit depend on the ability of the lenders that are parties to such facilities to meet their funding commitments to us. We cannot assure you that long-term disruptions in the global economy and the return of tighter credit conditions among, and potential failures or nationalizations of, third party financial institutions as a result of such disruptions will not have an adverse effect on our lenders. If our lenders are not able to meet their funding commitments to us, our business, results of operations, cash flows and financial condition could be adversely affected.

If we do not have sufficient cash flow to continue operating our business and are unable to borrow additional funds, access our existing lines of credit or raise equity or debt capital, we may need to find alternative ways to increase our liquidity. Such alternatives may include, without limitation, curtailing development or redevelopment activity, disposing of one or more of our properties possibly on disadvantageous terms or entering into or renewing leases on less favorable terms than we otherwise would.

Rental income. The amount of rental income generated by the properties in our portfolio depends on several factors, including our ability to maintain or improve the occupancy rates of currently leased space and to lease currently available space and space available from lease terminations. Excluding 2.2 million square feet held for redevelopment, as of June 30, 2012, the occupancy rate of the properties in our portfolio was approximately 93.5% of our net rentable square feet.

As of June 30, 2012, we had 1,827 leases with a total of 552 tenants. As of June 30, 2012, approximately 86% of our leases (on a rentable square footage basis) contained base rent escalations that were either fixed (generally ranging from 2% to 4%) or indexed based on a consumer price index or other similar inflation related index. We cannot assure you that these escalations will cover any increases in our costs or will otherwise keep rental rates at or above market rates.

The amount of rental income generated by us also depends on our ability to maintain or increase rental rates at our properties. Included in our approximately 17.9 million net rentable square feet, excluding redevelopment space, at June 30, 2012 is approximately 355,000 net rentable square feet of space with extensive datacenter improvements that is currently, or will shortly be, available for lease. Since our IPO, we have leased approximately 2,905,000 square feet of similar space. These Turn-Key FlexSM facilities are effective solutions for tenants who prefer to utilize a partner with the expertise or capital budget to provide extensive datacenter infrastructure and security. Our expertise in datacenter construction and operations enables us to lease space to these tenants at a premium over other uses. In addition, as of June 30, 2012, we had approximately 2.2 million square feet of redevelopment space, or approximately 11% of the total rentable space in our portfolio, including four vacant properties comprising approximately 485,000 square feet. Our ability to grow earnings depends in part on our ability to redevelop space and lease redevelopment space at favorable rates, which we may not be able to obtain. Redevelopment space requires significant capital investment in order to develop datacenter facilities that are ready for use and, in addition, we may require additional time or encounter delays in securing tenants for redevelopment space. We may purchase additional vacant properties and properties with vacant redevelopment space in the future. We will require additional capital to finance our redevelopment activities, which may not be available or may not be available on terms acceptable to us, including as a result of the conditions described above under "Global market and economic conditions."

Economic downturns, including as a result of the conditions described above under "Global market and economic conditions," or regional downturns affecting our markets or downturns in the technology-related real estate industry that impair our ability to lease or renew or re-lease space, or otherwise reduce returns on our investments or the ability of our tenants to fulfill their lease commitments, as in the case of tenant bankruptcies, could adversely affect our ability to maintain or increase rental rates at our properties. On September 6, 2011, Solyndra LLC, which subleased space from our direct tenant in one of our buildings, adjacent to Solyndra's newly constructed facility, and its parent company 360 Degree Solar Holdings, Inc. each filed for Chapter 11 bankruptcy in the United States Bankruptcy Court for the District of Delaware. The sublease expired on September 29, 2011 and Solyndra became our direct tenant under a new lease commencing on September 30, 2011 at an initial monthly cash base rent of approximately \$345,500 plus expense reimbursements. We have entered into a stipulation with Solyndra and 360 Degree Holdings which was approved by the Bankruptcy Court. Among other things, under the terms of the stipulation, Solyndra rejected its lease effective no later than April 2, 2012, and we received approximately \$5.6 million, including approximately \$4.7 million that was drawn from a letter of credit issued in connection with Solyndra's lease. In addition, in accordance with the stipulation, we have retained certain unsecured claims in the bankruptcy proceeding, the amount or timing of any recovery of which is uncertain at this time.

[Table of Contents](#)

Scheduled lease expirations. Our ability to re-lease expiring space at rental rates equal to or in excess of current rental rates will impact our results of operations. In addition to approximately 1.2 million square feet of available space in our portfolio, which excludes approximately 2.2 million square feet available for redevelopment as of June 30, 2012, leases representing approximately 1.5% and 4.7% of the net rentable square footage of our portfolio are scheduled to expire during the six months ending December 31, 2012 and the year ending December 31, 2013, respectively.

During the six months ended June 30, 2012, we signed new leases totaling approximately 359,000 square feet of space and renewal leases totaling approximately 592,000 square feet of space. The following table summarizes our leasing activity in the six months ended June 30, 2012:

	<u>Number of Leases (1)</u>	<u>Net Rentable Square Feet (2)</u>	<u>Expiring Rental Rate per Square Foot (3)</u>	<u>New Rental Rate per Square Foot (3)</u>	<u>Rental Rate % Change</u>	<u>Tenant Improvements/ Lease Commissions per Square Foot (4)</u>	<u>Weighted Average Lease Term (months)</u>
Leasing Activity (5)(6)							
Renewals Signed							
Turn-Key Flex SM	14	165,325	\$ 161.96	\$ 169.01	4.4%	\$ 8.88	95.2
Powered Base Building	11	363,753	\$ 29.98	\$ 36.59	22.1%	\$ 17.07	110.3
Non-technical	22	63,348	\$ 26.14	\$ 26.94	3.1%	\$ 3.71	106.2
New Leases Signed							
Turn-Key Flex SM	35	282,866		\$ 161.09		\$ 45.53	121.5
Powered Base Building	4	52,026		\$ 26.96		\$ 6.53	174.0
Non-technical	20	23,886		\$ 34.72		\$ 7.52	88.7
Leasing Activity Summary (5)							
Turn-Key Flex SM	49	448,191		\$ 164.01			
Powered Base Building	15	415,779		\$ 35.39			
Non-technical	42	87,234		\$ 29.07			

(1) The number of leases represents the leased-unit count; a lease could include multiple units.

(2) For some of our properties, we calculate square footage based on factors in addition to contractually leased square feet, including power, required support space and common area.

(3) Rental rates represent annual estimated cash rent per rentable square foot adjusted for straight-line rents in accordance with GAAP. GAAP rental rates are inclusive of tenant concessions, if any.

(4) Excludes short term leases.

(5) Excludes 27 renewed colocation leases for 23,142 rentable square feet at an average GAAP rental rate of \$179.64 per square foot and 26 new colocation leases for 7,982 rentable square feet at an average GAAP rental rate of \$262.37 per square foot.

(6) Commencement dates for the leases signed range from 2012 to 2013.

Our ability to re-lease or renew expiring space at rental rates equal to or in excess of current rental rates will impact our results of operations. We continue to see strong demand in most of our key markets for datacenter space and expect the rental rates we are likely to achieve on any new (re-leased) or renewed datacenter space leases for 2012 expirations will generally be higher than the rates currently being paid for the same space. For the six months ended June 30, 2012, rents on renewed space increased by an average of 4.4% on a GAAP basis on our Turn-Key FlexSM space compared to the expiring rents and increased by an average of 22.1% on a GAAP basis on our Powered Base Building space compared to the expiring rents. Our past performance may not be indicative of future results, and we cannot assure you that leases will be renewed or that our properties will be re-leased at all or at rental rates equal to or above the current average rental rates. Further, re-leased/renewed rental rates in a particular market may not be consistent with rental rates across our portfolio as a whole due to a number of factors, including local real estate conditions, local supply and demand for datacenter space, competition from other datacenter developers or operators, the condition of the property and whether the property, or space within the property, has been redeveloped.

[Table of Contents](#)

Market concentration. We depend on the market for technology-based real estate in specific geographic regions and significant changes in these regional markets can impact our future results. As of June 30, 2012, our portfolio was geographically concentrated in the following metropolitan markets:

<u>Metropolitan Market</u>	<u>Percentage of June 30, 2012 total annualized rent ⁽¹⁾</u>
Silicon Valley	12.6%
Dallas	10.9%
Northern Virginia	10.3%
New York Metro	9.9%
San Francisco	9.3%
Chicago	9.1%
Phoenix	8.1%
Boston	5.3%
Los Angeles	4.8%
London, England	4.1%
Dublin, Ireland	2.3%
Paris, France	2.3%
Other	11.0%
	<u>100.0%</u>

(1) Annualized rent is monthly contractual rent (defined as cash base rent before abatements) under existing leases as of June 30, 2012 multiplied by 12. The aggregate amount of abatements for the six months ended June 30, 2012 was approximately \$9.2 million.

Operating expenses. Our operating expenses generally consist of utilities, property and ad valorem taxes, property management fees, insurance and site maintenance costs, as well as rental expenses on our ground and building leases. In particular, our buildings require significant power to support the datacenter operations contained in them. Many of our leases contain provisions under which the tenants reimburse us for a portion of property operating expenses and real estate taxes incurred by us. However, we generally are not entitled to reimbursement of property operating expenses and real estate taxes under our leases for Turn-Key FlexSM facilities. We also incur general and administrative expenses, including expenses relating to our asset management function, as well as significant legal, accounting and other expenses related to corporate governance, SEC reporting and compliance with the various provisions of the Sarbanes-Oxley Act. Increases or decreases in such operating expenses will impact our overall performance. We expect to incur additional operating expenses as we continue to expand.

Climate change legislation. In June 2009, the U.S. House of Representatives approved comprehensive clean energy and climate change legislation intended to cut greenhouse gas, or GHG, emissions, create new clean energy jobs and enhance the energy independence of the United States, which included a cap-and-trade program for GHG emissions. The U.S. Senate did not subsequently pass similar legislation and following Congressional elections in November 2010 (in which control of the House of Representatives passed from the Democratic Party to the Republican Party), the likelihood that Congress will pass any climate change and/or energy legislation that would include a cap-and-trade program, or any similar type program, for GHG emissions in 2012 has diminished. As a result, action to reduce GHG emissions likely will be focused on regulatory agencies, primarily the U.S. Environmental Protection Agency, or EPA, and state actions. The EPA has been moving aggressively to regulate GHG emissions from automobiles and large stationary sources, including electricity producers, using its own authority under the Clean Air Act. The EPA made an endangerment finding in 2009 that allows it to create regulations imposing emission reporting, permitting, control technology installation, and monitoring requirements applicable to certain emitters of GHGs, including facilities that provide electricity to our data centers, although the materiality of the impacts will not be known until all regulations are finalized. The EPA has already finalized its GHG "reporting rule," which requires that certain emitters, including electricity generators, monitor and report GHG emissions. The EPA has also finalized its "tailoring rule," which imposes certain permitting and control technology requirements upon newly-constructed or modified facilities which emit GHGs over a certain threshold under the Clean Air Act New Source Review Prevention of

Significant Deterioration, or NSR PSD, and Title V permitting programs. As a result, NSR PSD or Title V permits issued after January 2, 2011, for new or modified electricity generating and other facilities may need to address GHG emissions, including by requiring the installation of Best Available Control Technology. Some of those regulations have been finalized and currently are in litigation. States have also taken actions to regulate GHG emissions. For example, California enacted AB 32, the Global Warming Solutions Act of 2006, which established the first statewide program in the United States to limit GHG emissions and impose penalties for non-compliance. The California Air Resources Board, or CARB, has taken, and plans to take, various actions to implement AB 32, including the approval in December 2008 of an AB 32 Scoping Plan summarizing a number of GHG-reduction strategies for California. CARB approved in December 2010 and revised in October 2011 a GHG cap-and-trade program, which is scheduled to require certain generators and importers of electricity, as well as other entities, to obtain compliance instruments beginning in 2013. As another example of state action, the Western Climate Initiative, which once included seven states and four Canadian provinces, has developed GHG reduction strategies, among them a GHG cap-and-trade program. In addition, since 2005 the European Union (including the United Kingdom) has been operating under a cap-and-trade program, which directly affects the largest emitters of greenhouse gases, including electricity producers from whom we purchase power. Any additional taxation or regulation of energy use, including as a result of (i) new legislation that Congress may pass, (ii) the regulations that the U.S. EPA has proposed or finalized, (iii) regulations under legislation that states have passed or may pass, or (iv) any further reductions in the EU greenhouse gas cap could significantly increase our costs, and we may not be able to effectively pass all of these costs on to our tenants.

Interest rates. As of June 30, 2012, we had approximately \$341.7 million of variable rate debt, subject to interest rate swap agreements, including \$135.7 million of mortgage debt and \$206.0 million on our unsecured term loan, along with \$324.5 million and \$314.9 million of variable rate debt that was outstanding on the global revolving credit facility and the unswapped portion of the unsecured term loan, respectively. The availability of debt and equity capital may decrease as a result of the circumstances described above under “Global market and economic conditions.” The effects on commercial real estate mortgages, if available, include, but may not be limited to: higher loan spreads, tightened loan covenants, reduced loan to value ratios resulting in lower borrower proceeds and higher principal payments. Potential future increases in interest rates and credit spreads may increase our interest expense and fixed charges and negatively affect our financial condition and results of operations, potentially impacting our future access to the debt and equity capital markets. Increased interest rates may also increase the risk that the counterparties to our swap agreements will default on their obligations, which could further increase our interest expense. 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 the cash dividends to Digital Realty Trust, Inc.’s stockholders necessary to maintain its qualification as a REIT.

Demand for datacenter space. Our portfolio of properties consists primarily of technology-related real estate and datacenter real estate in particular. A decrease in the demand for, or increase in supply of, 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 redevelopment activities make us particularly susceptible to general economic slowdowns, including recessions and the other circumstances described above under “Global market and economic conditions,” 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. 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. In addition, demand for datacenter space in our properties, or the rates at which we lease space, may be adversely impacted either across our portfolio or in specific markets as a result of an increase in the number of competitors, or the amount of space being offered in our markets and other markets by our competitors.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP. The preparation of these financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses in the reporting period. Our actual results may differ from these estimates. We have provided a summary of our significant accounting policies in note 2 to our condensed consolidated financial statements included elsewhere in this report. We describe below those accounting policies that require material subjective or complex judgments and that have the most significant impact on our financial condition and consolidated results of operations. Our management evaluates these estimates on an ongoing basis, based upon information currently available and on various assumptions management believes are reasonable as of the date on the front cover of this report.

Investments in Real Estate

Acquisition of real estate. The price that we pay to acquire a property is impacted by many factors including the condition of the property and improvements, the occupancy of the building, the existence of above and below market tenant leases, the creditworthiness of the tenants, favorable or unfavorable financing, above or below market ground leases and numerous other factors. Accordingly, we are required to make subjective assessments to allocate the purchase price paid to acquire investments in real estate among the assets acquired and liabilities assumed based on our estimate of the fair values of such assets and liabilities. This includes determining the value of the property and improvements, land, any ground leases, tenant improvements, in-place tenant leases, tenant relationships, the value (or negative value) of above (or below) market leases, any debt or deferred taxes assumed from the seller or loans made by the seller to us and any building leases assumed from the seller. Each of these estimates requires a great deal of judgment and some of the estimates involve complex calculations. These allocation assessments have a direct impact on our results of operations. For example, if we were to allocate more value to land, there would be no depreciation with respect to such amount. If we were to allocate more value to the property as opposed to allocating to the value of in-place tenant leases, this amount would be recognized as an expense over a much longer period of time. This potential effect occurs because the amounts allocated to property are depreciated over the estimated lives of the property whereas amounts allocated to in-place tenant leases are amortized over the estimated term (including renewal and extension assumptions) of the leases. Additionally, the amortization of the value (or negative value) assigned to above (or below) market rate leases is recorded as an adjustment to rental revenue as compared to amortization of the value of in-place tenant leases and tenant relationships, which is included in depreciation and amortization in our consolidated statements of operations.

Capitalization of costs. Direct and indirect project costs that are clearly associated with the development and redevelopment of properties are capitalized as incurred. Project costs include all costs directly associated with the development or redevelopment of a property, including construction costs, interest, property taxes, insurance, legal fees and costs of personnel working on the project. Indirect costs that do not clearly relate to the projects under development/redevelopment are not capitalized and are charged to expense as incurred.

Capitalization of costs begins when activities, including development of plans, process of obtaining permits from governmental authorities and physical construction, that are necessary to get the asset ready for its intended use are in progress and costs have been incurred. Capitalization of costs ceases when the development/redevelopment project is substantially complete and ready for its intended use. Determining when a development/redevelopment project commences, and when it is substantially complete and ready for its intended use involves a degree of judgment. We generally consider a development/redevelopment project to be substantially complete and ready for its intended use upon recommissioning, which is when the redeveloped/developed project has been tested at full load, or receipt of a certificate of occupancy. We cease cost capitalization if activities necessary for the development / redevelopment of the property have been suspended. Capitalized costs are allocated to the specific components of a project that are benefited.

Useful lives of assets. We are required to make subjective assessments as to the useful lives of our properties for purposes of determining the amount of depreciation to record on an annual basis with respect to our investments in real estate. These assessments have a direct impact on our net income because if we were to shorten the expected useful lives of our investments in real estate we would depreciate such investments over fewer years, resulting in more depreciation expense and lower net income on an annual basis.

Asset impairment evaluation. We review each of our properties for indicators that its carrying amount may not be recoverable. Examples of such indicators may include a significant decrease in the market price of the property, a significant adverse change in the extent or manner in which the property is being used in its physical condition or expected to be used based on the underwriting at the time of acquisition, an accumulation of costs significantly in excess of the amount originally expected for the acquisition or development of the property, or a history of operating or cash flow losses of the property. When such impairment indicators exist, we review an estimate of the future undiscounted net cash flows (excluding interest charges) expected to result from the real estate investment's use and eventual disposition and compare that estimate to the carrying value of the property. We consider factors such as future operating income, trends and prospects, as well as the effects of leasing demand, competition and other factors. If our future undiscounted net cash flow evaluation indicates that we are unable to recover the carrying value of a real estate investment, an impairment loss is recorded to the extent that the carrying value exceeds the estimated fair value of the property. These losses have a direct impact on our net income because recording an impairment loss results in an immediate negative adjustment to net income. The evaluation of anticipated cash flows is highly subjective and is based in part on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results in future periods. Since cash flows on properties considered to be long-lived assets to be held and used are considered on an undiscounted basis to determine whether the carrying value of a

[Table of Contents](#)

property is recoverable, our strategy of holding properties over the long-term directly decreases the likelihood of their carrying values not being recoverable and therefore requiring the recording of an impairment loss. If our strategy changes or market conditions otherwise dictate an earlier sale date, an impairment loss may be recognized and such loss could be material. If we determine that the asset fails the recoverability test, the affected assets must be reduced to their fair value. No such impairment losses have been recognized to date.

We generally estimate the fair value of rental properties utilizing a discounted cash flow analysis that includes projections of future revenues, expenses and capital improvement costs that a market participant would use based on the highest and best use of the asset, which is similar to the income approach that is commonly utilized by appraisers.

Revenue Recognition

Rental income is recognized using the straight-line method over the terms of the tenant leases. Deferred rents included in our condensed consolidated balance sheets represent the aggregate excess of rental revenue recognized on a straight-line basis over the contractual rental payments under the terms of the leases. Many of our leases contain provisions under which the tenants reimburse us for a portion of property operating expenses and real estate taxes incurred by us. However, we generally are not entitled to reimbursement of property operating expenses, other than utility expense, and real estate taxes under our leases for Turn-Key FlexSM facilities. Such reimbursements are recognized in the period that the expenses are incurred. Lease termination fees are recognized over the remaining term of the lease, effective as of the date the lease modification is finalized, assuming collection is not considered doubtful. As discussed above, we recognize amortization of the value of acquired above or below market tenant leases as a reduction of rental income in the case of above market leases or an increase to rental revenue in the case of below market leases.

We must make subjective estimates as to when our revenue is earned and the collectability of our accounts receivable related to minimum rent, deferred rent, expense reimbursements, lease termination fees and other income. We specifically analyze accounts receivable and historical bad debts, tenant concentrations, tenant creditworthiness and current economic trends when evaluating the adequacy of the allowance for bad debts. These estimates have a direct impact on our net income because a higher bad debt allowance would result in lower net income, and recognizing rental revenue as earned in one period versus another would result in higher or lower net income for a particular period.

Share-based Awards

We recognize compensation expense related to share-based awards. We generally amortize this compensation expense over the vesting period of the award. The calculation of the fair value of share-based awards is subjective and requires several assumptions over such items as expected stock volatility, dividend payments and future company results. These assumptions have a direct impact on our net income because a higher share-based awards amount would result in lower net income for a particular period.

Results of Operations

The discussion below relates to our financial condition and results of operations for the three and six months ended June 30, 2012 and 2011. A summary of our operating results for the three and six months ended June 30, 2012 and 2011 is as follows (in thousands):

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Statement of Operations Data:				
Total operating revenues	\$ 303,704	\$ 267,881	\$ 586,852	\$ 518,622
Total operating expenses	(215,255)	(191,161)	(412,487)	(367,237)
Operating income	88,449	76,720	174,365	151,385
Other expenses, net	(34,481)	(38,492)	(71,134)	(74,145)
Net income	<u>\$ 53,968</u>	<u>\$ 38,228</u>	<u>\$ 103,231</u>	<u>\$ 77,240</u>

Our property portfolio has experienced consistent and significant growth since the first property acquisition in January 2002. As a result of this growth, our period-to-period comparison of our financial performance focuses on the impact on our revenues and expenses resulting both from the new property additions to our portfolio, as well as on a "same store" property basis (same store properties are properties that were owned and operated for the entire current period and the entire immediate preceding year). The following table identifies each of the properties in our portfolio acquired from January 1, 2011 through June 30, 2012.

Table of Contents

Acquired Buildings	Acquisition Date	Redevelopment Space as of June 30, 2012 ⁽¹⁾	Net Rentable Square Feet Excluding Redevelopment Space ⁽²⁾	Square Feet Including Redevelopment Space	Occupancy Rate as of June 30, 2012 ⁽³⁾
As of December 31, 2010 (96 properties)					
		1,880,848	15,330,573	17,211,421	92.8%
January 1, 2011 through June 30, 2012					
43830 Devin Shafron Drive	(4) Mar-11	47,010	66,240	113,250	74.6
43790 Devin Shafron Drive	(4) Jun-11	—	152,138	152,138	100.0
Fountain Court	Jul-11	131,771	—	131,771	—
11085 Sun Center Drive	Sep-11	—	69,048	69,048	100.0
21551 Beaumeade Circle	(5) Dec-11	—	152,504	152,504	100.0
1506 Moran Road	Dec-11	—	13,626	13,626	100.0
760 Doug Davis Drive	Dec-11	—	334,306	334,306	100.0
360 Spear Street	Dec-11	—	154,950	154,950	100.0
Convergence Business Park	Feb-12	—	819,243	819,243	98.5
9333, 9355, 9377 Grand Avenue	May-12	117,515	457,429	574,944	100.0
8025 North Interstate 35	May-12	—	62,237	62,237	100.0
400 S. Akard	Jun-12	—	269,563	269,563	84.6
Subtotal		296,296	2,551,284	2,847,580	97.2%
Total		2,177,144	17,881,857	20,059,001	93.5%

- Redevelopment space 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 and requires a large capital investment in order to build out the space.
- 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.
- Occupancy rates exclude redevelopment space. For some of our properties, we calculate occupancy based on factors in addition to contractually leased square feet, including available power, required support space and common area.
- Includes two developed buildings (43830 Devin Shafron Drive and 43790 Devin Shafron Drive) placed into service in 2011 that are being included with a property (Devin Shafron buildings) that was acquired in 2007.
- Includes a developed building (21551 Beaumeade Circle) placed into service in 2011 that is being included with a property (21561 & 21571 Beaumeade Circle) that was acquired in 2009.

In May 2008, we acquired 701 & 717 Leonard Street, a parking garage in Dallas, Texas; however, we exclude the acquisition from our property count because it is located adjacent to our internet gateway datacenter located at 2323 Bryan Street and is not considered a separate property.

Comparison of the Three Months Ended June 30, 2012 to the Three Months Ended June 30, 2011 and the Six Months Ended June 30, 2012 to the Six Months Ended June 30, 2011

Portfolio

As of June 30, 2012, our portfolio consisted of 105 properties, excluding three properties held as investments in unconsolidated joint ventures, with an aggregate of 20.1 million net rentable square feet including 2.2 million square feet held for redevelopment compared to a portfolio consisting of 96 properties, excluding two properties held as investments in unconsolidated joint ventures, with an aggregate of 17.1 million net rentable square feet including 2.1 million square feet held for redevelopment as of June 30, 2011. The increase in our portfolio reflects the acquisition of nine properties in the twelve months ended June 30, 2012.

[Table of Contents](#)

Operating Revenues

Total operating revenues for the three and six months ended June 30, 2012 and 2011 were as follows (in thousands):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2012	2011	Change	2012	2011	Change
Rental	\$234,923	\$202,806	\$ 32,117	\$457,757	\$399,601	\$ 58,156
Tenant reimbursements	60,422	51,311	9,111	118,284	103,145	15,139
Construction management fee	1,954	13,759	(11,805)	4,406	15,576	(11,170)
Other	6,405	5	6,400	6,405	300	6,105
Total operating revenues	\$303,704	\$267,881	\$ 35,823	\$586,852	\$518,622	\$ 68,230

As shown by the same store and new properties table below, the increases in rental revenues and tenant reimbursement revenues for the three and six month periods ended June 30, 2012 compared to the same periods in 2011 were due to new leasing at our same store properties, including completed and leased development and redevelopment space, and acquisitions of properties. Other revenues changes in the periods presented were primarily due to the timing of varying tenant termination revenues. We acquired nine properties during the twelve months ended June 30, 2012.

The following tables show total operating revenues for same store properties and new properties (in thousands):

	Same Store			New Properties		
	Three Months Ended June 30,			Three Months Ended June 30,		
	2012	2011	Change	2012	2011	Change
Rental	\$224,804	\$202,806	\$21,998	\$10,119	\$ —	\$ 10,119
Tenant reimbursements	57,138	51,311	5,827	3,284	—	3,284
Construction management fee	—	—	—	1,954	13,759	(11,805)
Other	6,405	5	6,400	—	—	—
Total operating revenues	\$288,347	\$254,122	\$34,225	\$15,357	\$13,759	\$ 1,598

	Same Store			New Properties		
	Six Months Ended June 30,			Six Months Ended June 30,		
	2012	2011	Change	2012	2011	Change
Rental	\$440,865	\$399,601	\$41,264	\$16,892	\$ —	\$ 16,892
Tenant reimbursements	112,112	103,145	8,967	6,172	—	6,172
Construction management fee	—	—	—	4,406	15,576	(11,170)
Other	6,405	300	6,105	—	—	—
Total operating revenues	\$559,382	\$503,046	\$56,336	\$27,470	\$15,576	\$ 11,894

Same store rental revenues increased for the three and six months ended June 30, 2012 compared to the same periods in 2011 primarily as a result of new leases at our properties during the twelve months ended June 30, 2012 due to strong demand for datacenter space, including leases of completed development and redevelopment space, the largest of which was for space in 29A International Business Park, 4849 Alpha Road, 4030-4050 Lafayette and Cateringweg 5. Rental revenue included amounts earned from leases with The tel(x) Group, Inc., or tel(x), which was sold to an unrelated third party in 2011, of approximately \$11.3 million and \$10.7 million for the three months ended June 30, 2012 and 2011, respectively and approximately \$21.7 million and \$19.5 million for the six months ended June 30, 2012 and 2011, respectively. Same store tenant reimbursement revenues increased for the three and six months ended June 30, 2012 as compared to the same periods in 2011 primarily as a result of new leasing and higher utility and operating expenses being billed to our tenants, the largest occurrences of which were at Paul van Vlissingenstraat 16, 29A International Business Park and 1725 Comstock Street.

[Table of Contents](#)

New properties revenue increases were caused by properties acquired during the period from January 1, 2011 to June 30, 2012. For the three and six months ended June 30, 2012, Convergence Business Park, 760 Doug Davis Drive, and 360 Spear Street contributed \$11.5 million, or approximately 86%, and \$20.3 million, or approximately 88%, respectively, of the new properties increase in rental revenues and tenant reimbursements compared to the same periods in 2011.

Table of Contents

Operating Expenses and Interest Expense

Operating expenses and interest expense during the three and six months ended June 30, 2012 and 2011 were as follows (in thousands):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2012	2011	Change	2012	2011	Change
Rental property operating and maintenance	\$ 87,576	\$ 72,337	\$ 15,239	\$ 167,421	\$ 144,060	\$ 23,361
Property taxes	15,769	13,962	1,807	31,811	27,433	4,378
Insurance	2,260	1,998	262	4,490	4,049	441
Construction management	596	11,199	(10,603)	789	12,936	(12,147)
Depreciation and amortization	89,000	76,848	12,152	172,995	150,766	22,229
General and administrative	15,109	14,077	1,032	29,359	26,482	2,877
Transactions	4,608	740	3,868	5,285	1,421	3,864
Other	337	—	337	337	90	247
Total operating expenses	<u>\$215,255</u>	<u>\$191,161</u>	<u>\$ 24,094</u>	<u>\$412,487</u>	<u>\$367,237</u>	<u>\$ 45,250</u>
Interest expense	<u>\$ 37,681</u>	<u>\$ 39,334</u>	<u>\$ (1,653)</u>	<u>\$ 75,711</u>	<u>\$ 75,416</u>	<u>\$ 295</u>

As shown in the same store and new properties table below, total expenses for the three and six months ended June 30, 2012 increased compared to the same periods in 2011 primarily as a result of higher utility rates in several of our properties along with redevelopment projects being placed into service leading to higher utility expense in 2012. The following table shows expenses for same store properties and new properties (in thousands):

	Same Store			New Properties		
	Three Months Ended June 30,			Three Months Ended June 30,		
	2012	2011	Change	2012	2011	Change
Rental property operating and maintenance	\$ 83,373	\$ 72,840	\$10,533	\$ 4,203	\$ (503)	\$ 4,706
Property taxes	14,840	13,922	918	929	40	889
Insurance	2,126	1,933	193	134	65	69
Construction management	—	—	—	596	11,199	(10,603)
Depreciation and amortization	84,645	76,848	7,797	4,355	—	4,355
General and administrative ⁽¹⁾	15,109	14,077	1,032	—	—	—
Transactions	—	—	—	4,608	740	3,868
Other	337	—	337	—	—	—
Total operating expenses	<u>\$200,430</u>	<u>\$179,620</u>	<u>\$20,810</u>	<u>\$14,825</u>	<u>\$11,541</u>	<u>\$ 3,284</u>
Interest expense ⁽²⁾	<u>\$ 36,361</u>	<u>\$ 39,334</u>	<u>\$ (2,973)</u>	<u>\$ 1,320</u>	<u>\$ —</u>	<u>\$ 1,320</u>

	Same Store			New Properties		
	Six Months Ended June 30,			Six Months Ended June 30,		
	2012	2011	Change	2012	2011	Change
Rental property operating and maintenance	\$160,489	\$144,265	\$16,224	\$ 6,932	\$ (205)	\$ 7,137
Property taxes	30,187	27,393	2,794	1,624	40	1,584
Insurance	4,227	3,855	372	263	194	69
Construction management	—	—	—	789	12,936	(12,147)
Depreciation and amortization	165,381	150,766	14,615	7,614	—	7,614
General and administrative ⁽¹⁾	29,359	26,482	2,877	—	—	—
Transactions	—	—	—	5,285	1,421	3,864
Other	337	90	247	—	—	—
Total operating expenses	<u>\$389,980</u>	<u>\$352,851</u>	<u>\$37,129</u>	<u>\$22,507</u>	<u>\$14,386</u>	<u>\$ 8,121</u>
Interest expense ⁽²⁾	<u>\$ 73,202</u>	<u>\$ 75,416</u>	<u>\$ (2,214)</u>	<u>\$ 2,509</u>	<u>\$ —</u>	<u>\$ 2,509</u>

(1) General and administrative expenses are included in same store as they are not allocable to specific properties.

(2) Interest expense on our global revolving credit facility and unsecured term loan are allocated on a specific property basis.

[Table of Contents](#)

Same store rental property operating and maintenance expenses increased in the three and six months ended June 30, 2012 compared to the same periods in 2011 primarily as a result of higher consumption and utility rates in several of our properties along with redevelopment projects being placed into service leading to higher utility expense in 2012. During the three months ended June 30, 2012 and 2011, we capitalized amounts relating to compensation expense of employees direct and incremental to construction and successful leasing activities of approximately \$7.4 million and \$6.1 million, respectively, and \$15.3 million and \$12.3 million during the six months ended June 30, 2012 and 2011, respectively.

Same store depreciation and amortization expense increased in the three and six months ended June 30, 2012 compared to the same periods in 2011, principally because of depreciation of redevelopment projects that were placed into service in the final six months of 2011 and during 2012.

General and administrative expenses for the three and six months ended June 30, 2012 increased compared to the same periods in 2011 primarily due to the growth of our company, which resulted in more employees, additional incentive compensation, and higher professional fees and marketing expenses.

Same store interest expense decreased for the three and six months ended June 30, 2012 as compared to the same periods in 2011 primarily as a result of lower average outstanding debt balances during 2012 compared to 2011 primarily due to the paydown of the following loans; 114 Rue Ambroise Croizat (January 2012), Unit 9, Blanchardstown Corporate Park (January 2012), 1201 Comstock Street (April 2012), 800 Central Expressway (May 2012) and 800 Central Expressway Mezzanine (May 2012). This decrease was partially offset by the issuance of our 5.250% Notes due 2021 (2021 Notes) in March 2011. During the three months ended June 30, 2012 and 2011, we capitalized interest of approximately \$4.6 million and \$4.2 million, respectively, and \$9.1 million and \$8.9 million during the six months ended June 30, 2012 and 2011, respectively.

New properties increases were caused by properties acquired during the period from January 1, 2011 to June 30, 2012. For the three and six months ended June 30, 2012, 760 Doug Davis Drive, Convergence Business Park and 360 Spear Street contributed \$10.2 million, or approximately 74%, and \$16.9 million, or approximately 84%, of the total new properties increase in total operating expenses (excluding construction management) compared to the same periods in 2011.

Liquidity and Capital Resources of the Parent Company

In this “Liquidity and Capital Resources of the Parent Company” section and in the “Liquidity and Capital Resources of the Operating Partnership” section below, the term, our “parent company”, refers to Digital Realty Trust, Inc. on an unconsolidated basis, excluding our operating partnership.

Analysis of Liquidity and Capital Resources

Our parent company’s business is operated primarily through our operating partnership of which our parent company is the sole general partner and which it consolidates for financial reporting purposes. Because our parent company operates on a consolidated basis with our operating partnership, the section entitled “Liquidity and Capital Resources of the Operating Partnership” should be read in conjunction with this section to understand the liquidity and capital resources of our parent company on a consolidated basis and how our company is operated as a whole.

Our parent company issues public equity from time to time, but does not otherwise generate any capital itself or conduct any business itself, other than incurring certain expenses in operating as a public company which are fully reimbursed by the operating partnership. Our parent company itself does not hold any indebtedness other than guarantees of the indebtedness of our operating partnership, and its only material asset is its ownership of partnership interests of our operating partnership. Therefore, the consolidated assets and liabilities and the consolidated revenues and expenses of our parent company and our operating partnership are the same on their respective financial statements, except for immaterial differences related to cash, other assets and accrued liabilities that arise from public company expenses paid by our parent company. However, all debt is held directly or indirectly at the operating partnership level. Our parent company’s principal funding requirement is the payment of dividends on its common and preferred shares. Our parent company’s principal source of funding for its dividend payments is distributions it receives from our operating partnership.

As the sole general partner of our operating partnership, our parent company has the full, exclusive and complete responsibility for our operating partnership’s day-to-day management and control. Our parent company causes our operating partnership to distribute such portion of its available cash as our parent company may in its discretion determine, in the manner provided in our operating partnership’s partnership agreement. Our parent company receives proceeds from its equity issuances from time to time, but is generally required by our operating partnership’s partnership agreement to contribute the proceeds from its equity issuances to our operating partnership in exchange for partnership units of our operating partnership.

Our parent company is a well-known seasoned issuer with an effective shelf registration statement filed on April 23, 2012 that allows our parent company to register unspecified various classes of equity securities. As circumstances warrant, our parent company may

[Table of Contents](#)

issue equity from time to time on an opportunistic basis, dependent upon market conditions and available pricing. Any proceeds from such equity issuances would be generally contributed to our operating partnership in exchange for additional equity interests in our operating partnership. Our operating partnership may use the proceeds to acquire additional properties, to fund development and redevelopment opportunities and for general working capital purposes, including potentially for the repurchase, redemption or retirement of outstanding debt or preferred securities.

The liquidity of our parent company is dependent on our operating partnership's ability to make sufficient distributions to our parent company. The primary cash requirement of our parent company is its payment of dividends to its stockholders. Our parent company also guarantees our operating partnership's unsecured debt. If our operating partnership fails to fulfill its debt requirements, which trigger parent company guarantee obligations, then our parent company will be required to fulfill its cash payment commitments under such guarantees. However, our parent company's only asset is its investment in our operating partnership.

We believe our operating partnership's sources of working capital, specifically its cash flow from operations, and funds available under its global revolving credit facility are adequate for it to make its distribution payments to our parent company and, in turn, for our parent company to make its dividend payments to its stockholders. However, we cannot assure you that our operating partnership's sources of capital will continue to be available at all or in amounts sufficient to meet its needs, including its ability to make distribution payments to our parent company. The unavailability of capital could adversely affect our operating partnership's ability to pay its distributions to our parent company, which would in turn, adversely affect our parent company's ability to pay cash dividends to its stockholders.

On June 29, 2011, our parent company commenced a new At-the-Market equity distribution program under which it can issue and sell up to \$400.0 million of its common stock through, at its discretion, any of Merrill Lynch, Pierce Fenner & Smith Incorporated, Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, Deutsche Bank Securities Inc. and Morgan Stanley & Co. LLC as its sales agents. For the three and six months ended June 30, 2012, our parent company generated net proceeds of approximately \$62.7 million from the issuance of approximately 1.0 million shares of common stock under the program at an average price of \$66.19 per share after payment of approximately \$0.6 million of commissions to the sales agents. The proceeds from the issuances were contributed to our operating partnership in exchange for the issuance of approximately 1.0 million common units to our parent company. Our parent company intends to use the net proceeds from the program to temporarily repay borrowings under our operating partnership's global revolving credit facility, to acquire additional properties, to fund development and redevelopment opportunities and for general working capital purposes, including potentially for the repurchase, redemption or retirement of outstanding debt or preferred equity securities. The sales of common stock under the equity distribution program will be made in "at the market" offerings as defined in Rule 415 of the Securities Act.

On April 5, 2012 and April 18, 2012, our parent company issued an aggregate of 7.3 million shares of 6.625% series F cumulative redeemable preferred stock for total net proceeds, after underwriting discounts and offering expenses, of \$176.3 million, including the proceeds from the exercise of a portion of the underwriters' over-allotment option. Our parent company intends to use the net proceeds from the offering to temporarily repay borrowings under our operating partnership's global revolving credit facility, to acquire additional properties, to fund development and redevelopment opportunities and for general working capital purposes including potentially for the repurchase, redemption or retirement of outstanding debt or preferred equity securities.

On July 2, 2012, our parent company completed an offering of 11.5 million shares of its common stock for total net proceeds, after deducting discounts and estimated expenses, of approximately \$796.8 million. Our parent company contributed the net proceeds from this offering to our operating partnership in exchange for 11.5 million common units, as required by our operating partnership's partnership agreement, and our operating partnership used the net proceeds to fund a portion of the purchase price for the acquisition of the Sentrum Portfolio (defined below) and to temporarily repay borrowings under our operating partnership's global revolving credit facility.

Future Uses of Cash

Our parent company may from time to time seek to retire, redeem or repurchase its preferred equity or the debt securities of our operating partnership through cash purchases and/or exchanges for equity securities in open market purchases, privately negotiated transactions or otherwise. Such repurchases, redemptions or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions or other factors. The amounts involved may be material.

We are also subject to the commitments discussed below under "Dividends and Distributions."

Dividends and Distributions

Our parent company is required to distribute 90% of its taxable income (excluding capital gains) on an annual basis in order for it to continue to qualify as a REIT for federal income tax purposes. Accordingly, our parent company intends to make, but is not contractually bound to make, regular quarterly distributions to its preferred stockholders and common stockholders from cash flow from our operating partnership's operating activities. All such distributions are at the discretion of our parent company's board of directors. Our parent company considers market factors and our operating partnership's performance in addition to REIT requirements in determining distribution levels. Our parent company has distributed 100% of its taxable income since inception to minimize

Table of Contents

corporate level federal income taxes. Amounts accumulated for distribution to stockholders are invested primarily in interest-bearing accounts and short-term interest-bearing securities, which are consistent with our intention to maintain our parent company's status as a REIT. The exchange rate on the operating partnership's 5.50% exchangeable senior debentures due 2029 (2029 Debentures) and the conversion rate on our parent company's series D cumulative convertible preferred stock are each subject to adjustment for certain events, including, but not limited to, certain dividends on our parent company's common stock in excess of \$0.33 per share per quarter and \$0.31 per share per quarter, respectively. Therefore, the declaration and payment of quarterly dividends by our parent company in excess of these thresholds may increase the dilutive impact of our operating partnership's exchangeable debentures and our parent company's convertible preferred stock on our parent company's common stockholders.

While historically our parent company has satisfied this distribution requirement by making cash distributions to its stockholders, it may choose to satisfy this requirement by making distributions of cash or other property. As a result of this distribution requirement, our operating partnership cannot rely on retained earnings to fund its on-going operations to the same extent that other companies whose parent companies are not REITs can. Our parent company may need to continue to raise capital in the equity markets to fund our operating partnership's working capital needs, as well as potential developments at new or existing properties, acquisitions or investments in existing or newly created joint ventures. In addition, our parent company may be required to use borrowings under our operating partnership's global revolving credit facility, if necessary, to meet REIT distribution requirements and maintain our parent company's REIT status.

Our parent company has declared and paid the following dividends on its common and preferred stock for the six months ended June 30, 2012 (in thousands):

<u>Date dividend declared</u>	<u>Dividend payable date</u>	<u>Series C Preferred Stock⁽¹⁾⁽⁶⁾</u>	<u>Series D Preferred Stock⁽²⁾</u>	<u>Series E Preferred Stock⁽³⁾</u>	<u>Series F Preferred Stock⁽⁴⁾</u>	<u>Common Stock⁽⁵⁾</u>
February 14, 2012	March 30, 2012	\$ 1,402	\$ 2,398	\$ 5,031	\$ —	\$ 78,335
April 23, 2012	June 29, 2012	—	2,394	5,031	2,888 ⁽⁷⁾	80,478
		\$ 1,402	\$ 4,792	\$ 10,062	\$ 2,888	\$ 158,813

(1) \$1.094 annual rate of dividend per share.

(2) \$1.375 annual rate of dividend per share.

(3) \$1.750 annual rate of dividend per share.

(4) \$1.656 annual rate of dividend per share.

(5) \$2.920 annual rate of dividend per share.

(6) Effective April 17, 2012, our parent company converted all outstanding shares of its 4.375% series C cumulative convertible preferred stock, or the series C preferred stock, into shares of its common stock in accordance with the terms of the series C preferred stock. Each share of series C preferred stock was converted into 0.5480 shares of our parent company's common stock.

(7) Represents a pro rata dividend from and including the original issue date to and including June 30, 2012.

Distributions out of our current or accumulated earnings and profits are generally classified as ordinary income whereas distributions in excess of our current and accumulated earnings and profits, to the extent of a stockholder's U.S. federal income tax basis in our parent company's stock, are generally classified as a return of capital. Distributions in excess of a stockholder's U.S. federal income tax basis in our parent company's stock are generally characterized as capital gain.

Liquidity and Capital Resources of the Operating Partnership

In this "Liquidity and Capital Resources of the Operating Partnership" section, the terms "we", "our" and "us" refer to our operating partnership together with its consolidated subsidiaries or our operating partnership and our parent company together with their consolidated subsidiaries, as the context requires.

Analysis of Liquidity and Capital Resources

Our parent company is our sole general partner and consolidates our results of operations for financial reporting purposes. Because we operate on a consolidated basis with our parent company, the section entitled "Liquidity and Capital Resources of the Parent Company" should be read in conjunction with this section to understand our liquidity and capital resources on a consolidated basis.

As of June 30, 2012, we had \$47.8 million of cash and cash equivalents, excluding \$35.3 million of restricted cash. Restricted cash primarily consists of interest-bearing cash deposits required by the terms of several of our mortgage loans for a variety of purposes, including real estate taxes, insurance, anticipated or contractually obligated tenant improvements, as well as capital expenditures.

[Table of Contents](#)

Our short-term liquidity requirements primarily consist of operating expenses, development and redevelopment costs and other expenditures associated with our properties, distributions to our parent company in order for it to make dividend payments on its preferred stock, distributions to our parent company in order for it to make dividend payments to its stockholders required to maintain its REIT status, distributions to the unitholders in our operating partnership, capital expenditures, debt service on our loans and, potentially, acquisitions. We expect to meet our short-term liquidity requirements through net cash provided by operations, restricted cash accounts established for certain future payments and by drawing upon our global revolving credit facility.

On November 3, 2011, we replaced our corporate and Asia Pacific revolving credit facilities with an expanded revolving credit facility, which we refer to as the global revolving credit facility, increasing the total capacity to \$1.5 billion from \$850 million. The global revolving credit facility has an accordion feature that would enable us to increase the borrowing capacity of the credit facility to \$2.25 billion. The renewed facility matures in November 2015, with a one-year extension option. The interest rate for borrowings under the expanded facility equals the applicable index plus a margin which is based on the credit rating of our long-term debt and is currently 125 basis points. An annual facility fee on the unused portion of the facility, based on the credit rating of our long-term debt and currently 25 basis points, is payable quarterly. Funds may be drawn in U.S., Canadian, Singapore, Australian and Hong Kong dollars, as well as Euro, Pound Sterling, Swiss Franc and Japanese yen denominations. As of June 30, 2012, borrowings under the global revolving credit facility bore interest at a blended rate of 1.50% (U.S), 1.92% (GBP), 1.57% (Singapore Dollars), 4.90% (Australian Dollars) and 1.55% (Hong Kong Dollars), which are based on 1-month LIBOR, 1-month GBP LIBOR, 1-month SIBOR, 1-month BBR and 1-month HIBOR, respectively, plus a margin of 1.25%. We have used and intend to use available borrowings under the global revolving credit facility to acquire additional properties, fund development and redevelopment opportunities and to provide for working capital and other corporate purposes, including potentially for the repurchase, redemption or retirement of outstanding debt or preferred equity securities. We capitalized approximately \$10.2 million of financing costs related to the global revolving credit facility. As of June 30, 2012, approximately \$324.5 million was drawn under this facility and \$22.5 million of letters of credit were issued, leaving approximately \$1.2 billion available for use.

On April 17, 2012, we closed a new \$750.0 million senior unsecured multi-currency term loan facility. The new facility matures on April 16, 2017. Interest rates are based on our senior unsecured debt ratings and are currently 145 basis points over the applicable index for floating rate advances. Funds have been drawn in U.S, Singapore and Australian dollars, as well as Euro and Pound Sterling denominations with the option to add Hong Kong dollars and Yen upon an accordion exercise. The new term loan provides funds for acquisitions, repayment of indebtedness, development and redevelopment, working capital and general corporate purposes. Covenants are consistent with our global revolving credit facility.

For a discussion of the potential impact of current global economic and market conditions on our liquidity and capital resources, see “—Factors Which May Influence Future Results of Operations—Global market and economic conditions” above.

On June 29, 2011, our parent company commenced its new At-the-Market equity distribution program discussed under “Liquidity and Capital Resources of the Parent Company” above. For the three and six months ended June 30, 2012, our parent company generated net proceeds of approximately \$62.7 million from the issuance of approximately 1.0 million shares of common stock under the program at an average price of \$66.19 per share after payment of approximately \$0.6 million of commissions to the sales agents. The proceeds from the issuances were contributed to us in exchange for the issuance of approximately 1.0 million common units to our parent company.

On April 5, 2012 and April 18, 2012, our parent company issued an aggregate of 7.3 million shares of 6.625% series F cumulative redeemable preferred stock discussed under “Liquidity and Capital Resources of the Parent Company” above, for total net proceeds, after underwriting discounts and offering expenses, of \$176.3 million, including the proceeds from the exercise of a portion of the underwriters’ over-allotment option. The proceeds from the offering were contributed to us in exchange for the issuance of 7.3 million 6.625% series F cumulative redeemable preferred units to our parent company.

On July 2, 2012, our parent company completed an offering of 11.5 million shares of its common stock for total net proceeds, after deducting discounts and estimated expenses, of approximately \$796.8 million. Our parent company contributed the net proceeds from this offering to us in exchange for 11.5 million common units, as required by our partnership agreement, and used the net proceeds to fund a portion of the purchase price for the acquisition of the Sentrum Portfolio (defined below) and to temporarily repay borrowings under our global revolving credit facility.

In March 2012, we entered into a joint venture with Savvis, Inc., a CenturyLink company. On June 26, 2012, this unconsolidated joint venture acquired a 164,000 square foot property in Hong Kong. The property is located at Tseung Kwan O Industrial Estate in New Territories, approximately 12 miles from downtown Hong Kong. As of June 30, 2012, we have contributed approximately \$20.6 million to the joint venture.

On February 22, 2012, we completed the acquisition of Convergence Business Park in Lewisville, Texas for a purchase price of approximately \$123.0 million. The property consists of nine income producing buildings along with undeveloped land. The acquisition was funded with borrowings under our global revolving credit facility.

On May 10, 2012, we completed the acquisition of 9333, 9355, 9377 Grand Avenue, an approximately 575,000 square foot redevelopment property located in suburban Chicago for a purchase price of approximately \$22.3 million. The acquisition was funded with borrowings under our global revolving credit facility.

On May 18, 2012, we completed the acquisition of 8025 N. Interstate 35, a data center facility located in Austin, Texas, totaling approximately 62,000 square feet for a purchase price of \$12.5 million. In connection with the acquisition, we assumed a \$6.7 million secured mortgage loan on the facility. The acquisition was funded with borrowings under our global revolving credit facility.

On June 13, 2012, we completed the acquisition of 400 S. Akard Street, a data center facility located in Dallas, Texas, totaling approximately 269,600 square feet for a purchase price of approximately \$75.0 million. The acquisition was funded with borrowings under our global revolving credit facility.

[Table of Contents](#)

On July 11, 2012, we completed the acquisition of a three-property data center portfolio, totaling approximately 761,000 square feet, located in the greater London area, referred to as the Sentrum Portfolio. The purchase price was £715.9 million (equivalent to approximately \$1.1 billion based on the July 11, 2012 exchange rate of £1.00 to \$1.55) (subject to adjustment in limited circumstances and to earn-out payments), a portion of which was used to repay at closing approximately £369.8 million of indebtedness (equivalent to approximately \$573.2 million based on the July 11, 2012 exchange rate of £1.00 to \$1.55). In addition, we incurred approximately \$30.6 million of debt extinguishment costs associated with the repayment of the indebtedness. The purchase price was funded with proceeds from our parent company's common stock offering in July 2012 along with borrowings under our global revolving credit facility.

Construction

As of June 30, 2012 and December 31, 2011, work in progress, including the proportionate land and property costs related to current construction projects, amounted to \$415.0 million, or \$569.9 million including construction accruals and certain capitalized costs, and \$345.0 million, or \$448.4 million including construction accruals and certain capitalized costs, respectively. Separately, our redevelopment program included the proportionate land and building costs related to other targeted projects in the amount of \$71.5 million and \$122.0 million as of June 30, 2012 and December 31, 2011, respectively. Work in progress related to non-redevelopment projects, primarily tenant and building improvements, amounted to \$12.3 million and \$10.2 million as of June 30, 2012 and December 31, 2011, respectively.

Future Uses of Cash

Our properties require periodic investments of capital for tenant-related capital expenditures and for general capital improvements. As of June 30, 2012, we had approximately 2.2 million square feet of redevelopment space and we also owned approximately 355,000 net rentable square feet of datacenter space with extensive installed tenant improvements that we may subdivide for Turn-Key FlexSM use during the next two years rather than lease to large single tenants. Turn-Key FlexSM space is move-in-ready space for the placement of computer and network equipment required to provide a datacenter environment. Depending on demand for additional Turn-Key FlexSM space, we expect to incur significant tenant improvement costs to build out and redevelop these types of spaces. At June 30, 2012, approximately 1,829,000 square feet of space was under construction for Turn-Key FlexSM, Powered Base Building[®] and Build-to-Suit product, all of which are expected to be income producing on or after completion, in 11 U.S. domestic markets, one European market, two Australian markets and Singapore, consisting of approximately 1,034,000 square feet of development projects and 795,000 square feet of redevelopment projects. At June 30, 2012, we had commitments under construction contracts for approximately \$223.6 million. We currently expect to incur approximately \$400.0 million to \$600.0 million of capital expenditures for our development and redevelopment programs during the six months ending December 31, 2012, although this amount may increase or decrease, potentially materially, based on numerous factors, including changes in demand, leasing results and availability of debt or equity capital.

Historical Capital Expenditures

	Six Months Ended	
	June 30, 2012	June 30, 2011
Development projects	\$ 128,175	\$ 45,173
Redevelopment projects	171,552	203,783
Other capital expenditures	70,671	26,750
Total capital expenditures (excluding indirect costs)	<u>\$ 370,398</u>	<u>\$ 275,706</u>

For the six months ended June 30, 2012, total capital expenditures increased \$94.7 million to \$370.4 million from the six months ended June 30, 2011. Our development capital expenditures for the six months ended June 30, 2012 were approximately \$128.2 million, which reflects an increase of approximately 184% from the same period in 2011. This increase was primarily due to increased spending for ground-up build-to-suit projects. Our development capital expenditures are generally funded by our available cash and equity and debt capital. We also spent approximately \$171.6 million in the six months ended June 30, 2012 on redevelopment projects, which reflects a decrease of approximately 16% compared to the same period in 2011. This decrease was primarily due to a general decrease in the level of redevelopment construction activity in our U.S. and international markets. Our redevelopment capital expenditures are generally funded by our available cash and equity and debt capital. Other capital expenditures include capitalized replacement and other projects relating to the existing operating portfolio and increased in the six months ended June 30, 2012 compared to the same period in 2011 primarily due to a general increase in the level of activity related to these projects.

Indirect costs, including capitalized interest, capitalized in the six months ended June 30, 2012 and June 30, 2011 were \$24.4 million and \$21.2 million, respectively. Capitalized interest comprised approximately \$9.1 million and \$8.9 million, respectively, of the total indirect costs capitalized for the six months ended June 30, 2012 and June 30, 2011. The increase in capitalized interest in the six months ended June 30, 2012 compared to the same period in 2011 was primarily due to an increase in the amount of capital expenditures in the six months ended June 30, 2012 as compared to the six months ended June 30, 2011. Excluding capitalized interest, the increase in indirect costs in the six months ended June 30, 2012 compared to the same period in 2011 was primarily due to capitalized amounts relating to compensation expense of employees directly engaged in construction and leasing activities. See "—Future Uses of Cash" for a discussion of the amount of capital expenditures we expect to incur during the six months ending December 31, 2012.

[Table of Contents](#)

We are also subject to the commitments discussed below under “Commitments and Contingencies,” “Off-Balance Sheet Arrangements” and “Distributions.”

Consistent with our growth strategy, we actively pursue opportunities for potential acquisitions, with due diligence and negotiations often at different stages at different times. The dollar value of acquisitions for the remainder of the year ending December 31, 2012 will be based on numerous factors, including tenant demand, leasing results, availability of debt or equity capital and acquisition opportunities.

We may from time to time seek to retire or repurchase our outstanding debt or the preferred equity of our parent company through cash purchases and/or exchanges for equity securities of our parent company in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions or other factors. The amounts involved may be material.

We expect to meet our short- and long-term liquidity requirements, including to pay for scheduled debt maturities and to fund property acquisitions and non-recurring capital improvements, with net cash from operations, future long-term secured and unsecured indebtedness and the issuance of equity and debt securities and the proceeds of equity issuances by our parent company. We also may fund future short- and long-term liquidity requirements, including property acquisitions and non-recurring capital improvements using our global revolving credit facility pending permanent financing. If we are not able to obtain additional financing on terms attractive to us, or at all, including as a result of the circumstances described above under “Factors Which May Influence Future Results of Operations—Global market and economic conditions”, we may be required to reduce our acquisition or capital expenditure plans, which could have a material adverse effect upon our business and results of operations.

Distributions

All distributions on our units are at the discretion of our parent company’s board of directors. During the six months ended June 30, 2012, our operating partnership declared and paid the following distributions (in thousands):

<u>Date distribution declared</u>	<u>Distribution payable date</u>	<u>Series C Preferred Units⁽¹⁾⁽⁶⁾</u>	<u>Series D Preferred Units⁽²⁾</u>	<u>Series E Preferred Units⁽³⁾</u>	<u>Series F Preferred Units⁽⁴⁾</u>	<u>Common Units⁽⁵⁾</u>
February 14, 2012	March 30, 2012	\$ 1,402	\$ 2,398	\$ 5,031	\$ —	\$ 81,917
April 23, 2012	June 29, 2012	—	2,394	5,031	2,888 ⁽⁷⁾	83,982
		\$ 1,402	\$ 4,792	\$ 10,062	\$ 2,888	\$ 165,899

(1) \$1.094 annual rate of distribution per unit.

(2) \$1.375 annual rate of distribution per unit.

(3) \$1.750 annual rate of distribution per unit.

(4) \$1.656 annual rate of distribution per unit.

(5) \$2.920 annual rate of distribution per unit.

(6) Effective April 17, 2012, in connection with the conversion of the series C preferred stock by our parent company, all of the outstanding 4.375% series C cumulative convertible preferred units, or the series C preferred units, were converted into common units in accordance with the terms of the series C preferred units. Each series C preferred unit was converted into 0.5480 operating partnership common units.

(7) Represents a pro rata distribution from and including the original issue date to and including June 30, 2012.

Commitments and Contingencies

We have agreed with the seller of 350 East Cermak Road to share a portion, not to exceed \$135,000 per month, of rental revenue, adjusted for our costs to lease the premises, from the leases of the 192,000 square feet of space held for redevelopment. This revenue sharing agreement terminated in May 2012. We made payments of approximately \$0.7 million and \$0.8 million to the seller during the six months ended June 30, 2012 and 2011, respectively.

As part of the acquisition of 29A International Business Park, the seller could earn additional consideration based on future net operating income growth in excess of certain performance targets, as defined. As of June 30, 2012, construction is not complete and none of the leases executed subsequent to purchase would cause an amount to become probable of payment and therefore no amount is accrued as of June 30, 2012. The maximum amount that could be earned by the seller is \$50.0 million SGD (or approximately \$39.5 million based on the exchange rate as of June 30, 2012). The earnout contingency expires in November 2020.

One of the tenants at our Convergence Business Park property has an option to expand as part of their lease agreement, which expires in April 2017. As part of this option, development activities are not permitted on specifically identified expansion space within the property until April 2014. If the tenant elects to take this option, we can elect one of two options. The first option is to construct and

[Table of Contents](#)

develop an additional shell building on the expansion space. Concurrent with this obligation, the tenant would execute an amendment to the existing lease to reflect the expansion of the space and include the additional shell building. The second option is to sell the existing building and the expansion space to the tenant for a price of approximately \$24.0 million and \$225,000 per square acre, respectively, plus additional adjustments as provided in the lease.

As part of the acquisition of the noncontrolling interest in the entity that owns 800 Central Expressway from our joint venture partner, the partner could earn additional consideration if between May 4, 2012 and January 31, 2013, we enter into a qualifying lease for this property, as defined in the agreement. As of June 30, 2012 no leases were executed for this property that would cause an amount to become probable of payment and therefore, no amount is accrued as of June 30, 2012.

As of June 30, 2012, we were a party to interest rate swap agreements which hedge variability in cash flows related to LIBOR, GBP LIBOR and EURIBOR based mortgage loans as well as the unsecured term loan. Under these swaps, we pay variable-rate amounts in exchange for fixed-rate payments over the life of the agreements without exchange of the underlying principal amounts. See Item 3 “Quantitative and Qualitative Disclosures about Market Risk.”

Outstanding Consolidated Indebtedness

The table below summarizes our debt, as of June 30, 2012 (in millions):

Debt Summary:	
Fixed rate	\$2,419.1
Variable rate debt subject to interest rate swaps	341.7
Total fixed rate debt (including interest rate swaps)	2,760.8
Variable rate—unhedged	639.4
Total	<u>\$3,400.2</u>
Percent of Total Debt:	
Fixed rate (including swapped debt)	81.2%
Variable rate	18.8%
Total	<u>100.0%</u>
Effective Interest Rate as of June 30, 2012⁽¹⁾:	
Fixed rate (including hedged variable rate debt)	5.30%
Variable rate	1.93%
Effective interest rate	4.67%

(1) Excludes impact of deferred financing cost amortization.

As of June 30, 2012, we had approximately \$3.4 billion of outstanding consolidated long-term debt as set forth in the table above. Our ratio of debt to total enterprise value was approximately 27% (based on the closing price of Digital Realty Trust, Inc.’s common stock on June 30, 2012 of \$75.07). For this purpose, our total enterprise value is defined as the sum of the market value of Digital Realty Trust, Inc.’s outstanding common stock (which may decrease, thereby increasing our debt to total enterprise value ratio), excluding options issued under our incentive award plan, plus the liquidation value of Digital Realty Trust, Inc.’s preferred stock, plus the aggregate value of our operating partnership’s units not held by Digital Realty Trust, Inc. (with the per unit value equal to the market value of one share of Digital Realty Trust, Inc.’s common stock and excluding long-term incentive units and Class C Units), plus the book value of our total consolidated indebtedness.

The variable rate debt shown above bears interest at interest rates based on various one-month or three-month LIBOR, EURIBOR, GBP LIBOR, SOR, SIBOR, BBR and HIBOR rates, depending on the respective agreement governing the debt. Assuming maturity of the 2029 Debentures at its first redemption date in April 2014, as of June 30, 2012, our debt had a weighted average term to initial maturity of approximately 4.5 years (approximately 4.6 years assuming exercise of extension options).

Off-Balance Sheet Arrangements

As of June 30, 2012, we were party to interest rate swap agreements related to \$341.7 million of outstanding principal on our variable rate debt. See Item 3 “Quantitative and Qualitative Disclosures about Market Risk.”

[Table of Contents](#)**Cash Flows**

The following summary discussion of our cash flows is based on the consolidated statements of cash flows and is not meant to be an all-inclusive discussion of the changes in our cash flows for the periods presented below.

Comparison of Six Months Ended June 30, 2012 to Six Months Ended June 30, 2011

The following table shows cash flows and ending cash and cash equivalent balances for the six months ended June 30, 2012 and 2011, respectively (in thousands):

	Six Months Ended June 30,		
	2012	2011	Change
Net cash provided by operating activities	\$ 231,200	\$ 189,723	\$ 41,477
Net cash used in investing activities	(646,432)	(331,021)	(315,411)
Net cash provided by financing activities	422,378	157,479	264,899
Net (decrease) increase in cash and cash equivalents	<u>\$ 7,146</u>	<u>\$ 16,181</u>	<u>\$ (9,035)</u>

The increase in net cash provided by operating activities was due to increased cash flows from new leasing at our same store properties, completed and leased development and redevelopment space and our acquisition of new operating properties which was partially offset by increased operating and interest expenses. Net cash used in investing activities increased for the six months ended June 30, 2012, due to an increase in cash paid for acquisitions for the six months ended June 30, 2012 (\$222.1 million) as compared to in the same period in 2011 (\$17.5 million) along with an increase in cash paid for capital expenditures for the six months ended June 30, 2012 (\$394.2 million) as compared to the same period in 2011 (\$307.9 million).

Cash flows from financing activities for the company consisted of the following amounts (in thousands):

	Six Months Ended June 30,		
	2012	2011	Change
Proceeds from borrowings, net of repayments	\$ 449,599	\$ (114,254)	\$ 563,853
Net proceeds from issuance of common and preferred stock, including exercise of stock options	240,901	179,319	61,582
Net proceeds from 2021 Notes	—	395,815	(395,815)
Principal payments on 2026 Debentures	—	(40,457)	40,457
Purchase of noncontrolling interests in consolidated joint venture	(12,384)	(53,240)	40,856
Dividend and distribution payments	(260,498)	(199,274)	(61,224)
Other	4,760	(10,430)	15,190
Net cash provided by financing activities	<u>\$ 422,378</u>	<u>\$ 157,479</u>	<u>\$ 264,899</u>

The increase in net cash provided by financing activities was primarily due to net borrowings during the six months ended June 30, 2012 (net proceeds of \$449.6 million) as compared to net repayments for the six months ended June 30, 2011 (net payments of \$114.3 million) offset by the issuance of our 2021 Notes (net proceeds of \$395.8 million) during the six months ended June 30, 2011. The increase in dividend and distribution payments for the six months ended June 30, 2012 as compared to the same period in 2011 was a due to an increase in the number of shares outstanding and dividend amount per share of common stock in 2012 as compared to 2011 and the payment of dividends on our series E and series F preferred stock during the six months ended June 30, 2012, whereas these series of preferred stock were not outstanding during the six months ended June 30, 2011.

[Table of Contents](#)

Cash flows from financing activities for the operating partnership consisted of the following amounts (in thousands).

	Six Months Ended June 30,		
	2012	2011	Change
Proceeds from borrowings, net of repayments	\$ 449,599	\$ (114,254)	\$ 563,853
General partner contributions, net	240,901	179,319	61,582
Net proceeds from 2021 Notes	—	395,815	(395,815)
Principal payments on 2026 Debentures	—	(40,457)	40,457
Purchase of noncontrolling interests in consolidated joint venture	(12,384)	(53,240)	40,856
Distribution payments	(260,498)	(199,274)	(61,224)
Other	4,760	(10,430)	15,190
Net cash provided by financing activities	<u>\$ 422,378</u>	<u>\$ 157,479</u>	<u>\$ 264,899</u>

The increase in net cash provided by financing activities was primarily due to net borrowings during the six months ended June 30, 2012 (net proceeds of \$444.4 million) as compared to net repayments for the six months ended June 30, 2011 (net payments of \$114.3 million) offset by the issuance of the 2021 Notes (net proceeds of \$395.8 million) during the six months ended June 30, 2011. The increase in distribution payments for the six months ended June 30, 2012 as compared to the same period in 2011 was due to an increase in the number of units outstanding and distribution amount per common unit in 2012 as compared to 2011 and the payment of distributions on our series E and series F preferred units during the six months ended June 30, 2012, whereas these series of preferred units were not outstanding during the six months ended June 30, 2011.

Noncontrolling Interests in Operating Partnership

Noncontrolling interests relate to the common units in our operating partnership that are not owned by Digital Realty Trust, Inc., which, as of June 30, 2012, amounted to 4.2% of our operating partnership common units. In conjunction with our formation, GI Partners received common units, in exchange for contributing ownership interests in properties to our operating partnership. Also, our operating partnership issued common units to third party sellers in connection with our acquisition of real estate interests from such third parties.

Limited partners who acquired common units in connection with our formation have the right to require our operating partnership to redeem part or all of their common units for cash based upon the fair market value of an equivalent number of shares of Digital Realty Trust, Inc. common stock at the time of the redemption. Alternatively, we may elect to acquire those common units in exchange for shares of Digital Realty Trust, Inc. common stock on a one-for-one basis, subject to adjustment in the event of stock splits, stock dividends, issuance of stock rights, specified extraordinary distributions and similar events. Pursuant to registration rights agreements we entered into with GI Partners and the other third party contributors, we filed a shelf registration statement covering the issuance of the shares of our common stock issuable upon redemption of the common units, and the resale of those shares of common stock by the holders. As of March 31, 2007, GI Partners no longer had an ownership interest in our operating partnership.

Inflation

Many of our leases provide for separate real estate tax and operating expense escalations. In addition, many of the leases provide for fixed base rent increases. We believe that inflationary increases may be at least partially offset by the contractual rent increases and expense escalations described above. See “Factors Which May Influence Future Results of Operations—Operating Expenses” for further discussion.

Funds from Operations

We calculate Funds from Operations, or FFO, in accordance with the standards established by the National Association of Real Estate Investment Trusts, or NAREIT. FFO represents net income (loss) available to common stockholders and unitholders (computed in accordance with U.S. GAAP), excluding gains (or losses) from sales of property, impairment charges, real estate related depreciation and amortization (excluding amortization of deferred financing costs) and after adjustments for unconsolidated partnerships and joint ventures. Management uses FFO as a supplemental performance measure because, in excluding real estate related depreciation and amortization and gains and losses from property dispositions, it provides a performance measure that, when compared year over year, captures trends in occupancy rates, rental rates and operating costs. We also believe that, as a widely recognized measure of the performance of REITs, FFO will be used by investors as a basis to compare our operating performance with that of other REITs. However, because FFO excludes depreciation and amortization and captures neither the changes in the value of our properties that result from use or market conditions, nor the level of capital expenditures and leasing commissions necessary to maintain the operating performance of our properties, all of which

[Table of Contents](#)

have real economic effect and could materially impact our financial condition and results from operations, the utility of FFO as a measure of our performance is limited. Other REITs may not calculate FFO in accordance with the NAREIT definition and, accordingly, our FFO may not be comparable to such other REITs' FFO. Accordingly, FFO should be considered only as a supplement to net income as a measure of our performance.

Reconciliation of Net Income Available to Common Stockholders to Funds From Operations (FFO)
(in thousands, except per share data)

	Three Months Ended		Six Months Ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Net income available to common stockholders	\$ 42,021	\$ 31,990	\$ 81,232	\$ 62,970
Adjustments:				
Noncontrolling interests in operating partnership	1,661	1,582	3,247	3,234
Real estate related depreciation and amortization (1)	88,186	76,405	171,179	149,911
Real estate related depreciation and amortization related to investment in unconsolidated joint ventures	866	893	1,771	1,785
Gain on sale of assets	(2,325)	—	(2,325)	—
FFO available to common stockholders and unitholders (2)	\$ 130,409	\$ 110,870	\$ 255,104	\$ 217,900
Basic FFO per share and unit	\$ 1.14	\$ 1.10	\$ 2.26	\$ 2.21
Diluted FFO per share and unit (2)	\$ 1.09	\$ 1.02	\$ 2.15	\$ 2.03
Weighted average common stock and units outstanding				
Basic	114,100	101,056	112,767	98,699
Diluted (2)	125,824	117,845	125,588	116,744
(1) Real estate related depreciation and amortization was computed as follows:				
Depreciation and amortization per income statement	89,000	76,848	172,995	150,766
Non-real estate depreciation	(814)	(443)	(1,816)	(855)
	\$ 88,186	\$ 76,405	\$ 171,179	\$ 149,911

- (2) At June 30, 2012, we had 6,964 series D convertible preferred shares outstanding that were convertible into 4,374 common shares on a weighted average basis for the three months ended June 30, 2012. For the three months ended June 30, 2012, we have excluded the effect of dilutive series E and series F preferred stock, that may be converted upon the occurrence of specified change in control transactions as described in the articles supplementary governing the series E and series F preferred stock, which we consider highly improbable; if included, the dilutive effect for the three months ended June 30, 2012 would be 6,470 shares. In addition, we had a balance of \$266,400 of 2029 Debentures that were exchangeable for 6,456 common shares on a weighted average basis for the three months ended June 30, 2012. See below for calculations of diluted FFO available to common stockholders and unitholders and weighted average common stock and units outstanding.

[Table of Contents](#)

	Three Months Ended		Six Months Ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
FFO available to common stockholders and unitholders	\$ 130,409	\$ 110,870	\$ 255,104	\$ 217,900
Add: Series C convertible preferred dividends	—	1,441	1,402	3,273
Add: Series D convertible preferred dividends	2,394	3,272	4,792	7,962
Add: 5.50% exchangeable senior debentures interest expense	4,050	4,050	8,100	8,100
FFO available to common stockholders and unitholders—diluted	<u>\$ 136,853</u>	<u>\$ 119,633</u>	<u>\$ 269,398</u>	<u>\$ 237,235</u>
Weighted average common stock and units outstanding	114,100	101,056	112,767	98,699
Add: Effect of dilutive securities (excluding series C and D convertible preferred stock and 5.50% exchangeable senior debentures)	405	1,216	379	1,138
Add: Effect of dilutive series C convertible preferred stock	489	2,865	1,637	3,256
Add: Effect of dilutive series D convertible preferred stock	4,374	6,419	4,356	7,371
Add: Effect of dilutive 5.50% exchangeable senior debentures	6,456	6,289	6,449	6,280
Weighted average common stock and units outstanding—diluted	<u>125,824</u>	<u>117,845</u>	<u>125,588</u>	<u>116,744</u>

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Our future income, cash flows and fair values relevant to financial instruments depend upon prevalent market interest rates. Market risk refers to the risk of loss from adverse changes in market prices and interest rates. We do not use derivatives for trading or speculative purposes and only enter into contracts with major financial institutions based on their credit rating and other factors.

Analysis of Debt between Fixed and Variable Rate.

We use interest rate swap and cap agreements and fixed rate debt to reduce our exposure to interest rate movements. As of June 30, 2012, our consolidated debt was as follows (in millions):

	Carrying Value	Estimated Fair Value
Fixed rate debt	\$ 2,419.1	\$ 2,709.2
Variable rate debt subject to interest rate swaps and caps	341.7	450.6
Total fixed rate debt (including interest rate swaps and caps)	2,760.8	3,159.8
Variable rate debt	639.4	639.4
Total outstanding debt	<u>\$ 3,400.2</u>	<u>\$ 3,799.2</u>

Table of Contents

Interest rate swaps included in this table and their fair values as of June 30, 2012 and December 31, 2011 were as follows (in thousands):

Notional Amount		Type of Derivative	Strike Rate	Effective Date	Expiration Date	Fair Value at Significant Other Observable Inputs (Level 2)	
As of June 30, 2012	As of December 31, 2011					As of June 30, 2012	As of December 31, 2011
\$ 67,265 (1)	\$ 66,563 (1)	Swap	2.980	April 6, 2009	Nov. 30, 2013	\$ (2,100)	\$ (2,363)
12,910 (2)	13,319 (2)	Swap	3.981	May 17, 2006	Jul. 18, 2013	(458)	(583)
9,341 (2)	9,636 (2)	Swap	4.070	Jun. 23, 2006	Jul. 18, 2013	(340)	(435)
8,220 (2)	8,480 (2)	Swap	3.989	Jul. 27, 2006	Oct. 18, 2013	(360)	(432)
—	39,483 (2)	Swap	3.776	Dec. 5, 2006	Jan. 18, 2012 (3)	—	(41)
—	33,946 (2)	Swap	4.000	Dec. 20, 2006	Jan. 18, 2012 (3)	—	(38)
38,001 (2)	38,883 (2)	Swap	2.703	Dec. 3, 2009	Sep. 4, 2014	(1,695)	(1,592)
206,000 (6)	—	Swap	0.932	Jun. 18, 2012	Apr. 18, 2017	(1,682)	—
—	16,163	Cap	4.000	June 24, 2009	June 25, 2012 (4)	—	—
—	20,500	Cap	4.000	Aug. 4, 2010	June 15, 2013 (5)	—	—
<u>\$341,737</u>	<u>\$ 246,973</u>					<u>\$ (6,635)</u>	<u>\$ (5,484)</u>

- (1) Translation to U.S. dollars is based on exchange rate of \$1.57 to £1.00 as of June 30, 2012 and \$1.55 to £1.00 as of December 31, 2011.
- (2) Translation to U.S. dollars is based on exchange rate of \$1.27 to €1.00 as of June 30, 2012 and \$1.30 to €1.00 as of December 31, 2011.
- (3) The swap agreements were terminated as the mortgage loans were paid in full at maturity in January 2012.
- (4) This cap agreement was terminated on April 27, 2012 as the mortgage loan was paid in full on April 26, 2012.
- (5) This cap agreement was terminated on May 9, 2012 as the loans were paid in full on May 4, 2012.
- (6) Represents the U.S. Dollar portion of the unsecured term loan.

Sensitivity to Changes in Interest Rates.

The following table shows the effect if assumed changes in interest rates occurred:

<u>Assumed event</u>	<u>Interest rate change (basis points)</u>	<u>Change (\$ millions)</u>
Increase in fair value of interest rate swaps and caps following an assumed 10% increase in interest rates	7	\$ 0.8
Decrease in fair value of interest rate swaps and caps following an assumed 10% decrease in interest rates	(7)	(0.8)
Increase in annual interest expense on our debt that is variable rate and not subject to swapped or capped interest following a 10% increase in interest rates	7	0.4
Decrease in annual interest expense on our debt that is variable rate and not subject to swapped or capped interest following a 10% decrease in interest rates	(7)	(0.4)
Increase in fair value of fixed rate debt following a 10% decrease in interest rates	(7)	6.4
Decrease in fair value of fixed rate debt following a 10% increase in interest rates	<u>7</u>	<u>(6.9)</u>

Interest risk amounts were determined by considering the impact of hypothetical interest rates on our financial instruments. These analyses do not consider the effect of any change in overall economic activity that could occur in that environment. Further, in the event of a change of that magnitude, we may take actions to further mitigate our exposure to the change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, these analyses assume no changes in our financial structure.

Foreign Currency Exchange Risk

For the six months ended June 30, 2012 and 2011, we had foreign operations in the United Kingdom, Ireland, France, The Netherlands, Switzerland, Canada and Singapore as well as Australia and Hong Kong in the six months ended June 30, 2012, and, as such, are subject to risk from the effects of exchange rate movements of foreign currencies, which may affect future costs and cash flows. Our foreign operations are conducted in the British Pound, Euro, Swiss Franc, Australian Dollar, Singapore Dollar and the Hong Kong Dollar, except for our Canadian property for which the functional currency is the U.S. dollar. Our primary currency exposures are to the Euro, British Pound and the Singapore Dollar. We attempt to mitigate a portion of the risk of currency fluctuation by financing our properties in the local currency denominations, although there can be no assurance that this will be effective. As a result, changes in the relation of any such foreign currency to U.S. dollars may affect our revenues, operating margins and distributions and may also affect the book value of our assets and the amount of stockholders' equity. For the three months ended June 30, 2012 and 2011, operating revenues from properties outside the United States contributed \$38.8 million and \$27.5 million, respectively, which represented 12.8% and 10.3% of our operating revenues, respectively, and for the six months ended June 30, 2012 and 2011, operating revenues from properties outside the United States contributed \$75.5 million and \$53.2 million, respectively, which represented 12.9% and 10.3% of our operating revenues, respectively. Net investment in properties outside the United States was \$1,075.2 million and \$963.3 million as of June 30, 2012 and December 31, 2011, respectively.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures (Digital Realty Trust, Inc.)

The company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to its management, including its chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, the company's management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and its management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Also, the company has investments in certain unconsolidated entities, which are accounted for using the equity method of accounting. As the company does not control or manage these entities, its disclosure controls and procedures with respect to such entities may be substantially more limited than those it maintains with respect to its consolidated subsidiaries.

[Table of Contents](#)

As required by Rule 13a-15(b) or Rule 15d-15(b) of the Securities Exchange Act of 1934, as amended, management of the company carried out an evaluation, under the supervision and with participation of its chief executive officer and chief financial officer, of the effectiveness of the design and operation of its disclosure controls and procedures that were in effect as of the end of the quarter covered by this report. Based on the foregoing, the company's chief executive officer and chief financial officer each concluded that its disclosure controls and procedures were effective at the reasonable assurance level.

There have been no changes in the company's internal control over financial reporting during its most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

Evaluation of Disclosure Controls and Procedures (Digital Realty Trust, L.P.)

The operating partnership maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to its management, including the chief executive officer and chief financial officer of its general partner, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, the operating partnership's management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and its management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Also, the operating partnership has investments in certain unconsolidated entities, which are accounted for using the equity method of accounting. As the operating partnership does not control or manage these entities, its disclosure controls and procedures with respect to such entities may be substantially more limited than those it maintains with respect to its consolidated subsidiaries.

As required by Rule 13a-15(b) or Rule 15d-15(b) of the Securities Exchange Act of 1934, as amended, management of the operating partnership carried out an evaluation, under the supervision and with participation of the chief executive officer and chief financial officer of its general partner, of the effectiveness of the design and operation of its disclosure controls and procedures that were in effect as of the end of the quarter covered by this report. Based on the foregoing, the chief executive officer and chief financial officer of the operating partnership's general partner each concluded that its disclosure controls and procedures were effective at the reasonable assurance level.

There have been no changes in the operating partnership's internal control over financial reporting during its most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

None.

ITEM 1A. RISK FACTORS.

The risk factors discussed under the heading “Risk Factors” and elsewhere in the company’s and the operating partnership’s Annual Report on Form 10-K for the year ended December 31, 2011 continue to apply to our business.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Digital Realty Trust, Inc.

None.

Digital Realty Trust, L.P.

During the three months ended June 30, 2012, holders of 5,126,214 shares of Digital Realty Trust, Inc.’s series C cumulative convertible preferred stock exercised their right to convert such series C preferred shares into Digital Realty Trust, Inc.’s common stock and received 2,809,161 shares of Digital Realty Trust, Inc.’s common stock. In connection with this conversion, our operating partnership issued 2,809,161 common units to Digital Realty Trust, Inc. upon conversion of 5,126,214 series C cumulative convertible preferred units.

During the three months ended June 30, 2012, holders of 13,207 shares of Digital Realty Trust, Inc.’s series D cumulative convertible preferred stock exercised their right to convert such series D preferred shares into Digital Realty Trust, Inc.’s common stock and received 8,293 shares of Digital Realty Trust, Inc.’s common stock. In connection with this conversion, our operating partnership issued 8,293 common units to Digital Realty Trust, Inc. upon conversion of 13,207 series D cumulative convertible preferred units.

During the three months ended June 30, 2012, Digital Realty Trust, Inc. issued an aggregate of 24,017 shares of its common stock upon the exercise of stock options. Digital Realty Trust, Inc. contributed the proceeds of approximately \$0.7 million to our operating partnership in exchange for an aggregate of 24,017 common units, as required by our operating partnership’s partnership agreement.

During the three months ended June 30, 2012, Digital Realty Trust, Inc. issued an aggregate of 2,464 shares of its common stock in connection with restricted stock awards for no cash consideration. For each share of common stock issued by Digital Realty Trust, Inc. in connection with such an award, our operating partnership issued a restricted common unit to Digital Realty Trust, Inc. During the three months ended June 30, 2012, in connection with these awards, our operating partnership issued an aggregate of 2,464 common units to Digital Realty Trust, Inc., as required by our operating partnership’s partnership agreement.

In connection with the issuance of 300,000 shares of Digital Realty Trust, Inc.’s series F cumulative redeemable preferred stock on April 18, 2012 pursuant to the exercise of a portion of the underwriters’ over-allotment option, the operating partnership issued to Digital Realty Trust, Inc. 300,000 series F cumulative redeemable preferred units in exchange for the contribution by Digital Realty Trust, Inc. to the operating partnership of the net proceeds from the sale of such shares.

For these issuances of common and preferred units to Digital Realty Trust, Inc., our operating partnership relied on Digital Realty Trust, Inc.’s status as a publicly traded NYSE- listed company with over \$6 billion in total consolidated assets and as our operating partnership’s majority owner and general partner as the basis for the exemption under Section 4(2) of the Securities Act.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

As of July 19, 2012, the members of the Audit Committee of our Board of Directors are Laurence A. Chapman (Chair), Kathleen Earley and Ruann F. Ernst, Ph.D.; the members of the Compensation Committee of our Board of Directors are Robert H. Zerbst (Chair), Ms. Earley, Ms. Ernst and Dennis E. Singleton; and the members of the Nominating and Corporate Governance Committee of our Board of Directors are Ms. Earley (Chair), Mr. Chapman, Ms. Ernst and Mr. Zerbst.

Table of Contents

ITEM 6. EXHIBITS.

Exhibit Number	Description
2.1*	Share Sale and Purchase Agreement, dated June 26, 2012, relating to Sentrum Holdings Limited between Glen Moar Properties Limited, Abry Partners VI, LP, Abry Advanced Securities Fund, LP, Abry Advanced Securities Fund II, LP, Abry Investment Partnership, LP, Abry Senior Equity Co-Investment Fund, III LP and Abry Senior Equity III, LP, as Sellers, Digital Stout Holding, LLC, as Purchaser, Sentrum Holdings Limited, Sentrum Construction Management Limited and Digital Realty Trust, L.P., as Guarantor.
3.1	Articles of Amendment and Restatement of Digital Realty Trust, Inc., as amended (incorporated by reference to Exhibit 3.1 to the Combined Quarterly Report on Form 10-Q of Digital Realty Trust, Inc. and Digital Realty Trust, L.P. filed on May 7, 2012).
3.2	Fourth Amended and Restated Bylaws of Digital Realty Trust, Inc. (incorporated by reference to Exhibit 3.1 to Digital Realty Trust, Inc.'s Current Report on Form 8-K filed on February 21, 2012).
3.3	Certificate of Limited Partnership of Digital Realty Trust, L.P. (incorporated by reference to Exhibit 3.1 to Digital Realty Trust, L.P.'s General Form for Registration of Securities on Form 10 (File No. 000-54023) filed on June 25, 2010).
3.4	Tenth Amended and Restated Agreement of Limited Partnership of Digital Realty Trust, L.P. (incorporated by reference to Exhibit 3.1 to the Combined Current Report on Form 8-K of Digital Realty Trust, Inc. and Digital Realty Trust, L.P. filed on April 10, 2012).
10.1†	Fourth Amendment to First Amended and Restated Digital Realty Trust, Inc., Digital Services, Inc. and Digital Realty Trust, L.P. 2004 Incentive Award Plan.
10.2†	Director Compensation Program.
10.3*	Term Loan Agreement, dated as of April 16, 2012, among Digital Realty Trust, L.P., Digital Realty Datafirm, LLC, Digital Luxembourg III S.à r.l., Digital Realty (Redhill) S.à r.l., Digital Realty (Blanchardstown) Limited, Digital Realty (Paris 2) SCI, and Digital Singapore Jurong East Pte. Ltd, as borrowers, and Digital Realty Trust, Inc., as guarantor, the banks, financial institutions and other institutional lenders listed therein, as the initial lenders, Citibank, N.A., as administrative agent, JPMorgan Chase Bank, N.A. and Bank of America, N.A., as syndication agents, J.P. Morgan Securities LLC, Citigroup Global Markets Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as joint lead arrangers and joint book running managers, and Lloyds TSB Bank PLC, Royal Bank of Canada, Sumitomo Mitsui Banking Corporation, Suntrust Bank, U.S. Bank National Association, a national banking association, and Wells Fargo Bank, National Association, as co-documentation agents (incorporated by reference to Exhibit 10.1 to the Combined Quarterly Report on Form 10-Q of Digital Realty Trust, Inc. and Digital Realty Trust, L.P. filed on May 7, 2012).
12.1	Statement of Computation of Ratios.
31.1	Rule 13a-14(a)/15d-14(a) Certifications of Chief Executive Officer for Digital Realty Trust, Inc.
31.2	Rule 13a-14(a)/15d-14(a) Certifications of Chief Financial Officer for Digital Realty Trust, Inc.
31.3	Rule 13a-14(a)/15d-14(a) Certifications of Chief Executive Officer for Digital Realty Trust, L.P.
31.4	Rule 13a-14(a)/15d-14(a) Certifications of Chief Financial Officer for Digital Realty Trust, L.P.
32.1	18 U.S.C. § 1350 Certifications of Chief Executive Officer for Digital Realty Trust, Inc.
32.2	18 U.S.C. § 1350 Certifications of Chief Financial Officer for Digital Realty Trust, Inc.
32.3	18 U.S.C. § 1350 Certifications of Chief Executive Officer for Digital Realty Trust, L.P.
32.4	18 U.S.C. § 1350 Certifications of Chief Financial Officer for Digital Realty Trust, L.P.
101**	The following financial statements from Digital Realty Trust, Inc.'s and Digital Realty Trust, L.P.'s Form 10-Q for the quarter ended June 30, 2012, formatted in XBRL interactive data files: (i) Condensed Consolidated Balance Sheets as of June 30, 2012 and December 31, 2011; (ii) Condensed Consolidated Income Statements for the three and six months ended June 30, 2012 and 2011; (iii) Condensed Consolidated Statement of Equity/Statement of Capital for the six months ended June 30, 2012; (iv) Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2012 and 2011; (v) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2012 and 2011; and (vi) Notes to Condensed Consolidated Financial Statements.

† Management contract or compensatory plan or arrangement.

* Portions of this exhibit have been omitted pursuant to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission.

** Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Exchange Act of 1934, as amended, and otherwise are not subject to liability under these sections.

SIGNATURES

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

DIGITAL REALTY TRUST, INC.

August 7, 2012

/s/ MICHAEL F. FOUST

Michael F. Foust
Chief Executive Officer
(principal executive officer)

August 7, 2012

/s/ A. WILLIAM STEIN

A. William Stein
Chief Financial Officer and Chief Investment Officer
(principal financial officer)

August 7, 2012

/s/ EDWARD F. SHAM

Edward F. Sham
Sr. Vice President and Controller
(principal accounting officer)

SIGNATURES

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

DIGITAL REALTY TRUST, L.P.

By: Digital Realty Trust, Inc.
Its general partner

By:

August 7, 2012

/s/ MICHAEL F. FOUST

Michael F. Foust
Chief Executive Officer
(principal executive officer)

August 7, 2012

/s/ A. WILLIAM STEIN

A. William Stein
Chief Financial Officer and Chief Investment Officer
(principal financial officer)

August 7, 2012

/s/ EDWARD F. SHAM

Edward F. Sham
Sr. Vice President and Controller
(principal accounting officer)

Exhibit Index

<u>Exhibit Number</u>	<u>Description</u>
2.1*	Share Sale and Purchase Agreement, dated June 26, 2012, relating to Sentrum Holdings Limited between Glen Moar Properties Limited, Abry Partners VI, LP, Abry Advanced Securities Fund, LP, Abry Advanced Securities Fund II, LP, Abry Investment Partnership, LP, Abry Senior Equity Co-Investment Fund, III LP and Abry Senior Equity III, LP, as Sellers, Digital Stout Holding, LLC, as Purchaser, Sentrum Holdings Limited, Sentrum Construction Management Limited and Digital Realty Trust, L.P., as Guarantor.
3.1	Articles of Amendment and Restatement of Digital Realty Trust, Inc., as amended (incorporated by reference to Exhibit 3.1 to the Combined Quarterly Report on Form 10-Q of Digital Realty Trust, Inc. and Digital Realty Trust, L.P. filed on May 7, 2012).
3.2	Fourth Amended and Restated Bylaws of Digital Realty Trust, Inc. (incorporated by reference to Exhibit 3.1 to Digital Realty Trust, Inc.'s Current Report on Form 8-K filed on February 21, 2012).
3.3	Certificate of Limited Partnership of Digital Realty Trust, L.P. (incorporated by reference to Exhibit 3.1 to Digital Realty Trust, L.P.'s General Form for Registration of Securities on Form 10 (File No. 000-54023) filed on June 25, 2010).
3.4	Tenth Amended and Restated Agreement of Limited Partnership of Digital Realty Trust, L.P. (incorporated by reference to Exhibit 3.1 to the Combined Current Report on Form 8-K of Digital Realty Trust, Inc. and Digital Realty Trust, L.P. filed on April 10, 2012).
10.1†	Fourth Amendment to First Amended and Restated Digital Realty Trust, Inc., Digital Services, Inc. and Digital Realty Trust, L.P. 2004 Incentive Award Plan.
10.2†	Director Compensation Program.
10.3*	Term Loan Agreement, dated as of April 16, 2012, among Digital Realty Trust, L.P., Digital Realty Datafirm, LLC, Digital Luxembourg III S.à r.l., Digital Realty (Redhill) S.à r.l., Digital Realty (Blanchardstown) Limited, Digital Realty (Paris 2) SCI, and Digital Singapore Jurong East Pte. Ltd, as borrowers, and Digital Realty Trust, Inc., as guarantor, the banks, financial institutions and other institutional lenders listed therein, as the initial lenders, Citibank, N.A., as administrative agent, JPMorgan Chase Bank, N.A. and Bank of America, N.A., as syndication agents, J.P. Morgan Securities LLC, Citigroup Global Markets Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as joint lead arrangers and joint book running managers, and Lloyds TSB Bank PLC, Royal Bank of Canada, Sumitomo Mitsui Banking Corporation, Suntrust Bank, U.S. Bank National Association, a national banking association, and Wells Fargo Bank, National Association, as co-documentation agents (incorporated by reference to Exhibit 10.1 to the Combined Quarterly Report on Form 10-Q of Digital Realty Trust, Inc. and Digital Realty Trust, L.P. filed on May 7, 2012).
12.1	Statement of Computation of Ratios.
31.1	Rule 13a-14(a)/15d-14(a) Certifications of Chief Executive Officer for Digital Realty Trust, Inc.
31.2	Rule 13a-14(a)/15d-14(a) Certifications of Chief Financial Officer for Digital Realty Trust, Inc.
31.3	Rule 13a-14(a)/15d-14(a) Certifications of Chief Executive Officer for Digital Realty Trust, L.P.
31.4	Rule 13a-14(a)/15d-14(a) Certifications of Chief Financial Officer for Digital Realty Trust, L.P.
32.1	18 U.S.C. § 1350 Certifications of Chief Executive Officer for Digital Realty Trust, Inc.
32.2	18 U.S.C. § 1350 Certifications of Chief Financial Officer for Digital Realty Trust, Inc.
32.3	18 U.S.C. § 1350 Certifications of Chief Executive Officer for Digital Realty Trust, L.P.
32.4	18 U.S.C. § 1350 Certifications of Chief Financial Officer for Digital Realty Trust, L.P.
101**	The following financial statements from Digital Realty Trust, Inc.'s and Digital Realty Trust, L.P.'s Form 10-Q for the quarter ended June 30, 2012, formatted in XBRL interactive data files: (i) Condensed Consolidated Balance Sheets as of June 30, 2012 and December 31, 2011; (ii) Condensed Consolidated Income Statements for the three and six months ended June 30, 2012 and 2011; (iii) Condensed Consolidated Statement of Equity/Statement of Capital for the six months ended June 30, 2012; (iv) Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2012 and 2011; (v) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2012 and 2011; and (vi) Notes to Condensed Consolidated Financial Statements.

† Management contract or compensatory plan or arrangement.

* Portions of this exhibit have been omitted pursuant to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission.

** Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Exchange Act of 1934, as amended, and otherwise are not subject to liability under these sections.

Dated 26 June 2012

SHARE SALE AND PURCHASE AGREEMENT

relating to Sentrum Holdings Limited

between

GLEN MOAR PROPERTIES LIMITED
ABRY PARTNERS VI, LP
ABRY ADVANCED SECURITIES FUND, LP
ABRY ADVANCED SECURITIES FUND II, LP
ABRY INVESTMENT PARTNERSHIP, LP
ABRY SENIOR EQUITY CO-INVESTMENT FUND, III LP
ABRY SENIOR EQUITY III, LP
as Sellers

DIGITAL STOUT HOLDING, LLC
as Purchaser

SENTRUM HOLDINGS LIMITED

and

SENTRUM CONSTRUCTION MANAGEMENT LIMITED

DIGITAL REALTY TRUST, L.P.
as Guarantor

White & Case LLP
5 Old Broad Street
London EC2N 1DW

Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as [*]. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

TABLE OF CONTENTS

	Page
1. INTERPRETATION	3
2. SALE AND PURCHASE	19
3. CONSIDERATION	20
4. EARN OUT	22
5. ACTION PENDING COMPLETION	22
6. PRE-COMPLETION OBLIGATIONS	23
7. COMPLETION	26
8. PRORATIONS	27
9. SELLERS' WARRANTIES	30
10. SELLERS' LIMITATIONS ON LIABILITY	32
11. INDEMNITIES	32
12. ESCROW	33
13. ADDITIONAL PAYMENTS AND ESCROW	36
14. RESTRICTIONS ON SELLERS	36
15. INSURANCE	38
16. RELEASE	38
17. UNDERTAKINGS	39
18. BUSINESS INFORMATION	39
19. CONFIDENTIALITY	39
20. ANNOUNCEMENTS	40
21. GUARANTEE	41
22. ASSIGNMENT	41
23. FURTHER ASSURANCE	42
24. ENTIRE AGREEMENT	42
25. SEVERANCE AND VALIDITY	42
26. VARIATIONS	43
27. REMEDIES AND WAIVERS	43
28. EFFECT OF COMPLETION	43
29. THIRD PARTY RIGHTS	43
30. PAYMENTS	44
31. COSTS AND EXPENSES	44
32. DEFAULT INTEREST	44

33.	NOTICES	44
34.	COUNTERPARTS	46
35.	GOVERNING LAW AND JURISDICTION	46
36.	AGENT FOR SERVICE OF PROCESS	46
	SCHEDULE 1 THE SELLERS	48
	SCHEDULE 2 THE GROUP	51
	Part A Details of the Company	51
	Part B Details of the Subsidiaries	53
	SCHEDULE 3 COMPLETION ARRANGEMENTS	56
	Part A Seller's Obligations	56
	Part B Purchaser's Obligations	64
	SCHEDULE 4 WARRANTIES	65
	Part A Warranties from the Sellers	65
	Part B Warranties from the Ordinary Shareholder	67
	SCHEDULE 5 SELLERS' LIMITATIONS ON LIABILITY	98
	SCHEDULE 6 PROPERTIES	100
	Part A Freehold Properties	100
	Part B Leasehold Properties	101
	SCHEDULE 7 BAKER STREET PROPERTY AND THE HAYES PROPERTY	103
	Part A (Baker Street)	103
	Part B (Hayes)	105
	SCHEDULE 8 WORKED EXAMPLE OF ADDITIONAL PAYMENT CALCULATION	107
	SCHEDULE 9 OPTION LANDS	108
	SCHEDULE 10 FORM OF ESCROW AGREEMENT	111
	APPENDIX 1 PLANS SHOWING CURRENT VACANT SPACE	131

BETWEEN:

- (1) **THE SEVERAL PERSONS** whose details are set out in Schedule 1 (*The Sellers*) (together, the “**Sellers**”);
- (2) **Digital Stout Holding, LLC** a company incorporated in the State of Delaware, United States of America whose registered office is at 2711 Centerville Road, Suite 400 Wilmington, Delaware 19808, United States of America (the “**Purchaser**”);
- (3) **Sentrum Holdings Limited**, a company incorporated in the British Virgin Islands with registered number 1044506 and whose registered office is at Craigmuir Chambers, Road Town, Tortola, British Virgin Islands;
- (4) **Sentrum Construction Management Limited** a company incorporated under the laws of England and Wales with registered company number 04384471 and whose registered office is at Suite 426 Linen Hall, 162-168 Regent Street, London W1B 5TE (“**Sentrum Construction**”); and
- (5) **Digital Realty Trust, L.P.** a limited partnership with registration number M10114858 and registered office at 7 St. Paul Street, Suite 1660, Baltimore, MD 21202 (acting by its general partner Digital Realty Trust, Inc.) (the “**Guarantor**”).

WHEREAS:

- (A) Particulars of the Company and each of its Subsidiaries (as defined in Clause 1.1) are set out in Schedule 2 (*The Group*).
- (B) The Sellers have agreed to sell and the Purchaser has agreed to purchase the Shares (as defined in Clause 1.1) in each case on the terms and subject to the conditions of this Agreement.
- (C) The Guarantor has agreed to guarantee the obligations of the Purchaser on the terms and subject to the conditions of this Agreement.

IT IS AGREED:

1. INTERPRETATION

1.1 In this Agreement:

“**2009 Abry Facility Letter**” means the £20,000,000 facility letter dated 12 December 2009 between the Company and the A Shareholder;

“**2010 Subscription Agreement**” means the subscription agreement dated 7 January 2010 between the Company, Glen Moar, and the A Shareholder;

“**2011 Subscription Agreement**” means the subscription agreement dated 27 July 2011 between the Company, Glen Moar, and the B Shareholders;

“**A Shares**” means the 30,000 A Preferred Shares of no par value in the Company, constituting 100% of such class of share in issue;

“**A Shareholder**” means Abry Partners VI, LP;

“**ABRY Consideration**” means the sum payable to the ABRY Sellers in accordance with Clause 3.2(a)(i);

“**ABRY Convertible Loan Agreement**” means the £30,000,000 convertible loan agreement dated 7 January 2010 between the A Shareholder and the Company;

“**ABRY Investment Documents**” means the 2009 Abry Facility Letter, the 2010 Subscription Agreement, the 2011 Subscription Agreement, the Abry Convertible Loan Agreement, the Abry Prepayment Notice and the Shareholders’ Agreement;

“**ABRY Prepayment Notice**” means the prepayment notice from the Company dated 1 August 2011 addressed to the B Shareholders and the A Shareholder;

“**ABRY Sellers**” means, collectively, the A Shareholder and the B Shareholders;

“**ABRY Sellers’ Designated Account**” means the bank account(s) details of which shall be notified to the Purchaser by ABRY Sellers at least two (2) Business Days prior to Completion;

“**Accounts Date**” means 31 December 2011;

“**Accounts**” means the audited financial statements of the Company and of each Subsidiary and the audited consolidated financial statements of the Group for the accounting reference period ended on the Accounts Date and for each of the three (3) previous accounting reference periods, together with, in each case, the auditors’ and directors’ reports and the notes to the audited financial statements, such financial statements comprising, in each case, a balance sheet, a profit and loss account and a cash flow statement;

“**Additional Escrow Amount**” means the additional amounts paid into the Escrow Account pursuant to Clause 13;

“**Additional Payment**” means a sum equal to 11.5 multiplied by the Net Contracted First Year’s Rent for the relevant New Lease as calculated by the Purchaser;

“**Agents**” means, in relation to a person, that person’s directors, officers, employees, advisers, agents and representatives;

“**Agreement**” means this agreement as the same may be amended by the Parties in accordance with the provisions hereof;

“**Apportionment Day**” has the meaning given in Clause 8.2;

“**Anti-Bribery Laws**” means, in each case to the extent that they have been applicable to a Group Company or a member of the Retained Group (as the case may be) at any time prior to the date of this Agreement: (i) the UK Bribery Act 2010; (ii) the U.S. Foreign Corrupt Practices Act of 1977 (as amended); (iii) any applicable

law, rule, or regulation promulgated to implement the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, signed on 17 December 1997; and (iv) any other applicable law, rule or regulation of similar purpose and scope in any jurisdiction, including books and records offences relating directly or indirectly to a bribe;

“**Associated Person**” has the meaning given in paragraph 7.1 of Part B of Schedule 4 (*Warranties*);

“**Auditors**” means KMPG Audit LLC;

“**B Shareholders**” means, collectively, Abry Advanced Securities Fund, LP; Abry Advanced Securities Fund II, LP; Abry Investment Partnership, LP; Abry Senior Equity Co-Investment Fund III, LP; and Abry Senior Equity III, LP (each a “**B Shareholder**”);

“**B Shares**” means the 24,095 B Preferred Shares of no par value in the Company, constituting 100% of such class of share in issue;

“**Baker Street Lease**” means the underlease dated 2 June 2011 between (1) [*] and (2) Sentrum Services Limited;

“**Baker Street Property**” means the leasehold property known as Seventh Floor, North Wing, 55 Baker Street, London, W1U 7EU and which is demised to Sentrum Services Limited pursuant to the Baker Street Lease;

“**Bridge Loan**” means that certain senior unsecured bridge loan in the amount upto £700,000,000, among the Purchaser, as borrower, the Initial Lenders (as such term is defined in the documentation for the Bridge Loan) (the “Lenders”), an affiliate of Citigroup Global Markets Inc., as administrative agent (the “Agent”, and together with the Lenders, and any arrangers, book-running managers, or other agents for the Lenders, the “Lender Parties”), and certain other parties thereto;

“**Business**” means the business of the Group as conducted by it on the Completion Date;

“**Business Day**” means a day (other than a Saturday or Sunday or a public holiday) when commercial banks are open for ordinary banking business in London, United Kingdom and in San Francisco, United States;

“**Business Information**” means drawings, formulae, test results, reports, project reports and testing, operation and manufacturing procedures, shop practices, instruction and training manuals, tables of operating conditions, market forecasts, specifications, data, quotations, tables, lists and particulars of customers and suppliers, marketing methods and procedures, technical literature and brochures and any other technical, industrial and commercial information and techniques in any tangible form (including, but not limited to paper, electronically stored data, magnetic media, microfiche, film and microfilm);

“**Business Intellectual Property**” means the Intellectual Property owned, used or held for use by a Group Company;

[*] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

“**Business IP Licences**” has the meaning given in paragraph 20.8 of Part B of Schedule 4 (*Warranties*);

“**Camberley Employees**” means each of the following employees who are employed by Sentrum Services Limited and located in Camberley: #####, ##### and #####;

“**Claim**” means any Warranty Claim or Indemnity Claim;

“**Closing Leases**” means the following agreements for lease and services agreements and all deeds and documents of whatever kind supplemental or ancillary to such agreements whether or not they are expressed to be so:

- (a) agreement for lease and services agreement relating to Space at Sentrum III, Caxton Way, Watford dated 8 May 2012 between (1) Sentrum III Limited (2) [*] and (3) Sentrum Services Limited;
- (b) agreement for lease and services agreement relating to Space at Sentrum IV, Woking Surrey GU21 3BA dated 26 March 2012 between (1) Sentrum IV Limited (2) [*] (3) Sentrum Services Limited and (4) Sentrum Holdings Limited; and
- (c) agreement for lease and services agreement relating to Space at Sentrum IV, Woking Surrey GU21 3BA dated 20 April 2012 between (1) Sentrum IV Limited (2) [*] (3) Sentrum Services Limited and (4) Sentrum Holdings Limited;

“**Companies Act**” means the Companies Act 2006;

“**Company**” means Sentrum Holdings Limited, further details of which are set out in Part A of Schedule 2 (*Details of the Company*);

“**Completion**” means completion of the sale and purchase of the Shares under this Agreement;

“**Completion Date**” means (i) 31 July 2012; or (ii) if earlier, the Business Day that is five (5) Business Days after the date on which the Purchaser gives written notice to the Sellers that Completion shall occur; or (iii) such later date as may apply pursuant to the provisions of Clause 7.4;

“**Consent**” means, in relation to the Baker Street Property, the consent of the Landlord and any superior landlord to the assignment or transfer of the Baker Street Property to Glen Moar or any member of Glen Moar’s group;

“**Consideration**” means the consideration payable for the Shares as set out in Clause 3;

“**Consideration per Share**” means the price per Share obtained by dividing the Debt Free Consideration by the number of Shares;

[*] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

“Consultancy Agreement” means the consultancy agreement relating to data centre leasing and construction services in the agreed terms and made between Glen Moar and Digital Realty (UK) Limited dated on or around the Completion Date;

“Continuing Provisions” means Clause 1 (*Interpretation*), Clause 8 (*prorations*), Clause 19 (*Confidentiality*), Clause 20 (*Announcements*), Clause 21 (*Guarantee*), Clause 24 (*Entire Agreement*), Clause 25 (*Severance and Validity*), Clause 26 (*Variations*), Clause 27 (*Remedies and Waivers*), Clause 29 (*Third Party Rights*), Clause 30 (*Payments*), Clause 31 (*Costs and Expenses*), Clause 32 (*Default Interest*), Clause 33 (*Notices*), Clause 35 (*Governing Law and Jurisdiction*) and Clause 36 (*Agent for Service of Process*), all of which shall continue to apply after the termination of this Agreement pursuant to Clauses 7.4(c) or 9.10;

“Croydon Expansion Land” means all that land shown edged in red on the plan with that description annexed to Schedule 9;

“CTA 2010” means the Corporation Tax Act 2010;

“Cure Period” has the meaning given in Clause 7.4;

“Current Vacant Space” means any technical space (excluding all office, storage and ancillary space) located at any of the Properties (excluding the property located at Croydon and detailed in paragraph 1 of both Schedule 6Part A, and Schedule 6Part B) and in details of which are set out in Appendix 1, which on the date of this Agreement is unoccupied and is not subject to any lease, licence, agreement, option, pre-emption or other interest;

“Data Protection Law” means any and all applicable laws that implement or give legal effect to the data protection directive (Directive 95/46/EC), the e-privacy directive (Directive 2002/58/EC), Articles 7 and 8 of the Charter of Fundamental Rights of the European Union, Article 8 of the European Convention on Human Rights, and any other legislation in any applicable jurisdiction concerning the protection and/or processing of personal data, the right to privacy, information security, and the obligation to provide data breach notifications, and including all subordinate legislation, regulations, guidance and codes of practice;

“Data Room” means all the information made available to the Purchaser and its Agents on the online data room located at [www.http://dm.sentrum.co.im/](http://dm.sentrum.co.im/), a hard copy of which is contained on CD Roms initialled by the Sellers’ Solicitor and the Purchaser’s Solicitor;

“Data Security Measures” has the meaning given in paragraph 20.8 of Part B of Schedule 4 (*Warranties*);

“Debt Free Consideration” has the meaning given in Clause 3.1;

“Deeds of Termination” means the deeds of termination entered into on or prior to the Completion by Sentrum Holdings Limited with each of Sentrum (Colo) Limited, Sentrum Construction Management Limited, Sentrum (Hayes) Limited, Sentrum (Rugby) Limited and Sentrum (Singapore) Private Limited, each terminating certain trade mark licence agreements entered into by those companies;

“Disclosed” means fully, fairly and with sufficient detail to identify the nature and scope of the matter disclosed in the Disclosure Letter;

“Disclosure Letter” means the letter of today’s date from the Sellers to the Purchaser in the agreed terms and delivered to the Purchaser before the execution of this Agreement;

“Earnout Period” means three years from and including the Completion Date (time being of the essence);

“Encumbrance” means any pledge, charge, lien, mortgage, debenture, hypothecation, security interest, pre-emption right, option and any other encumbrance or third party right or claim of any kind or any agreement to create any of the above;

“Escrow Account” means the bank account to be operated by the Escrow Agent in accordance with Clause 12 and the Escrow Agreement;

“Escrow Agent” means Wilmington Trust (London) Limited or such other agent as may be agreed between the Purchaser and Glen Moar;

“Escrow Agreement” means the escrow agreement to be entered into by the Ordinary Shareholder, the Purchaser and the Escrow Agent substantially in the form of Schedule 10;

“Escrow Amount” means ten million pounds (£10,000,000) to be retained in the Escrow Account and to be held and dealt with in accordance with Clause 12;

“Employer’s Agent” means the relevant employer’s agent appointed in relation to the Outstanding Construction Contracts;

“Environmental Warranties” means the warranties set out in paragraph 22 (*Environmental*) of Part B of Schedule 4;

“Existing Facilities” has the meaning given in paragraph 10.3 of Part B of Schedule 4 (*Warranties*);

“Expenses” means all costs, fees, premiums, contributions, rent free periods, inducements and/or expenses relating to the construction, operation and leasing of the Leased Area, including all capital expenditure, commissions, legal and professional fees, costs forming part of the rents which are attributable to the operation and running of the Leased Area for the first year of the Term (which are to be deemed for the purposes of this definition to be £30 per square foot) and/or otherwise attributable to Tax but excluding professional fees of the Purchaser in dealing with the monitoring and verification of Glen Moar and Sentrum Constructions’ compliance with the terms of the Consultancy Agreement;

“Expert” means CBRE London or, if that firm is unable or unwilling to act in any matter referred to them under this Agreement, a reputable firm of surveyors to be agreed by Glen Moar and the Purchaser within seven days of a notice by one to the other requiring such agreement or failing such agreement to be nominated on the application of either of them by or on behalf of the President for the time being of The Royal Institution of Chartered Surveyors;

“Freehold Properties” means the freehold land and premises currently owned, used or occupied by the Group, details of which are set out in Part A of Schedule 6 (*Properties*);

“Glen Moar” means Glen Moar Properties Limited, a company incorporated in the British Virgin Islands with registered number 1039730;

“Glen Moar Consideration” means the remaining sum payable out of the Debt Free Consideration once the ABRY Consideration has been paid, as adjusted in accordance with Clause 8;

“GM’s Designated Account” means the sterling denominated bank account details of which shall be notified to the Purchaser by Glen Moar at least two (2) Business Days prior to Completion;

“Group” means the Company and its Subsidiaries and the expression **“Group Company”** shall be construed accordingly;

“Hardware” means any and all (a) computer, telecommunications and network equipment; (b) operation user manuals; (c) maintenance manuals; and (d) associated documentation (but not including Software);

“Hayes Consents” means the consent of the relevant counterparties (and any other necessary parties) to the release and waiver of the Hayes Guarantees and the Hayes Covenants and, simultaneously with each such release and waiver, the novation to Sentrum Construction or another member of Sentrum Construction’s group of the Hayes Services Agreements, the Hayes Construction Documents and the guarantee provided by the Company pursuant to the Hayes Lease each in such form as the Purchaser shall reasonably require;

“Hayes Construction Documents” means the entirety of the collateral warranties, professional appointments, agreements for lease and any other construction documents to which Sentrum Services Limited and/or the Company are party, including the documents listed below, and all deeds and documents of whatever kind supplemental or ancillary to such agreements whether or not they are expressed to be so:

- (a) collateral warranty from consultant relating to a project at Sentrum (Hayes) Data Centre, Digiplex Megaplex Centre, Brookfields, Beaconsfield Road, Hayes dated 9 March 2012 between (1) Sentrum Services Limited and (2) [*] and (3) Sentrum (Hayes) Limited;
- (b) collateral warranty from consultant (architect) relating to a development at Sentrum (Hayes) Data Centre, Digiplex Centre, Brookfields, Beaconsfield Road, Hayes dated 4 April 2012 between (1) Sentrum Services Limited (2) [*] and (3) Sentrum (Hayes) Limited;
- (c) collateral warranty (employer’s agent, quantity surveyor and CDM co-ordinator) relating to a project at Sentrum (Hayes), Digiplex Megaplex Centre, Brookfields, Beaconsfield Road, Hayes dated 4 April 2012 between (1) Sentrum Services Limited (2) [*] and (3) Sentrum (Hayes) Limited;

[*] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

- (d) professional appointment (architect) relating to a project at Sentrum (Hayes) Data Centre, Brookfields, Beaconsfield Road, Hayes, Data Hall for [*] dated 9 March 2012 between (1) Sentrum Services Limited and (2) Sentrum (Hayes) Limited;
- (e) professional appointment (employer’s agent, quantity surveyor and CDM co-ordinator) relating to a project at Sentrum (Hayes) Data Centre, Brookfields, Beaconsfield Road, Hayes, Data Hall for [*] dated 9 March 2012 between (1) Sentrum Services Limited and (2) Sentrum (Hayes) Limited;
- (f) agreement for lease and underleases relating to Digiplex Megaplex Centre, Brookfields, Beaconsfield Road, Hayes, London dated 17 November 2009 between (1) Sentrum (Hayes) Limited (2) [*] (3) Sentrum Services Limited and (4) the Company;
- (g) agreement for lease and services agreement relating to Space at Sentrum Hayes, Middlesex, UB4 0SL dated 23 February 2012 between (1) Sentrum (Hayes) Limited (2) [*] (3) [*] and (4) Sentrum Services Limited;
- (h) agreement for construction management and data centre management services dated 26 February 2010 between (1) Sentrum (Hayes) Limited and (2) Sentrum Services Limited; and
- (i) licence to occupy offices at Digiplex Megaplex Centre, Brookfields, Beaconsfield Road, Hayes, London dated 1 September 2010 between (1) Sentrum (Hayes) Limited and (2) Sentrum Services Limited;

“**Hayes Covenants**” means all obligations, conditions, covenants, warranties, indemnities and guarantees of whatever nature given or provided by Sentrum Services Limited and/or any Group Company contained in or pursuant to the Hayes Lease, the Hayes Construction Documents and the Hayes Services Agreements and any other deeds or documents relating to the Hayes Property;

“**Hayes Employees**” means each of the following employees who are employed by Sentrum Services Limited and located at the Hayes Property: #####, #####, #####, #####, ##### and #####;

“**Hayes Guarantees**” means all obligations, conditions, covenants, warranties, indemnities and guarantees of whatever nature given or provided by the Company and/or any Group Company contained in or pursuant to the Hayes Lease, the Hayes Construction Documents and the Hayes Services Agreements and any other deeds or documents relating to the Hayes Property;

“**Hayes Lease**” means the underlease dated 26 February 2010 between (1) [*] (2) Sentrum (Hayes) Limited and (3) the Company registered at the Land Registry with registered title number AGL213849 and all deeds and documents of whatever kind supplemental or ancillary to such underlease whether or not expressed to be so;

[*] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

“**Hayes Novation**” means the deeds of release, waiver and novation relating to the Hayes Guarantees, the Hayes Covenants, the Hayes Services Agreements and Hayes Construction Documents in the forms approved by the Purchaser and in accordance with the provisions of this Agreement and “**Hayes Novation**” shall mean any one such deed of release waiver and novation;

“**Hayes Property**” means the leasehold property known as Digiplex Megaplex Centre, Brookfields, Beaconsfield Road, Hayes, London which is registered at the Land Registry with title number AGL213849 and all deeds and documents of whatever kind ancillary or supplemental to such leasehold interest whether or not expressed to be so;

“**Hayes Rental Surplus**” means any rents (excluding VAT) due during the period of the Hayes Lease arising from any completed and subsisting leases where the tenant has an investment grade credit rating which is recognized as such by an internationally reputable credit agency;

“**Hayes Services Agreements**” means the entirety of the services agreements relating to the Hayes Property, including but not limited to the services agreements listed below, and all deeds and documentation of whatever kind supplemental or ancillary to such agreements whether or not they are expressed to be so:

- (a) services agreement relating to Hall A, Ground Floor, Digiplex Megaplex Centre, Brookfields, Beaconsfield Road, Hayes, London dated 17 November 2009 between (1) [*] (2) Sentrum Services Limited and (3) Sentrum (Hayes) Limited and Sentrum Construction;
- (b) services agreement relating to Hall B, Ground Floor, Digiplex Megaplex Centre, Brookfields, Beaconsfield Road, Hayes, London dated 17 November 2009 between (1) [*] (2) Sentrum Services Limited and (3) Sentrum (Hayes) Limited and Sentrum Construction;
- (c) services agreement relating to Hall C, Sentrum Hayes, Middlesex, UB4 0SL dated 16 December 2011 between (1) Sentrum Services Limited and (2) Sentrum (Colo) Limited; and
- (d) services agreement relating to Space at Sentrum Hayes, Middlesex, UB4 0SL dated 2 April 2012 between (1) Sentrum Services Limited and (2) Sentrum (Hayes) Limited (3) [*] and (4) [*];

“**Income**” means all income, including, rents, service charges, premiums, payments, contributions, inducements, reimbursements or other income of a similar nature (whether periodic or of a single payment) due to any Group Company from any tenants of the Properties and/or other relevant third parties;

“**Indemnities**” means the indemnities given by the Sellers in Clause 11;

“**Indemnity Claim**” means any claim under the Indemnities and/or the Tax Deed;

[*] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

“Initial Consideration” means the sum of seven hundred and fifteen million eight hundred and sixty one thousand one hundred and thirty four pounds (£715,861,134);

“Initial GM Consideration” has the meaning given in Clause 3.2;

“Intellectual Property” means patents, utility models, trade marks, service marks, trade and business names, registered designs, design rights, copyright and neighbouring rights, database rights, domain names, semi-conductor topography rights and rights in Business Information, inventions, Software, trade secrets, confidential information of all kinds and other similar proprietary rights which may subsist in any part of the world and whether registered or not, including, where such rights are obtained or enhanced by registration, any registration of such rights and rights to apply for such registrations;

“Interest Rate” means interest at the rate of six per cent. (6%) per annum above the base rate from time to time of Barclays Bank plc calculated on a daily basis and compounded quarterly;

“IT Contracts” means any material agreements, arrangements or licences relating to IT Systems or IT Services, including all hire purchase contracts or leases of Hardware owned or used by a Group Company, licences of Software owned or used by a Group Company and other IT procurement;

“IT Services” means any services relating to the IT Systems or to any other aspect of a Group Company’s data processing or data transfer requirements, including facilities management, bureau services, hardware maintenance, software development or support, consultancy, source code deposit, recovery and network services;

“IT Systems” means Hardware, Software, communications networks, telephone switchboards, micro-processors and firmware and other information technology equipment and any other items that connect with any or all of them which in each case are owned or used by a Group Company;

“Landlord” means, in relation to the Baker Street Property, the person entitled to the reversion immediately expectant on the determination of the term granted by the Baker Street Lease;

“Last Accounts” means the Accounts for the accounting reference period ended on the Accounts Date;

“Leased Area” means such area forming part of the Current Vacant Space as demised in the New Lease;

“Leases” means any leases, licences, tenancies, agreements for lease or other similar interests relating to the Properties;

“Leasehold Properties” means the leasehold land and premises currently owned, used or occupied by the Group details of which are set out in Part B of Schedule 6 (*Properties*);

“Licenses” has the meaning given in paragraph 8.1 of Part B of Schedule 4 (*Warranties*);

“**Loss**” or “**Losses**” means any and all losses, liabilities, actions and claims, including charges, costs, damages, fines, penalties, interest and all legal and other professional fees and expenses properly incurred including, in each case, all related Taxes;

“**Management Accounts**” means the unaudited balance sheet of the Company and each Subsidiary as at 31 May 2012 and the unaudited profit and loss account of the Company and each Subsidiary for the period ended on such date;

“**Material Adverse Effect**” means an impairment of the business, assets, liabilities, condition (financial or otherwise) and/or results of operations of any Group Company having a value in an aggregate amount of at least twenty five million pounds (£25,000,000);

“**Net Contracted First Year’s Rent**” means the average annualised rental income (excluding any rent free period) reserved pursuant to the relevant New Lease (which for the avoidance of doubt may comprise rent, external equipment charges and internal equipment charges) for the first year of the Term (but excluding value added tax and rental increases) less all Expenses;

“**New Lease**” means a new lease granted in respect of Current Vacant Space;

“**Non-Compete Undertakings**” means (i) the deed entered into between the Company, the Purchaser, and Andrew Joseph Ruhan; (ii) the deed entered into between the Company, the Purchaser, and Simon McNally; and (iii) the deed entered into between the Company, the Purchaser, and Franek Sodzawiczny, all dated the date hereof;

“**Notice**” has the meaning given in Clause 33.2;

“**Odyssey Service Agreements**” means: (i) the agreement for the provision of services between Odyssey Partnerships Limited and Sentrum Holdings Limited dated 1 January 2007; (ii) the agreement for the provision of services between Odyssey Partnerships Limited and Sentrum IV Limited dated 1 February 2008; (iii) the agreement for the provision of services between Odyssey Partnerships Limited and Sentrum Limited dated 1 February 2008; (iv) the agreement for the provision of services between Odyssey Partnerships Limited and Sentrum Services Limited dated 1 February 2008; and (v) the agreement for the provision of services between Odyssey Partnerships Limited and Sentrum III Limited dated 1 February 2008;

“**Official**” has the meaning given in paragraph 7.1(b) of Part B of Schedule 4 (*Warranties*);

“**Option Lands**” means the Woking Expansion Land, the Croydon Expansion Land and/or the Watford Expansion Land (and includes part or parts thereof);

“**Ordinary Shareholder**” means Glen Moar;

“**Ordinary Shares**” means the 322,941 £0.01 ordinary shares in the Company representing 100% of such class of share in issue;

“**Other Claims**” has the meaning given in Clause 12.1;

“**Outgoings**” means rates, Taxes, charges, assessments, duties, impositions and outgoings assessed or imposed on the Properties, the owner of the Properties and/or recoverable from any tenants occupying the Properties at any time prior to the Completion Date, whether or not of a capital or non-recurring nature;

“**Outgoing Licenses**” has the meaning given in paragraph 20.9 of Part B of Schedule 4 (*Warranties*);

“**Outstanding Agreements for Lease**” means the following agreements for lease and services agreements and all deeds and documents of whatever kind supplemental or ancillary to such agreements whether or not they are expressed to be so:

- (a) agreement for lease and services agreement relating to Space at Sentrum III, Caxton Way, Watford dated 8 May 2012 between (1) Sentrum III Limited (2) [*] and (3) Sentrum Services Limited;
- (b) agreement for lease and services Agreement relating to Space at Sentrum IV, Woking Surrey GU21 3BA (Hall 2) dated 3 March 2011 between (1) Sentrum IV Limited (2) [*] (3) Sentrum Services Limited and (4) Sentrum Holdings Limited;
- (c) agreement for lease and services agreement relating to Space at Sentrum IV, Woking Surrey GU21 3BA dated 26 March 2012 between (1) Sentrum IV Limited (2) [*] (3) Sentrum Services Limited and (4) Sentrum Holdings Limited; and
- (d) agreement for lease and services agreement relating to Space at Sentrum IV, Woking Surrey GU21 3BA dated 20 April 2012 between (1) Sentrum IV Limited (2) [*] (3) Sentrum Services Limited and (4) Sentrum Holdings Limited;

“**Outstanding Construction Contracts**” means those obligations on the part of the contractor contained in the following building contracts, including their professional appointments, and any documents ancillary or supplemental to those building contracts whether or not expressed to be so:

- (a) the building contract dated 9 May 2012 between (1) Sentrum III Limited and (2) Sentrum Construction Management Limited relating to the letting to [*] at Caxton Way, Watford;
- (b) the building contract dated 26 April 2012 between (1) Sentrum IV Limited and (2) Sentrum Construction Management Limited relating to the letting to [*] at Sentrum IV, Woking, Surrey;
- (c) the building contract dated 9 May 2012 between (1) Sentrum IV Limited and (2) Sentrum Construction Management Limited relating to the letting to [*] at Sentrum IV, Woking, Surrey;
- (d) the building contract dated 5 April 2011 between (1) Sentrum IV Limited and (2) Sentrum Construction Management Limited relating to the letting to [*] at Sentrum IV, Woking, Surrey;

[*] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

- (e) the building contract dated 14 February 2011 between (1) Sentrum IV Limited and (2) Sentrum Construction Management Limited relating to the letting to [*] at Sentrum IV, Woking, Surrey;
- (f) the building contract dated 18 July 2011 between (1) Sentrum IV Limited and (2) Sentrum Construction Management Limited relating to the letting to [*] at Sentrum IV, Woking, Surrey;
- (g) the building contract dated 5 April 2011 between (1) Sentrum IV Limited and (2) Sentrum Construction Management Limited relating to the letting to [*] at Sentrum IV, Woking, Surrey; and
- (h) the agreement for lease dated 3 March 2011 between (1) Sentrum IV Limited and (2) [*] and (3) Sentrum Holdings Limited relating to Space at Sentrum IV, Woking Surrey;

“**Party**” means a party to this Agreement and “**Parties**” shall mean the parties to this Agreement;

“**Planning Legislation**” has the meaning given in paragraph 21.11 of Part B of Schedule 4 (*Warranties*);

“**Proceedings**” has the meaning given in Clause 35.2;

“**Properties**” means the Freehold Properties and Leasehold Properties, and “**Property**” shall mean any of them;

“**Property Transfer**” means the conveyances or assignments of the Baker Street Property in the agreed terms and in accordance with the provisions of this Agreement and “**Property Transfer**” shall mean any one conveyance or assignment;

“**Property and Construction Agreements**” means any leases, agreements for lease, tenant service agreements and/or building contracts relating to the Properties as at the date hereof;

“**Purchaser**” has the meaning given in the second paragraph;

“**Purchaser’s Group**” means the Purchaser, its subsidiaries and subsidiary undertakings, any holding company or parent undertaking of the Purchaser and all other subsidiaries and subsidiary undertakings of any such holding company or parent undertaking as the case may be from time to time (and including, after Completion, the Group);

“**Purchaser’s Solicitors**” means White & Case LLP of 5 Old Broad Street, London EC2N 1DW;

“**RBS Overdraft Facility**” means the £500,000 overdraft agreement dated 12 December 2011 made between Sentrum Services Limited as borrower, Sentrum Holdings Limited as guarantor and The Royal Bank of Scotland plc;

[*] Certain information on this page has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

“Registered Intellectual Property” means patents, registered trade marks and service marks, registered designs, domain name registrations (and applications for any of the same), owned, used or held for use by a Group Company;

“Regulation” means Council Regulation (EC) 139/2004;

“Related Persons” has the meaning given in Clause 24.5;

“Relevant Party’s Group” means, in relation to a Party, that Party’s subsidiaries and subsidiary undertakings, any holding company or parent undertaking of that Party and all other subsidiaries and subsidiary undertakings of any such holding company or parent undertaking as the case may be from time to time (but, in the case of a Seller, excluding the Group);

“Relevant Sale Shares” means, in relation to a Seller, those Shares which are to be sold by that Seller under this Agreement and in respect of which it is identified as a Seller in Schedule 1;

“Restricted Territories” means England, Wales, Scotland, Ireland, Guernsey, France and the Netherlands;

“Retained Debt Agreement” means the £300,000,000 term loan facility agreement dated 28 January 2010 (as amended and restated on 13 September 2010 and 19 October 2011) made between Sentrum III Limited as Watford Borrower, Sentrum IV Limited as Woking Borrower, Sentrum III Limited, Sentrum IV Limited, Sentrum Holdings Limited and Sentrum Services Limited as Guarantors, The Royal Bank of Scotland plc as Agent and Security Trustee, the financial institutions listed therein as the Original Lenders and financial institutions listed therein as Hedge Counterparties (each capitalised term as defined therein);

“Retained Debt Lenders” has the meaning given to that term in Schedule 3Part A6.22(a) (*Completion Arrangements*);

“Retained Group” means:

- (a) in respect of the Ordinary Shareholder, that shareholder, its subsidiaries and subsidiary undertakings, any holding company or parent undertaking of that shareholder, all other subsidiaries and subsidiary undertakings of any such holding company or parent undertaking as the case may be from time to time and all beneficiaries of the Arena Settlement (but excluding the Group); and
- (b) in respect of the A Shareholder and each of the B Shareholders, that A Shareholder and those B Shareholders and any person directly or indirectly controlling, controlled by or under common control with such shareholder, including, but not limited to: (i) any feeder funds, alternative investment vehicles and parallel funds established to invest alongside or in the respective shareholder(s); (ii) each portfolio company or other investment in which the shareholder(s) holds a direct or indirect interest of any kind; (iii) any holding companies or special purpose vehicles through which one or more portfolio companies or investments are held; (iv) each person which directly or indirectly provides investment management, investment advisory services or

sub-advisory services to, or serves as the general partner, managing member or other controlling position of, any of the foregoing entities described in (i) through (iii) above; and (v) any associates of any person described in (iv), including any employees, directors, members, shareholders, agents, officers, partners and executives of any such person, and their respective lineal descendants and ascendants;

“**Rugby Property**” means the freehold property known as 2-3 Pelham Road, Rugby, CV23 0PB which is registered at the Land Registry with title number WK444797 and all deeds and documents of whatever kind ancillary or supplemental to such freehold interest whether or not expressed to be so;

“**Seller Documents**” has the meaning given in paragraph 1.2 of Part A of Schedule 4 (*Warranties*);

“**Sellers**” has the meaning given in the first paragraph, subject always to Clause 2.1;

“**Sellers’ Solicitors**” means Bridgehouse Partners LLP of Bridge House, Bridge Street, Castletown, Isle of Man, IM9 1AX;

“**Shares**” means the Ordinary Shares, the A Shares and the B Shares, together constituting 100% of the Company’s issued share capital;

“**Shareholders’ Agreement**” means the amended and restated shareholders’ agreement dated 1 August 2011 between the Company, Glen Moar, the A Shareholder and the B Shareholders;

“**Singapore Property**” means 26 Avenue 8, Tuas, Singapore 639250;

“**Software**” means any and all computer programs in both source and object code form, including all modules, routines and sub-routines thereof and all related source and other preparatory materials including user requirements, functional specifications and programming specifications, ideas, principles, programming languages, algorithms, flow charts, logic, logic diagrams, orthographic representations, file structures, coding sheets, coding and including any manuals or other documentation relating thereto and computer generated works;

“**Subsidiary**” means any subsidiary or subsidiary undertaking of the Company, particulars of each of which are set out in Part B of Schedule 2 (*The Group*), and

“**Subsidiaries**” shall mean all such subsidiaries and subsidiary undertakings of the Company;

“**Supervisory Authority**” has the meaning given in paragraph 20.28 of Part B of Schedule 4 (*Warranties*);

“**Tax**” or “**Taxation**” means and includes all forms of taxation and statutory and governmental, state, provincial, local governmental or municipal charges, duties, contributions and levies, withholdings and deductions, in each case whether of the United Kingdom or elsewhere and whenever imposed and all related penalties, charges, costs and interest;

“**Taxation Authority**” means HM Revenue & Customs and any other governmental or other authority competent to impose, collect or assess Taxation whether in the United Kingdom or elsewhere;

“**Tax Deed**” means the deed of tax covenant in the agreed terms;

“**Tax Warranties**” means the Warranties set out in paragraph 19 (*Taxation*) of Part B of Schedule 4;

“**Template Deed of Release**” has the meaning given to that term in Schedule 3Part A6.15(d);

“**Term**” means the term of years granted pursuant to the New Lease;

“**Trade Mark License Agreement**” means the licence agreement between the Company and Glen Moar to be entered into on or around the Completion Date relating to the use of the “**Sentrum**” name;

“**Transaction Documents**” means this Agreement, the Disclosure Letter, the Tax Deed, the Escrow Agreement, the Non-Compete Undertakings, the Deeds of Termination, the Trade Mark License Agreement, the Consultancy Agreement and “**Transaction Document**” shall mean any one of them;

“**UK Registrar**” means the registrar of companies for England and Wales;

“**VAT**” means value added tax as defined in the Value Added Tax Act 1994 and all Taxes of a similar nature levied in addition to or in substitution for it; and

“**Warranties**” means the representations and warranties referred to in Clause 9.1 and set out in Schedule 4 and “**Warranty**” shall mean any one of them;

“**Warranty Claim**” means any claim for breach of Warranty;

“**Watford Expansion Land**” means all that land shown edged red on the plan with that description annexed to Schedule 9; and

“**Woking Expansion Land**” means all that land shown edged red and all that land shown blue on the plan with that description annexed to Schedule 9.

- 1.2 The expression “**in the agreed terms**” means in the form agreed between the Purchaser and the Sellers and signed for the purposes of identification by or on behalf of the Purchaser and the Sellers.
- 1.3 Any reference to “**writing**” or “**written**” means any method of reproducing words in a legible and non-transitory form (excluding, for the avoidance of doubt, email).
- 1.4 References to “**include**” or “**including**” are to be construed without limitation.
- 1.5 References to a “**company**” include any company, corporation or other body corporate wherever and however incorporated or established.

- 1.6 References to a “**person**” include any individual, company, partnership, joint venture, firm, association, trust, governmental or regulatory authority or other body or entity (whether or not having separate legal personality).
- 1.7 The expressions “**body corporate**”, “**holding company**”, “**parent undertaking**”, “**subsidiary**” and “**subsidiary undertaking**” shall have the meaning given in the Companies Act.
- 1.8 The table of contents and headings are inserted for convenience only and do not affect the construction of this Agreement.
- 1.9 Unless the context otherwise requires, words in the singular include the plural and vice versa and a reference to any gender includes all other genders.
- 1.10 References to Clauses, paragraphs, Schedules and Appendices are to clauses and paragraphs of, schedules to, and appendices to this Agreement. The Schedules and the Appendices form part of this Agreement.
- 1.11 A person shall be deemed to be connected with another if such person is connected with the other within the meaning of s.1122 of CTA 2010.
- 1.12 References to any statute or statutory provision include a reference to that statute or statutory provision as amended, consolidated or replaced from time to time (whether before or after the date of this Agreement) and include any subordinate legislation made under the relevant statute or statutory provision.
- 1.13 References to any English legal term for any action, remedy, method of financial proceedings, legal document, legal status, court, official or any legal concept or thing shall, in respect of any jurisdiction other than England, be deemed to include what most nearly approximates in that jurisdiction to the English legal term.
- 1.14 The Purchaser may release or compromise the liability of a Seller without affecting the liability of the other Sellers. If any liability of a Seller is, or becomes illegal, invalid or unenforceable in any respect this shall not affect or impair the liability of the other Sellers under this Agreement.
- 1.15 The expressions “**ordinary course of business**” or “**business in the ordinary course**” mean the ordinary and usual course of business of the relevant Group Company, consistent in all respects (including nature and scope) with the prior practice of such Group Company.
- 1.16 This Agreement shall be binding on and be for the benefit of the successors and personal representatives of the Parties.

2. **SALE AND PURCHASE**

- 2.1 At Completion each Seller shall sell and the Purchaser shall purchase the Relevant Sale Shares with all rights now or in the future attaching to them (including the right to receive all dividends, distributions or any return of capital declared, made, paid or owing prior to and/or on or after the date of this Agreement) on the terms and subject to the conditions of this Agreement. The Parties acknowledge and agree that each of the ABRY Sellers is a Party to this Agreement solely for the purposes of selling the

Shares legally and beneficially owned by them (and receipt of the ABRY Consideration due to them) pursuant to this Clause 2 and for the purposes of providing the Warranties pursuant to Clause 9 (including, for the avoidance of doubt, limitation on liability under Clause 10_) hereof and, accordingly, any other references to the Sellers in this Agreement shall be treated as amended so as to exclude any of the ABRY Sellers (and the definition of "Sellers" shall be treated as amended accordingly). For the avoidance of doubt, save as set out in the preceding sentence and unless otherwise expressly referenced to the ABRY Sellers, none of the ABRY Sellers shall assume any obligation under this Agreement.

- 2.2 At Completion, each of the Sellers shall transfer legal and beneficial title to its Relevant Sale Shares to the Purchaser and shall transfer them to the Purchaser free from all Encumbrances.
- 2.3 Each of the Sellers hereby waives and shall procure the waiver of any restrictions on transfer (including all pre-emption rights) which may exist in relation to its Relevant Sale Shares.
- 2.4 The Purchaser shall not be obliged to complete the purchase of any of the Shares unless the purchase of all the Shares is completed simultaneously.

3. CONSIDERATION

- 3.1 The consideration payable in relation to the sale and purchase of the Shares shall be calculated, (subject to adjustment as expressly provided in Clause 8) as follows:

From the Initial Consideration shall be deducted the amount of:

- (i) all indebtedness, borrowing, loans, loan capital or debt obligations of whatsoever nature (including, without limitation, any similar instrument or liability but excluding any amounts payable in relation to costs, charges, fees, commissions and/or expenses of whatsoever nature that are incurred and/or payable by any Group Company in connection with the prepayment of any Group Company's financing, borrowing and/or similar arrangements at or prior to the Completion Date, the amount of such costs being payable by Glen Moar as set out in Clause 3.1(iii) below) and any liability (actual or contingent, past, present or future) of whatsoever nature owed by any Group Company to:
 - (A) if all outstanding amounts under the Retained Debt Agreement are to be repaid and discharged in full, the Retained Debt Lenders and any other finance party under the Retained Debt Agreement in accordance with any agreed form of redemption statement obtained from such lenders prior to Completion;
 - (B) Investec Bank plc (formerly Investec Bank (UK) Limited) in accordance with any agreed form of redemption statement obtained from Investec Bank plc prior to Completion;

- (C) Irish Bank Resolution Corporation Limited (formerly Anglo Irish Bank Corporation plc) in accordance with any agreed form of redemption statement obtained from Irish Bank Resolution Corporation Limited prior to Completion;
 - (D) The Royal Bank of Scotland plc incurred under the RBS Overdraft Facility in accordance with any agreed form of redemption statement obtained from The Royal Bank of Scotland plc prior to Completion;
 - (E) any member of the Retained Group; and
 - (F) all amounts due to the ABRY Sellers in accordance with the terms of the A Shares and the B Shares, in accordance with any agreed form of redemption statement obtained from the respective ABRY Sellers prior to Completion; and
- (ii) all indebtedness, borrowing, loans, loan capital or debt obligations of whatsoever nature (including, without limitation, any fee or similar instrument or liability) and any liability (actual or contingent, past, present or future) of whatsoever nature owed by any Group Company to any other third party which has been irrevocably and unconditionally repaid and discharged in full; and
 - (iii) the sum of six million pounds (£6,000,000) in respect of all costs, charges, fees, commissions and/or expenses of whatsoever nature that are incurred and/or payable by any Group Company in connection with the prepayment of any Group Company's financing, borrowing and/or similar arrangements at or prior to the Completion Date.

The resulting amount after the aforementioned deductions being the “**Debt Free Consideration**”.

3.2 The payment of the Debt Free Consideration shall be satisfied at Completion by:

- (a) the payment by the Purchaser of the:
 - (i) such portion of the Debt Free Consideration notified by both Glen Moar and the ABRY Sellers to the Purchaser in writing at least two (2) Business Days prior to Completion to be paid to the respective ABRY Sellers; and
 - (ii) Glen Moar Consideration less the Escrow Amount (the “**Initial GM Consideration**”) to Glen Moar, in accordance with Part B of Schedule 3 (*Completion Arrangements*).
- (b) The payment by the Purchaser of the Escrow Amount to the Escrow Account.

3.3 The Parties agree that the Escrow Amount shall be held in the Escrow Account in accordance with the provisions of Clause 12.

4. EARN OUT

4.1 If a New Lease is completed at any time during the Earnout Period, then as soon as reasonably practicable thereafter the Purchaser shall notify Glen Moar in writing of the Additional Payment (the “**Additional Payment Notice**”) with respect to such New Lease (providing reasonable evidence for its calculation of the Additional Payment). If Glen Moar disputes the Additional Payment then it shall notify the Purchaser in writing within 15 Business Days of receipt of the Additional Payment Notice (and the aforementioned notice will be deemed to have been received in accordance with the provisions of Clause 33) stating the reasons for its disagreement in reasonable detail. Glen Moar and the Purchaser shall, acting reasonably and in good faith, seek to reconcile any differences but in the absence of such agreement either party may by notice to the other require that the Additional Payment be referred to the Expert and the provisions of Clauses 8.8-8.16 (inclusive) shall apply *mutatis mutandis*. If no notice is received from Glen Moar within the aforementioned 15 Business Day period disputing the Additional Payment, then Glen Moar shall be deemed to have accepted the Additional Payment with respect to such New Lease.

4.2 Any Additional Payment shall become due from the Purchaser to Glen Moar on the later of:

- (a) the date being 10 Business Days days after the Additional Payment Notice and when all of the Expenses relating to the Leased Area have been ascertained by the Purchaser (acting reasonably);
- (b) the date being 10 Business Days after the date upon which Glen Moar (i) has confirmed in writing to the Purchaser that the Additional Payment is agreed; or (ii) is deemed to have agreed the Additional Payment ; and
- (c) in the case of referral to the Expert pursuant to Clause 4.1, the date being 10 Business Days after the determination of the Additional Payment by the Expert.

4.3 An Additional Payment shall be due in respect of each and every New Lease, if more than one, granted during the Earnout Period provided it is not in respect of the same Leased Area.

4.4 For illustrative purposes only, a worked example of the calculation of the Additional Payment is set out in Schedule 8.

5. ACTION PENDING COMPLETION

5.1 The Sellers shall procure that, pending Completion:

- (a) the Purchaser and its agents will, upon reasonable notice, be allowed access to, and to take copies of, the books and records of each Group Company including, without limitation, the statutory books, minute books, leases, licences, contracts, details of receivables, Intellectual Property, tax records, supplier lists and customer lists in the possession or control of any Group Company;

- (b) such representatives and advisers as the Purchaser requests may be designated to work with the Sellers with regard to the management and operations of the Group Companies. The Sellers will consult, and will cause the Group Companies to consult, with such representatives and advisers with respect to any action which may materially affect the business of the Group taken as a whole. The Sellers will provide, and will cause the Group to provide to such representatives and advisers such information as they may reasonably request for this purpose;
 - (c) the Purchaser is provided with reasonable access to tenants of the Group Companies such that the Purchaser is able to meet, engage and/or communicate with such tenants *provided that* a representative of the Sellers' is present during any such meetings, engagements and/or communications;
 - (d) the Purchaser is provided reasonable access to employees of the Group Companies, *provided that* a representative of the Sellers' is present during any meetings with such employees;
 - (e) (i) Keith Cronshaw; and (ii) the Hayes Employees shall become employed by Sentrum Construction so that they shall not be employed or engaged by any Group Company at Completion;
 - (f) Franek Sodzawiczny shall (i) terminate the consultancy agreement dated 1 April 2008 and made between Sentrum Services and himself; and (ii) execute a waiver in respect of any and all claims he may have against any Group Company arising out of, *inter alia*, any such termination; and
 - (g) each Group Company shall take all reasonable steps to preserve the validity of its Intellectual Property.
- 5.2 The Sellers shall pending Completion, and for a period of 60 days following completion, co-operate with the Purchaser and provide (or procure that there is provided) to the Purchaser, its representatives and/or advisers such information as the Purchaser, its representatives and/or advisers may reasonably request relating to the "amount of capital" of a Group Company within the meaning of section 691 of CTA 2010 both for the period falling immediately before Completion as well as on each day during the "pre-change year" within the meaning of section 689 CTA 2010.

6. PRE-COMPLETION OBLIGATIONS

- 6.1 The Sellers shall generally consult or procure the consultation of the Purchaser in relation to the management of the Properties and procure that reasonable written representations made by the Purchaser in respect thereof are taken into account.
- 6.2 The Sellers shall pending Completion use reasonable endeavours to procure collection of all sums payable pursuant to the Leases and shall keep the Purchaser informed of the steps taken to recover such sums *provided that* the Sellers shall not commence any insolvency and/or forfeiture proceedings without the consent of the Purchaser.
- 6.3 The Sellers shall promptly notify the Purchaser in writing of any material notice, application, registration or other communication which the Sellers may give to or

receive from, or have with the tenant under any of the Leases which shall include not less than 72 hours prior notice of the date and time upon which the Employer's Agent intends to inspect the relevant works procured pursuant to the relevant Outstanding Construction Contracts with a view to the issue of a certificate of practical completion pursuant to their terms. The Purchaser and its representatives shall be invited to accompany the Employer's Agent on every inspection of the works relating to the Outstanding Construction Contracts.

6.4 Without prejudice to the generality of Clause 5.1 or the foregoing of this Clause 6, the Sellers shall procure that from the date of this Agreement until Completion each Group Company will conduct its business in the ordinary course and that, in the absence of the prior written consent of the Purchaser, no Group Company will do or agree to do anything which is not of a routine and unimportant nature including:

- (a) entering into, modifying or terminating any material contract or any contract affecting a material part of its business or entering into any unusual or onerous contract;
- (b) disposing of or granting any option in respect of any material part of its assets;
- (c) acquiring or disposing of any fixed asset having a book value in excess of twenty thousand pounds (£20,000);
- (d) making any capital commitment in excess of twenty thousand pounds (£20,000) individually or which together with all other such capital commitments entered into between the date of this Agreement and Completion exceeds twenty thousand pounds (£20,000) in aggregate;
- (e) making any material change in the nature or organisation of its business;
- (f) discontinuing or ceasing to operate all or a part of its business;
- (g) making any variation to the terms and conditions of employment of any employee earning thirty thousand pounds (£30,000) per annum or more other than salary increases in the usual course and at normal market rates;
- (h) appointing, employing or offering to appoint or employ any person at a rate of remuneration per annum in excess of thirty thousand pounds (£30,000) individually or which together with all other such appointments or offers made between the date of this Agreement and Completion exceeds thirty thousand pounds (£30,000) in aggregate;
- (i) dismissing any employee earning thirty thousand pounds (£30,000) per annum or more or, directly or indirectly, inducing or attempting to induce any employee to terminate his employment;
- (j) borrowing money or incurring any indebtedness otherwise than in the ordinary and usual course of business (and within limits subsisting at the date of this Agreement);
- (k) granting any loan, advance or capital contribution to any other person;

- (l) reducing its share capital or purchasing or redeeming its own shares;
- (m) acquiring any share or other interest in any person or other venture or acquiring any business carried on by any person;
- (n) creating any Encumbrance or redeeming or releasing any Encumbrance or giving any guarantees or indemnities;
- (o) incurring or paying any management charge or making any other payment otherwise than in the ordinary course in each case to any member of the Retained Group;
- (p) granting, modifying or terminating any rights or entering into any agreement relating to Intellectual Property or doing or omitting to do anything to jeopardise the validity or enforceability of the Intellectual Property, including the non-payment of any application, search, maintenance or other official fees;
- (q) instituting or settling any legal proceedings (except debt collection in the normal course of business);
- (r) failing to take any action to maintain in force any of its insurance policies or doing anything to make any policy of insurance void or voidable or reducing the level of insurance cover provided;
- (s) declaring, making or paying any dividend or other distribution;
- (t) creating, allotting or issuing any shares, loan capital or other securities;
- (u) creating, issuing, redeeming or granting any option or right to subscribe in respect of any share or loan capital or other securities;
- (v) amending its articles of association or equivalent constitutional documents, adopting further articles of association or passing resolutions which are inconsistent with its articles of association or equivalent constitutional documents;
- (w) making any change to the accounting procedures, policies or treatment by reference to which its accounts or other financial statements are prepared;
- (x) changing its residence for Tax purposes making, changing or revoking any Tax election (including an entity classification election pursuant to Treasury Regulations Section 301.7701-3, except as otherwise provided in this Agreement);
- (y) settling or compromising any claim, notice, audit report or assessment in respect of Taxes;
- (z) adopting or changing any method of Tax accounting;
- (aa) filing any amended Tax Return;

- (bb) entering into any Tax allocation agreement, Tax sharing agreement, Tax indemnity agreement, advance pricing agreement or closing agreement relating to any Tax; surrendering any right to claim a Tax refund;
- (cc) consenting to any extension or waiver of the statute of limitations period applicable to any Tax claim or assessment;
- (dd) changing its accounting reference date;
- (ee) making any Tax election or settling or compromising any liability to Tax or submitting any Tax return which is inconsistent with past practice or incurring any liability for Tax other than in the ordinary and usual course of business;
- (ff) passing any resolutions in general meeting or by way of written resolution;
- (gg) vary, or waive performance or observance, or agree to vary or to waive performance or observance of any of the terms of any of the Leases;
- (hh) serve any notice (whether contractual, common law or statutory) on the tenant under any of the Leases;
- (ii) grant or enter into any agreement or grant any lease licence or other right to occupy any party or parts of the Properties, save with respect to any Outstanding Agreements for Lease;
- (jj) grant any right easement licence in relation to the Properties;
- (kk) forfeit or accept a surrender of any Lease; or
- (ll) the withdrawal or repaying of any monies from any rent deposit deeds held in relation to any of the Properties.

7. COMPLETION

- 7.1 Completion shall take place at 13:00 on the Completion Date at the offices of the Seller's Solicitors or at such other place as is agreed in writing by the Sellers and Purchaser.
- 7.2 At Completion the Sellers shall undertake those actions listed in Part A of Schedule 3 (*Completion Arrangements*).
- 7.3 At Completion the Purchaser shall undertake those actions listed in Part B of Schedule 3 (*Completion Arrangements*).

- 7.4 If there is a breach of Clause 7.2 and Part A of Schedule 3 (*Completion Arrangements*) on the Completion Date which is capable of being remedied, the Completion Date shall be deferred for a period of five (5) Business Days (the “**Cure Period**”). Notwithstanding any provision to the contrary herein, where there has been a breach of Clause 7.2 and Part A of Schedule 3 (*Completion Arrangements*) and the breach is (i) incapable of being remedied within the Cure Period or at all; or (ii) capable of being remedied but has not been remedied within the Cure Period the Purchaser shall not be obliged to complete this Agreement and may:
- (a) defer Completion (with the provisions of this Clause 7 applying to Completion as so deferred); or
 - (b) proceed to Completion as far as practicable (without limiting its rights and remedies under this Agreement); or
 - (c) treat this Agreement as terminated for breach of condition, *provided that* the Parties’ accrued rights and obligations under this Agreement and their rights and obligations under the Continuing Provisions shall continue to subsist, but in all other respects the Parties’ rights and obligations under this Agreement shall cease.
- 7.5 Glen Moar undertakes to indemnify and hold the Purchaser harmless from and against all Losses suffered or incurred by it as a result of any document delivered to it pursuant to Clause 7.2 being unauthorised or otherwise ineffective.
- 7.6 The Purchaser may treat this Agreement as terminated where any change, event or circumstance occurs after the date of this Agreement but prior to the Completion Date which has or which, in the reasonable opinion of the Purchaser, may or is likely to have a Material Adverse Effect.
- 7.7 The Ordinary Shareholder undertakes to pay to the relevant Group Company an amount equal to all Losses which it may suffer or incur in respect of the resignations referred to in paragraph 1.5 of Part A of Schedule 3 (*Completion Arrangements*).
- 7.8 The payment of the ABRY Consideration, the GM Consideration and the Escrow Amount in accordance with Clause 3 and Part B of Schedule 3 (*Completion Arrangements*) shall discharge the obligations of the Purchaser under Clauses 2 and 3 and the Purchaser shall not be concerned with the application of such sum by the Sellers.

8. PRORATIONS

- 8.1 Income and Outgoings of the Properties are to be apportioned between Glen Moar and the Purchaser so far as the change in ownership of the Group on the Completion Date will affect the entitlement to receive or liability to pay for them.
- 8.2 The day from which the apportionment is to be made (the “**Apportionment Day**”) is the Completion Date.
- 8.3 In apportioning any sum, it is to be assumed that the Purchaser owns the Company and hence the Properties, from the beginning of the Apportionment Day.

- 8.4 A sum to be apportioned is to be treated as:
- (a) payable for the period which it covers, except that if it is an instalment of an annual sum the Purchaser is to be attributed with an amount equal to 1/365th of the annual sum for each day from and including the Apportionment Day to the end of the instalment period;
 - (b) accruing: (i) from day to day; and (ii) at the rate applicable from time to time.
- 8.5 When a sum to be apportioned, or the rate at which it is to be treated as accruing, is not known or easily ascertainable at Completion, a provisional apportionment is to be made according to the best estimate available. As soon as the final amount is known, and the Purchaser and Glen Moar shall use reasonable endeavours to ensure that the final apportionment figure is available within 30 days after the Completion Date, a final apportionment shall be made and notified in writing by the Purchaser to Glen Moar (a “**Final Apportionment Notice**”).
- 8.6 If the Purchaser and Glen Moar agree the sum of the final apportionments any resulting balance that is due from Glen Moar shall be released from the Escrow Account in accordance with Clause 12 and any resulting balance that is due from the Purchaser to Glen Moar shall be paid to Glen Moar no more than ten (10) Business Days later.
- 8.7 If Glen Moar does not within twenty one (21) days of presentation to it of a Final Apportionment Notice give notice to the Purchaser that it disagrees with the final apportionment stating the reasons for the disagreement in reasonable detail (the “**Apportionment Disagreement Notice**”), the final apportionment shall be final and binding on the Parties for all purposes. If Glen Moar gives a valid Apportionment Disagreement Notice within such twenty one (21) days, the Purchaser and Glen Moar shall attempt in good faith to reach agreement in respect thereof and, if they are unable to do so within fifteen (15) days of such notification, either the Purchaser or Glen Moar may by notice to the other require that the final apportionment be referred to the Expert (an “**Appointment Notice**”).
- 8.8 The Expert shall be engaged jointly by the Purchaser and Glen Moar on the terms set out in this Clause 8.8 and otherwise on such terms as shall be agreed; *provided that* neither the Purchaser nor Glen Moar shall unreasonably (having regard, *inter alia*, to the provisions of this Clause 8.8) refuse its agreement to terms proposed by the Expert or by the other party. If the terms of engagement of the Expert have not been settled within fifteen (15) days of their identity having been determined (or such longer period as the Purchaser and Glen Moar may agree) then, unless either the Purchaser or Glen Moar is unreasonably refusing its agreement to those terms, that surveyor shall be deemed never to have become the Expert and a new Expert shall be selected in accordance with the provisions of this Agreement.

- 8.9 Except to the extent that the Purchaser and Glen Moar agree otherwise, the Expert shall determine their own procedure but:
- (a) apart from procedural matters and as otherwise set out in this Agreement shall determine only:
 - (i) whether any of the arguments for an alteration to the final apportionment put forward in the Apportionment Disagreement Notice is correct in whole or in part; and
 - (ii) if so, what alterations should be made to the final apportionment in order to correct the relevant inaccuracy in it;
 - (b) shall be instructed by the Purchaser and Glen Moar to make their determination pursuant to Clause 8.9(a) as soon as is reasonably practicable;
 - (c) the procedure of the Expert shall:
 - (i) give the Purchaser and Glen Moar a reasonable opportunity to make written and oral representations to them;
 - (ii) require that each of the Purchaser and Glen Moar supply the other with a copy of any written representations at the same time as they are made to the Expert;
 - (iii) permit the Purchaser and Glen Moar to be present while oral submissions are being made by the other party; and
 - (iv) for the avoidance of doubt, the Expert shall not be entitled to determine the scope of their own jurisdiction.
- 8.10 Glen Moar and the Purchaser shall instruct the Expert (i) for the Expert's determination made pursuant to Clause 8.9(a) to be made in writing; (ii) to send the written determination to the Purchaser and Glen Moar at the addresses set forth in Clause 33; and (iii) unless otherwise agreed by the Purchaser and Glen Moar, to include reasons for each relevant determination.
- 8.11 The Expert shall act as an expert and not as an arbitrator and his determination of any matter falling within his jurisdiction shall be final and binding on the Purchaser and Glen Moar save in the event of manifest error and/or fraud (when the relevant part of his determination shall be void and the matter shall be remitted to the Expert for correction).
- 8.12 The charges (including VAT) of the Expert shall be borne as they shall direct at the time they make any determination under Clause 8.9(a) or, failing such direction, equally between the Purchaser, on the one hand, and Glen Moar, on the other. Should either the Purchaser or Glen Moar fail to pay any amount due to an Expert, the other party (being the Purchaser or Glen Moar, as applicable) may pay such amount on the non-paying party's behalf to the Expert and the non-paying party shall be liable to pay such amount together with interest at the Interest Rate to the other party from the date that the other party paid such amount to the Expert until the date of payment by the non-paying party.

- 8.13 The Purchaser and Glen Moar shall co-operate with the Expert and comply with his reasonable and proper requests made in connection with the carrying out of his duties under this Agreement.
- 8.14 Subject to Clause 8.15 nothing in this Clause 8.14 shall entitle the Purchaser or Glen Moar or the Expert access to any information or document which is protected by legal professional privilege, or which has been prepared by the other party or its professional advisers with a view to assessing the merits of any claim or argument.
- 8.15 The Purchaser and Glen Moar shall not be entitled by reason of Clause 8.14 to refuse to supply such part or parts of documents as contain only the facts on which the relevant claim or argument is based.
- 8.16 Each of Glen Moar, the Purchaser and the Expert shall, and shall procure that its advisers shall, keep all information and documents provided to them pursuant to this Clause 8 confidential and shall not use the same for any purpose, except for disclosure or use in connection with the preparation of the final apportionments, the proceedings of the Expert or another matter arising out of this Agreement or in defending any claim or argument or alleged claim or argument relating to this Agreement or its subject matter.
- 8.17 Within seven (7) days of either the apportionments becoming final and binding under Clause 8.7 or the determination of the Expert being made available for collection by Purchaser and Glen Moar pursuant to Clause 8.10, the Purchaser shall pay to Glen Moar or, as the case may be, Glen Moar shall pay to the Purchaser by means of a payment from the Escrow Account, an amount equal to such excess or deficiency together, in either case with interest thereon calculated from Completion at the Interest Rate.
- 8.18 Glen Moar shall account to the Purchaser in respect of the amount that would have been due pursuant to the Closing Leases had (i) the Closing Leases been completed and were commencing on Completion; and (ii) the rent under such leases was payable as from Completion. The Parties agree that any amounts due to the Purchaser under this Clause 8.18 shall be set-off against any monies due to Glen Moar under this Clause 8.

9. SELLERS' WARRANTIES

- 9.1 Each Seller severally warrants to the Purchaser in respect of itself only that each of the Warranties set out in Part A of Schedule 4 (*Warranties from the Sellers*) is, and will continue to be, true and accurate in all respects and not misleading at all times up to and including Completion.
- 9.2 The Ordinary Shareholder warrants to the Purchaser in respect of itself that each of the Warranties set out in Part B of Schedule 4 (*Warranties from the Ordinary Shareholder*) is, and will continue to be, true and accurate in all respects and not misleading at all times up to and including Completion.
- 9.3 Each of the Sellers severally acknowledges that the Purchaser is entering into this Agreement on the basis of and in reliance on representations in the terms of the Warranties.

- 9.4 The Sellers shall not be liable under the Warranties to the extent that the facts which cause the Warranties to be breached or misleading were Disclosed, but in all other circumstances the Purchaser shall be entitled to claim that any of the Warranties has been breached, is untrue or is misleading notwithstanding that the Purchaser knew or could have discovered the fact of such breach or inaccuracy on or before Completion other than by reason of it being Disclosed. The limitation on the liability of the Sellers under the Warranties contained in this Clause 9.4 in relation to facts which were not Disclosed shall not apply where there has been any fraud or dishonesty by a Seller, any other member of a Retained Group, or any of their respective Agents.
- 9.5 Glen Moar shall not and shall procure that no Group Company shall do or omit to do anything which would result in any of the Warranties being breached or misleading at any time up to and including Completion.
- 9.6 Each of the Sellers shall notify the Purchaser in writing with full details of anything which is or may be expected to cause a breach of, or be inconsistent with, any of the Warranties given by it immediately it comes to its notice whether before, at the time of, or after Completion.
- 9.7 Each of the Sellers severally undertakes to irrevocably waive any right and claim which it may have against a Group Company or any present or past Agent of a Group Company arising in connection with this Agreement or any other Transaction Document, save in the case of fraud.
- 9.8 Each of the Warranties shall be separate and independent and (unless expressly provided otherwise) shall not be limited by reference to any other Warranty or by anything in this Agreement.
- 9.9 Without restricting the rights of the Purchaser or its ability to claim damages on any basis, in the event that any of the Warranties is breached or is misleading each Seller which has caused the breach severally covenant to pay on demand to the Purchaser or, at the Purchaser's direction, the relevant Group Company, an amount equal to the aggregate of:
- (a) the amount by which the value of all assets, contracts and profits of any Group Company are less than their value would have been; and
 - (b) the amount of any liability or increase in liability, and of any losses or increase in losses, of any Group Company which would not have been incurred; and
 - (c) all costs and expenses which would not have been incurred (whether directly or indirectly) by the Purchaser and any Group Company, in each case had the relevant Warranty not been breached or misleading.
- 9.10 If a material breach of Warranty resulting in a Material Adverse Effect occurs prior to Completion the Purchaser shall be entitled to treat this Agreement as terminated *provided that* the accrued rights and liabilities of the Parties including, for the avoidance of doubt, the Purchaser's right to claim damages for breach of Warranty and their rights and obligations under the Continuing Provisions shall continue to subsist, but in all other respects the Parties' rights and obligations under this Agreement shall cease. If the Purchaser treats this Agreement as terminated pursuant to this Clause 9.10 it shall send written notice of termination to the Sellers.

9.11 Warranties qualified by the knowledge, belief or awareness of either or both of the Sellers shall be deemed to include any knowledge, belief or awareness which the respective Sellers would have having made all usual and reasonable enquiries.

10. SELLERS' LIMITATIONS ON LIABILITY

10.1 The liability of the ABRY Sellers in respect of a claim under this Agreement shall be limited as provided in Schedule 5 (*Sellers' Limitations on Liability*).

10.2 The liability of the Glen Moar in respect of a claim under the Warranties shall be limited as provided in Schedule 5 (*Sellers' Limitations on Liability*).

11. INDEMNITIES

11.1 Glen Moar and Construction Services undertake to indemnify and hold the Purchaser, the Company and/or any Group Company harmless from and against all Losses suffered or incurred, directly and/or indirectly, by it arising from:

- (a) a Group Company breaching any of its obligations under any agreement for lease and/or tenancy agreement (or supplemental documents thereto) relating to the Properties caused as a result of a breach and/or non observance of Glen Moar's and/or Sentrum Construction's obligations pursuant to Clause 17.1;
- (b) breach and/or non observance of Clause 17.1;
- (c) any costs, charges, claims, demands and/or fees due to Sentrum Construction or any other party in relation to the Outstanding Construction Contracts;

11.2 Glen Moar undertakes to indemnify and hold the Purchaser, the Company and/or any Group Company harmless from and against all Losses suffered or incurred, directly and/or indirectly, by it/them arising from:

- (a) the transfer, prior to Completion, by the Company of Sentrum (Hayes) Limited to Glen Moar or a company nominated by Glen Moar;
- (b) the engagement of Keith Cronshaw by any Group Company and its termination;
- (c) any Hayes Guarantee;
- (d) any Hayes Covenant;
- (e) any breach or non-observance of Part A of Schedule 7;
- (f) any breach or non-observance of Part B of Schedule 7;
- (g) any Hayes Employee;

- (h) the engagement of Franek Sodzawiczny by any Group Company and its termination; and
- (i) the fees, costs, expenses, and/or commissions incurred by any Group Company, directly or indirectly, in connection with the transactions and/or arrangements envisaged by this Agreement.

11.3 For the avoidance of doubt, the provisions of Clause 10 and Schedule 5 (*Sellers' Limitations on Liability*) shall not apply to this Clause 11.

11.4 Any payment under Clause 11.1 shall be made immediately on demand to the Purchaser or at the Purchaser's direction.

12. ESCROW

12.1 The Escrow Amount together with the Additional Escrow Amount, from time to time, together with all interest earned thereon, shall be deposited and held in the Escrow Account and paid out in accordance with the provisions of this Clause 12 and the Escrow Agreement by way of security against any liability of the Ordinary Shareholder to pay any amounts to the Purchaser in respect of (i) any claims under this Agreement (including any Claims); (ii) any claims made under the Tax Deed; (iii) any claims made by Digital Realty (UK) Limited under the Consultancy Agreement; and/or (iv) any adjustments to be made pursuant to Clause 8 ("**Other Claims**"). All interest earned on principal in the Escrow Account (less Tax if applicable) shall follow that part of the principal on which it is earned and shall be paid out at the same time.

12.2 The monies in the Escrow Account shall be released by the Escrow Agent as follows:

- (a) on the date which is 9 (nine) months following the Completion Date (or if such date is not a Business Day, the next Business Day following such date), there shall be paid to the Ordinary Shareholder out of the Escrow Account, the sum of £20,000 (*amount in words*) retained with respect to any Income and Outgoings to be prorated in accordance with Clause 8 less the aggregate of: (i) the amount of any adjustments to be made pursuant to Clause 8 due to the Purchaser agreed or determined prior to that date for which the Ordinary Shareholder is liable and not duly paid or credited as having been paid to the Purchaser; and (ii) the amount of any outstanding claims made by the Purchaser under Clause 8 prior to that date but not agreed or determined;
- (b) any monies agreed to be paid or released or which have been determined by an Expert to be released pursuant to Clause 8;
- (c) if the Hayes Guarantees have been released within the period of 36 (thirty six) months following the Completion Date (or if such date is not a Business Day, the next Business Day following such date), there shall be paid to the Ordinary Shareholder out of the Escrow Account, the balance of all monies then to the credit of the Escrow Account less the aggregate of: (i) the amount of any Claims and/or Other Claims by the Purchaser agreed or determined prior to that date for which the Ordinary Shareholder is liable and not duly paid or credited as having been paid to the Purchaser; and (ii) the amount of any outstanding Claims and/or Other Claims made by the Purchaser prior to that date but not agreed or determined or lapsed;

- (d) after the period of 36 (thirty six) months following the Completion Date and until the date upon which the Hayes Guarantees have been released and/or extinguished there shall be paid to the Ordinary Shareholder out of the Escrow Account, the Hayes Rental Surplus less the aggregate of: (i) the amount of any Claims and/or Other Claims by the Purchaser agreed or determined prior to that date for which the Ordinary Shareholder is liable and not duly paid or credited as having been paid to the Purchaser; and (ii) the amount of any outstanding Claims and/or Other Claims made by the Purchaser prior to that date but not agreed or determined or lapsed;
- (e) from time to time thereafter, there shall forthwith be paid to the Ordinary Shareholder out of the monies remaining in the Escrow Account, the amount, if any, by which the amount of those monies remaining in the Escrow Account, shall from time to time exceed the aggregate of: (i) the amount of any Claims and/or Other Claims made by the Purchaser agreed or determined prior to that date and not duly paid to the Purchaser; and (ii) the amount of any outstanding Claims and/or Other Claims by the Purchaser made prior to that date but not agreed or determined or lapsed; and
- (f) in accordance with Clauses 12.5(a), 12.5(b), 12.5(c) and 12.5(g).

All monies paid to the Purchaser out of the Escrow Account shall be deemed to the extent so paid to satisfy the Claim(s) and/or Other Claims in respect of which such monies are paid out.

12.3 References in this Clause 12 to a Claim or Other Claims being agreed or determined or lapsed shall be:

- (a) to an agreement evidenced by joint written instructions signed on behalf of both the Ordinary Shareholder and the Purchaser stating: (i) the agreed amount of such Claim and/or Other Claims (if any) either for which the Ordinary Shareholder is liable and/or (if any) the agreed amount of such Claim and/or Other Claims for which the Ordinary Shareholder is not liable and/or (if any) the amount of such Claim and/or Other Claims still in dispute; or (ii) that the relevant Claim and/or Other Claims has lapsed;
- (b) to a determination of the Expert in accordance with the provisions of Clause 8 indicating on its face the amount of such Other Claim for which the Ordinary Shareholder is or is not liable; or
- (c) to a determination of the courts of England evidenced by an amount indicating on its face: (i) the amount of such Claim and/or Other Claims for which the Ordinary Shareholder is or is not liable; or (ii) that the relevant Claim and/or Other Claims has lapsed.

12.4 Each Claim or Other Claim, in order to be recognised as being validly made, must be made in writing, shall give such reasonable details of the Claim or Other Claim as may be available at that time (to include an estimate of a monetary amount of such

Claim or Other Claim which shall be a fair, reasonable and *bona fide* estimate of the level of such Claim or Other Claim) and shall be delivered to the Ordinary Shareholder in accordance with paragraph 2 of Schedule 5 (*Sellers' Limitations on Liability*) and Clause 33.

12.5 The Purchaser and the Ordinary Shareholder shall instruct the Escrow Agent that it is hereby irrevocably instructed by the Ordinary Shareholder and the Purchaser to sign money transfer orders on the Escrow Account for the release of principal monies as follows:

- (a) upon the receipt by the Escrow Agent of joint written instructions pursuant to Clause 12.3(a), to the Purchaser in respect of the amount (if any) of an agreed Claim and/or Other Claim;
- (b) upon the receipt by the Escrow Agent of (i) a determination pursuant to Clause 12.3(b); and/or (ii) an award or order pursuant to Clause 12.3(c), to the Purchaser in respect of the amount (if any) of the Claim and/or Other Claims for which the Ordinary Shareholder is liable;
- (c) on the date which is 9 (nine) months following the Completion Date (or if such date is not a Business Day, the next Business Day following such date), to the Ordinary Shareholder in respect of the amount referred to in Clause 12.2(a);
- (d) on the date which is 36 (thirty six) months following the Completion Date (or if such date is not a Business Day, the next Business Day following such date), to the Ordinary Shareholder in respect of the amount referred to in Clause 12.2(c);
- (e) annually thereafter, to the Ordinary Shareholder in respect of the amounts referred to and on the basis set out in Clause 12.2(d) (or in any such case the amount of the principal remaining in the Escrow Account if a lesser sum);
- (f) from time to time thereafter, to the Ordinary Shareholder in respect of the amounts referred to and on the basis set out in Clause 12.2(e) (or in any such case the amount of the principal remaining in the Escrow Account if a lesser sum); and
- (g) on the dates referenced in Clauses 12.2 to the Ordinary Shareholder in respect of any interest (less any Tax if applicable) in accordance with Clause 12.6, and in making the payments to be made pursuant to this Clause 12 the Escrow Agent shall rely on (as the case may be): (i) the specified or estimated amounts of Claims and/or Other Claims which the Purchaser notifies to the Escrow Agent have been validly notified to the Ordinary Shareholder pursuant to the provisions of this Agreement; (ii) any joint written instructions referred to in Clause 12.3(a) which are received by the Escrow Agent; (iii) any determination referred to in Clause 12.3(b) which is received by the Escrow Agent; (iv) any order or award referred to in Clause 12.3(c) which is received by the Escrow Agent; and (v) amounts previously paid from the Escrow Account, but not any other matters.

- 12.6 All interest earned on principal in the Escrow Account (less Tax if applicable) shall be payable to the Ordinary Shareholder and shall be paid to the Ordinary Shareholder on the dates referred to at Clauses 12.2(a), 12.2(b) and 12.2(d).
- 12.7 Any payment to be made in accordance with this Clause 12 to the Ordinary Shareholder shall be made by electronic transfer to GM's Designated Account. Any payment to be made in accordance with this Clause 12 to the Purchaser shall be paid by electronic transfer to an account notified by the Purchaser to the Escrow Agent in writing at least two (2) Business Days before the date of payment.
- 12.8 The payment by the Escrow Agent of all or any part of the Escrow Amount and/or the Additional Escrow Amount to the Ordinary Shareholder or Purchaser, as appropriate, shall constitute a good discharge by the Escrow Agent in respect of each such payment and the Escrow Agent shall not be concerned to see to the application of each such payment. The fees and expenses of the Escrow Agent shall be borne equally as between the Purchaser (on the one hand) and the Ordinary Shareholder (on the other hand).

13. ADDITIONAL PAYMENTS AND ESCROW

- 13.1 Glen Moar agrees that once New Leases have been completed with respect to 40,000 square feet of Leased Area, any Additional Payments due from New Leases completed with respect to the balance of Current Vacant Space shall be paid by the Purchaser into the Escrow Account ("**Additional Escrow Amount**") and shall be dealt with in accordance with the provisions of Clause 12.
- 13.2 Glen Moar agrees that where any New Lease is completed such that the aggregate square footage of Leased Area under all New Leases completed exceeds 40,000 square feet of the Current Vacant Space, then the pro rata amount of Additional Payment with respect to the Leased Area exceeding 40,000 square feet shall be paid by the Purchaser into the Escrow Account.
- 13.3 Where, in the period prior to any Additional Escrow Amount being paid into the Escrow Account, the Purchaser makes any Claims and/or Other Claims and monies have been paid to the Purchaser out of the Escrow Account then Glen Moar shall pay, into the Escrow Account, such amounts of Additional Payments that become due under Clause 4 such that the monies in the Escrow Account equal the Escrow Amount.
- 13.4 The aggregate amount of Additional Payments to be made into the Escrow Account pursuant to this Clause 13 shall not exceed ten million pounds (£10,000,000).

14. RESTRICTIONS ON SELLERS

- 14.1 The Ordinary Shareholder and Sentrum Construction each undertake that they shall not and shall procure that each other member of their respective Retained Group shall not, directly or indirectly, either alone or jointly with any other person or in any capacity whatsoever:
- (a) neither pending nor within three (3) years following the Completion Date (except as holder of not more than five per cent. (5%) of any class of shares or

securities of a person which is dealt in on any investment exchange) carry on or be engaged or otherwise interested in any business in the Restricted Territories which competes with the Business or any part of the Business;

- (b) neither pending nor within three (3) years following the Completion Date solicit the custom of any person who is or at any time during the two (2) years immediately preceding the Completion Date has been a customer or client of any Group Company, *provided that* the Ordinary Shareholder shall not be restricted from soliciting the custom of such persons (i) solely with respect to the Hayes Property, the Rugby Property and the Singapore Property; and (ii) any business that is not involved, directly or indirectly, in the data centre industry (and for the avoidance of doubt this shall not restrict the buying and selling of the Option Lands to data centre operators or the submission of planning applications in connection therewith);
- (c) neither pending nor within three (3) years following the Completion Date solicit or entice away any employee of, or consultant to, any Group Company or any member of the Purchaser's Group, *provided that* the Ordinary Shareholder shall not be restricted from engaging professional consultancy firms for advice (i) in relation to the Hayes Property and the Rugby Property; and (ii) in jurisdictions that are not Restricted Territories;
- (d) save as provided in the Trade Mark License Agreement, at any time after Completion in the course of any business use the word "Sentrum" or use any trade, business or domain name or mark, logo or design previously used in the Business by any Group Company or anything which is, in the reasonable opinion of the Purchaser, capable of being confused with any of them;
- (e) challenge the validity or enforceability of any of the Registered Intellectual Property; or
- (f) assist or incite any other person to do any of the above.

14.2 Nothing in this Clause 13 shall restrict the ability of the Ordinary Shareholder to comply with the provisions of Clause 11.1.

14.3 Each of the restrictions contained in this Clause 13 is given to the Purchaser and each Group Company. Each such restriction shall be construed as a separate provision of this Agreement. If any restriction is unenforceable but would be valid if reduced in scope or duration the restriction shall apply with the minimum modifications as may be necessary to make it valid and enforceable. The Ordinary Shareholder and Sentrum Construction each acknowledge that each restriction is no greater than is reasonably necessary to protect the interests of the Purchaser, each Group Company and the other members of the Purchaser's Group.

14.4 The Purchaser shall, for such period as the Trade Mark Licence Agreement is subsisting, maintain a link, in a prominent position, on its "sentrum.com" website to the website operated by Glen Moar that hosts details relating to the Hayes Property.

15. INSURANCE

- 15.1 The Ordinary Shareholder shall and shall procure that each Group Company and each member of its Retained Group shall continue in force and comply with all pre-existing insurance cover in respect of the Group Companies or the businesses or assets of the Group Companies maintained by them up to and including the Completion Date.
- 15.2 If any insured event occurs before Completion in relation to a Group Company, the Ordinary Shareholder shall use best endeavours to ensure that recovery is made under the relevant policy before Completion and that the proceeds are applied in restoring or replacing insured assets or are otherwise transferred to the relevant Group Company.
- 15.3 With effect from Completion all insurance cover previously maintained by the Retained Group in respect of the Group Companies or their businesses or assets shall cease, save in respect of insured events occurring before Completion and on the basis that the Ordinary Shareholder shall use best endeavours to ensure that recovery is made in respect of such events and that the proceeds are transferred to the Purchaser (on behalf of the relevant Group Companies) within five (5) Business Days of their receipt.
- 15.4 The undertakings contained in Clause 15.3 are given to the Purchaser and each Group Company.

16. RELEASE

16.1 The Company and each of the Sellers hereby irrevocably agrees:

- (a) that the each of the ABRY Investment Documents shall terminate upon and subject to Completion occurring without any liability, payment or other obligation whatsoever on the part of any parties thereto;
- (b) to hereby irrevocably and unconditionally release, waive and forever discharge all and/or any claims, debts, guarantees, liabilities, obligations, costs (including any connected legal fees and/or expenses), losses, expenses, actions and/or causes of any action against the Purchaser and/or any Group Company arising out of or in connection with the ABRY Investment Documents and/or the Company's memorandum and articles of association; and
- (c) not to sue, commence, voluntarily aid in any way, prosecute or cause to be commenced or prosecuted against the Purchaser and/or any Group Company, any action, suit or other proceeding with respect to all and/or any claims, debts, guarantees, liabilities, obligations, costs (including any connected legal fees and/or expenses), losses, expenses, actions and causes of any action arising out of or in connection with the ABRY Investment Documents,

provided that, in each case, nothing in this Clause 16 shall affect the accrued rights of the ABRY Sellers with respect to Glen Moar pursuant to the ABRY Investment Documents which shall continue to subsist.

17. UNDERTAKINGS

- 17.1 Sentrum Construction shall and Glen Moar shall procure that Sentrum Construction shall at its own cost and at all times observe and perform all covenants, provisions and obligations arising from, or in relation to all Outstanding Construction Contracts.
- 17.2 The Ordinary Shareholder and Sentrum Construction hereby irrevocably agree and undertake to adhere to the provisions set out in Part A of Schedule 7 (*Licence to Assign*) with respect to the Baker Street Property and Part B of Schedule 7 (*Licence to Assign*) with respect to the Hayes Property.
- 17.3 At the Purchaser's request and cost, at any time within one (1) year after the Completion Date and particularly within the period of 71 days after the Completion Date, Glen Moar shall make available to the Purchaser's designated independent auditor, during normal office hours, the services of its employees in relation to addressing any queries which may arise in relation to the audit of the Group Companies required by the Securities and Exchange Commission under Rule 3-14 of Regulations S-X of the statement of revenue and certain expenses for the Properties for the year ended 31 December 2011 for the purpose of expressing an opinion as to whether the statement of revenue and certain expenses presents fairly, in all material respects, the results of operations of the Properties in conformity with accounting principles generally accepted in the United States of America. The Purchaser's requests pursuant to this Clause 17.3 shall be limited to those matters reasonably determined by the Purchaser as necessary to satisfy its or its affiliated parties' obligations as a real estate investment trust and/or the requirements (including any regulations) of the Securities and Exchange Commission. The provisions of this Clause 17.3 shall survive Completion. All reasonable third-party payments, costs and expenses incurred by Glen Moar in connection with an audit performed pursuant to this Clause 17.3, will be charged back to the Purchaser and will be estimated and paid in advance by the Purchaser to Glen Moar before commencement of the audit. Any excess costs incurred over the estimated costs will be charged back to the Purchaser and will be paid by the Purchaser to Glen Moar within 15 days of Glen Moar's request for such payment along with invoices supporting such costs. Similarly any savings from the costs initially estimated for the audit will be returned to the Purchaser by Glen Moar within 15 days after the costs have been determined.
- 17.4 Glen Moar and the Purchaser shall deal with the Option Lands in accordance with Schedule 9.

18. BUSINESS INFORMATION

If any information relating to any Group Company is not in the possession of the Purchaser but remains held by a Retained Group and/or any of their advisers, the Sellers shall procure that such information is provided to the Purchaser or, as directed by the Purchaser, to the relevant Group Company, as soon as practicable following a request.

19. CONFIDENTIALITY

- 19.1 Save as expressly provided in Clauses 19.3 and 19.4, each of the Sellers severally undertakes that it shall, and each Seller shall procure that each member of its Retained

Group shall, treat as confidential the provisions of the Transaction Documents, all information it possesses relating to each Group Company and all information it has received or obtained relating to the Purchaser's Group as a result of negotiating or entering into the Transaction Documents.

19.2 Save as expressly provided in Clauses 19.3 and 19.4, the Purchaser shall, and shall procure that each member of the Purchaser's Group shall, treat as confidential the provisions of the Transaction Documents and all information it has received or obtained relating to the Sellers and the Retained Group as a result of negotiating or entering into the Transaction Documents.

19.3 A Party may disclose, or permit the disclosure of, information which would otherwise be confidential if and to the extent that it:

- (a) is disclosed to Agents of that Party or of other members of the Relevant Party's Group if this is reasonably required in connection with this Agreement (and *provided that* such persons are required to treat that information as confidential); or
- (b) is disclosed by any of the ABRY Sellers to any existing or prospective investors in the funds managed and/or advised by ABRY Partners LLC (and provided that such persons are required to treat that information as confidential), or
- (c) is required by law, regulation or any securities exchange (including by any rules of such securities exchange), regulatory or governmental body or Taxation Authority; or
- (d) was already in the lawful possession of that Party or its Agents without any obligation of confidentiality (as evidenced by written records); or
- (e) comes into the public domain other than as a result of a breach by a Party of this Clause 19,

provided that, where lawful and/or practicable, prior written notice of any confidential information to be disclosed pursuant to this Clause 19 shall be given to the other Parties.

19.4 The Sellers hereby acknowledge and agree that the Purchaser's Group (a) will file with regulatory authorities (i) a detailed summary of this Agreement; and (ii) a copy of this Agreement and that such filings will become publicly available; and (b) may release confidential information in relation to any capital raising that is undertaken by a member of the Purchaser's Group. Where lawful and/or practicable, prior written notice of any confidential information to be disclosed pursuant to this Clause 19 shall be given to the Sellers.

20. ANNOUNCEMENTS

20.1 Save as expressly provided in Clauses 19 and 20.2, no announcement shall be made by or on behalf of any Party or a member of the Relevant Party's Group relating to the Transaction Documents without the prior written approval of the other Parties, such approval not to be unreasonably withheld or delayed.

20.2 A Party may make an announcement relating to the Transaction Documents if (and only to the extent) required by the law and/or regulation of any relevant jurisdiction or any securities exchange (including by any rules of such securities exchange), regulatory or governmental body.

21. GUARANTEE

21.1 In consideration of the Sellers entering into this Agreement, the Guarantor irrevocably and unconditionally guarantees to the Sellers punctual performance by the Purchaser of all of its obligations under this Agreement and undertakes to the Sellers that whenever the Purchaser does not pay any amount when due under or in connection with this Agreement, the Guarantor shall immediately on demand pay that amount as if it was the principal obligor, so that the same benefits are conferred on the Sellers as they would have received if such obligation had been performed and satisfied by the Purchaser.

21.2 This guarantee is a continuing guarantee and will extend to the ultimate balance of sums payable by the Purchaser under this Agreement, regardless of any intermediate payment or discharge in whole or in part.

21.3 The Guarantor waives any right which it may have to first require the Sellers to proceed against the Purchaser before claiming from it under this Clause 21.

22. ASSIGNMENT

22.1 Save as expressly provided in Clause 22.2, no Party may assign, transfer, charge, declare a trust of or otherwise dispose of all or any part of its rights and benefits under this Agreement or any other Transaction Document (including any cause of action arising in connection with any of them) or of any right or interest in any of them.

22.2 The Purchaser may assign all or any of its rights and benefits under this Agreement or any other Transaction Document (including any cause of action arising in connection with any of them) to:

- (a) any member of the Purchaser's Group provided if such assignee ceases to be a member of the Purchaser's Group the Purchaser shall procure that the assignee shall assign such rights back to the Purchaser or to another continuing member of the Purchaser's Group immediately prior to it ceasing to be a member of the Purchaser's Group;
- (b) by way of security to any provider of debt finance in relation to the acquisition of the Shares, *provided that* the rights of such assignee shall only be exercisable at the same time as it exercises its security under such debt finance arrangements;
- (c) to any investment entity that is set up by the Purchaser or any member of its group to which any Group Company and/or any assets of any Group Company are transferred.

23. FURTHER ASSURANCE

The Sellers shall from time to time and at their own cost do, execute and deliver or procure to be done, executed and delivered all such further acts, documents and things required by, and in a form satisfactory to, the Purchaser in order to give full effect to this Agreement and its rights, powers and remedies under this Agreement.

24. ENTIRE AGREEMENT

24.1 As far as the Purchaser is concerned as between the Purchaser and the Sellers, this Agreement, together with the Transaction Documents and any other documents referred to in this Agreement or any Transaction Document, constitutes the whole agreement between the Parties and supersedes any previous arrangements or agreements between them relating to the sale and purchase of the Shares including, without limitation the heads of terms relating to the transaction dated May 2, 2012.

24.2 As far as the ABRY Sellers and the Ordinary Shareholders are concerned as between themselves, this Agreement, together with the Transaction Documents and any other documents referred to in this Agreement or any Transaction Document and any other agreements or arrangements as may be entered into between the Sellers in respect of the receipt of the proceeds from, and the allocation of liability in respect of, the transactions contemplated herein or therein, constitutes the whole agreement between the Parties and supersedes any previous arrangements or agreements between them relating to the sale and purchase of the Shares including, without limitation the heads of terms relating to the transaction dated May 2, 2012.

24.3 Each Party confirms that it has not entered into this Agreement or any other Transaction Document on the basis of any representation, warranty, undertaking or other statement whatsoever which is not expressly incorporated into this Agreement or the relevant Transaction Document.

24.4 Save in relation to breach of this Agreement or any other Transaction Document, no Party nor any of its Related Persons shall have any right or remedy, or make any claim, against another Party nor any of its Related Persons in connection with the sale and purchase of the Shares.

24.5 In this Clause 24, “**Related Persons**” means, in relation to a Party, members of the Relevant Party’s Group and the Agents of that Party and of members of the Relevant Party’s Group.

24.6 Nothing in this Clause 24 shall operate to limit or exclude any liability for fraud.

25. SEVERANCE AND VALIDITY

If any provision of this Agreement is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, it shall be deemed to be severed from this Agreement and the Parties shall use all reasonable endeavours to replace such provision with one having an effect as close as possible to the deficient provision. The remaining provisions will remain in full force in that jurisdiction and all provisions will continue in full force in any other jurisdiction.

26. VARIATIONS

No variation of this Agreement shall be effective unless in writing and signed by or on behalf of the Parties.

27. REMEDIES AND WAIVERS

- 27.1 No waiver of any right under this Agreement or any other Transaction Document shall be effective unless in writing. Unless expressly stated otherwise a waiver shall be effective only in the circumstances for which it is given.
- 27.2 No delay or omission by any Party in exercising any right or remedy provided by law or under this Agreement shall constitute a waiver of such right or remedy.
- 27.3 The single or partial exercise of a right or remedy under this Agreement shall not preclude any other nor restrict any further exercise of any such right or remedy.
- 27.4 The rights and remedies provided in this Agreement are cumulative and do not exclude any rights or remedies provided by law.
- 27.5 Subject to compliance with the requirements to provide written notice in paragraph 2 of Schedule 5 (*Sellers' Limitations on Liability*), the rights and remedies of the Purchaser under this Agreement shall not be affected by the expiry of any limitation period prescribed by law in relation to a claim under the Warranties or the Tax Deed.
- 27.6 Without prejudice to any other rights or remedies that the Parties may have, the Parties acknowledge and agree that damages would not be an adequate remedy for any breach of Clause 13 and/or Clause 19 and that the remedies of injunction, specific performance and other equitable remedies are appropriate for any threatened or actual breach of such Clauses.

28. EFFECT OF COMPLETION

The provisions of this Agreement and of the other Transaction Documents which remain to be performed following Completion shall continue in full force and effect notwithstanding Completion.

29. THIRD PARTY RIGHTS

- 29.1 Save as expressly provided in Clauses 29.2 and 29.3 a person who is not a Party or its successor or permitted assignee shall have no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any of the terms of this Agreement.
- 29.2 Clause 11 (*Indemnities*), Clause 13 (*Additional Payments and Escrow*), Clause 14 (*Restrictions on Sellers*), Clause 15 (*Insurance*), Clause 30 (*Payments*) and Clause 32 (*Default Interest*) are intended to benefit each Group Company, Clause 9.5 is intended to benefit each Group Company and any present or past Agent of a Group Company or of any member of the Purchaser's Group, Clause 19 is intended to benefit any member of the Purchaser's Group and Clause 24 is intended to benefit a Party's Related Persons, and each such Clause shall be enforceable by any of them under the Contracts (Rights of Third Parties) Act 1999, subject to the other terms and conditions of this Agreement.

29.3 The Lender Parties and each of their respective affiliates are intended third-party beneficiaries of Clauses 13.3 and 35.3 of this Agreement.

29.4 The Parties may amend or vary this Agreement in accordance with its terms without the consent of any other person.

30. PAYMENTS

30.1 Any amount payable by the Sellers to, or at the direction of, the Purchaser under this Agreement shall, so far as possible, be deemed to be a reduction of the Consideration.

30.2 Any amount payable by the Sellers to the Purchaser or by the Purchaser to the Sellers shall be made in full without set-off or counter-claim and free from any deduction or withholding whatsoever, except as required by law.

30.3 If any deduction or withholding is required by law to be made from any payment in respect of a claim under this Agreement (excluding a claim, if any, for payment of the Consideration) or if the recipient is subject to Tax in respect of such payment (for the avoidance of doubt excluding the Consideration), the payer shall increase the amount of the payment to the extent necessary to ensure that the net amount received and retained by the recipient (after taking into account all deductions, withholdings or Tax) is equal to the amount that it would have received had the payment not been subject to any such deductions, withholdings or Tax.

31. COSTS AND EXPENSES

Except as provided otherwise, each Party shall pay its own costs and expenses in connection with the negotiation, preparation and performance of this Agreement and the other Transaction Documents provided that Glen Moar shall be responsible for, and shall pay, all of the Sellers' costs and expenses in connection with the negotiation, preparation and performance of this Agreement and the other Transaction Documents.

32. DEFAULT INTEREST

Any and all amounts which are due and payable by the Sellers under this Agreement shall be paid in pounds sterling and shall carry interest at the Interest Rate from the due date for payment up to and including the date of actual payment (both before and after any judgment).

33. NOTICES

33.1 Any notice or other communication to be given under or in connection with this Agreement ("Notice") shall be in the English language in writing and signed by or on behalf of the Party giving it. A Notice may be delivered personally or sent by fax, pre-paid recorded delivery or international courier to the address or fax number provided in Clause 33.3 and marked for the attention of the person specified in that Clause.

33.2 A Notice shall be deemed to have been received:

(a) at the time of delivery if delivered personally;

- (b) at the time of transmission if sent by fax;
- (c) two (2) Business Days after the time and date of posting if sent by pre-paid recorded delivery; or
- (d) three (3) Business Days after the time and date of posting if sent by international courier,

provided that if deemed receipt of any Notice occurs after 6.00 p.m. or is not on a Business Day, deemed receipt of the Notice shall be 9.00 a.m. on the next Business Day. References to time in this Clause 33 are to local time in the country of the addressee.

33.3 **The addresses and fax numbers for service of Notice are:**

Glen Moar:

Name: Bridgehouse Partners LLP
Address: Bridge House, Bridge Street, Castletown, Isle of Man IM9 1AX
For the attention of: Simon McNally
Fax number: +44 (0) 1624 829 570

With a copy (which shall not constitute notice hereunder) to:

Name: Bridgehouse Partners LLP
Address: Suite 426, Linen Hall, 162-168 Regent Street, London W1B 5TE, United Kingdom
For the attention of: James Teare
Fax number: + 44 (0) 845 644 5163

ABRY Sellers

Name: ABRY Partners LLC
Address: 111 Huntington Avenue, 29th Floor, Boston MA 02199, United States of America
For the attention of: C.J. Brucato III
Fax number: + 1 617 859 7205

With a copy (which shall not constitute notice hereunder) to:

Name: Kirkland & Ellis International LLP
Address: 30 St. Mary Axe, London EC3A 8AF
For the attention of: Christopher field
Fax number: +44 (0) 207 469 2001

Purchaser:

Name: Digital Realty Trust, Inc.
Address: Four Embarcadero Center, Suite 3200, San Francisco CA 94111 Unites States of America
For the attention of: Joshua A. Mills
Fax number: +1 415 738 6521

With a copy (which shall not constitute notice hereunder) to:

Name: White & Case LLP
Address: 5 Old Broad Street London EC2N 1DW
For the attention of: James Dodsworth
Fax number: +44 (0) 20 7521 1001

33.4 A Party shall notify the other Parties of any change to its details in Clause 33.3 in accordance with the provisions of this Clause 33, provided that such notification shall only be effective on the later of the date specified in the notification and five (5) Business Days after deemed receipt.

34. COUNTERPARTS

This Agreement may be executed in counterparts and shall be effective when each Party has executed and delivered a counterpart. Each counterpart shall constitute an original of this Agreement, but all the counterparts shall together constitute one and the same instrument.

35. GOVERNING LAW AND JURISDICTION

35.1 This Agreement, including any non-contractual obligations arising out of or in connection with this Agreement, is governed by and shall be construed in accordance with English law.

35.2 The Parties agree that the courts of England shall have exclusive jurisdiction to hear and determine any suit, action or proceedings arising out of or in connection with this Agreement (including any non-contractual obligations arising out of or in connection with this Agreement) ("**Proceedings**") and, for such purposes, irrevocably submit to the jurisdiction of such courts.

35.3 Notwithstanding anything to the contrary in this Agreement, any Proceeding involving any Lender Party shall be subject to the exclusive jurisdiction of the courts of New York State and the Federal courts of the United States of America sitting, in each case, in the City, County and State of New York, and any appellate court from any such court. The Parties agree that they will not, nor will they permit any of their affiliates to, bring or support anyone else in bringing any Proceeding involving any Lender Party in any other court, and irrevocably waive all right to trial by jury in any such Proceeding.

36. AGENT FOR SERVICE OF PROCESS

36.1 The ABRY Sellers irrevocably appoint Law Debenture Corporate Services Limited, Fifth Floor, 100 Wood Street, London EC2V 7EX, the Ordinary Shareholder irrevocably appoints Bridgehouse Partners LLP of Suite 246, Linen Hall, 162-168 Regent Street, London W1B 5TE, United Kingdom, and the Purchaser irrevocably appoints Digital Realty (UK) Limited of 71 Fenchurch Street, London EC3M 4BS, in each case as its agent for service of process in England.

36.2 If any person appointed as agent for service of process ceases to act as such the relevant Party shall immediately appoint another person to accept service of process on its behalf in England and notify the other Parties of such appointment. If it fails to do so within ten (10) Business Days any other Party shall be entitled by notice to the other Parties to appoint a replacement agent for service of process.

IN WITNESS WHEREOF Each Party has Executed this Agreement, or Caused this Agreement to be Executed by its duly authorised representatives.

SCHEDULE 1**THE SELLERS**

(1) Name, registered number (where applicable) and address of each Seller	(2) Number of Shares	(3) Proportional ownership of Shares
Glen Moar Properties Limited (1039730) Craigmuir Chambers, Road Town, Tortola, British Virgin Islands	322,941 Ordinary Shares	100% of Ordinary Shares
Abry Partners VI LP 111 Huntington Avenue, 30th Floor, Boston, Massachusetts 02199, USA	30,000 A Preferred Shares	100% of A Preferred Shares
Abry Advanced Securities Fund LP 111 Huntington Avenue, 30th Floor, Boston, Massachusetts 02199, USA	2,559 B Preferred Shares	10.99% Of B Preferred Shares

(1) Name, registered number (where applicable) and address of each Seller	(2) Number of Shares	(3) Proportional ownership of Shares
Abry Advanced Securities Fund II LP 111 Huntington Avenue, 30th Floor, Boston, Massachusetts 02199, USA	5,118 B Preferred Shares	21.99% of B Preferred Shares
Abry Investment Partnership LP 111 Huntington Avenue, 30th Floor, Boston, Massachusetts 02199, USA	19 B Preferred Shares	0.08% of B Preferred Shares
Abry Senior Equity Co-Investment Fund III LP 111 Huntington Avenue, 30th Floor, Boston, Massachusetts 02199, USA	1,047 B Preferred Shares	4.5% of B Preferred Shares

(1) Name, registered number (where applicable) and address of each Seller	(2) Number of Shares	(3) Proportional ownership of Shares
Abry Senior Equity III LP 111 Huntington Avenue, 30th Floor, Boston, Massachusetts 02199, USA	14,522 B Preferred Shares	62.43% of B Preferred Shares

SCHEDULE 3

COMPLETION ARRANGEMENTS

**Part A
Seller's Obligations**

At or prior to Completion the ABRY Sellers shall deliver to the Purchaser or to the Purchaser's Solicitors:

1. duly executed transfers in respect of the Shares owned by them in favour of the Purchaser or such other person as the Purchaser may nominate;
2. the share certificates for the Shares owned by them;
3. such waivers, consents and other documents as the Purchaser may require to enable the Purchaser, or such other person as the Purchaser may nominate, to be registered as holder of the Shares in accordance with the provisions of Clause 2;
4. a power of attorney in the agreed terms duly executed as a deed by each of the Sellers in favour of the Purchaser to enable the Purchaser to exercise voting and other rights attaching to the Shares with immediate effect from the Completion Date;
5. duly executed entity classification elections on IRS Form 8832 (electing for the Company to be classified as a partnership and for each Subsidiary to be disregarded as a separate entity) effective as of three (3) days before Completion (such form also being signed by the Company);
6. evidence in a form satisfactory to the Purchaser that:
 - (a) all indebtedness, borrowing, loans, loan capital or debt obligations of whatsoever nature (including, without limitation, any fee or similar instrument or liability) and any liability (actual or contingent, past, present or future) of whatsoever nature owed by any Group Company to any ABRY Seller or any other ABRY entity has been irrevocably and unconditionally repaid and discharged in full;
 - (b) all guarantees, indemnities, mortgages, charges, pledges, liens, debentures, hypothecations, assignments, novations, transfers of rights or title, deposits or other security agreement or arrangement, if any, granted to, or conferred upon, any ABRY Seller or any other ABRY entity by any Group Company has been irrevocably and unconditionally discharged and released in full; and
 - (c) the ABRY Sellers have authorised the execution of this Agreement;
7. all documents of title and share certificates delivered to any ABRY Seller or any other ABRY entity pursuant to any mortgage, charge, pledge, lien, debenture, hypothecation, assignment, novation, transfer of rights or title, deposit or other security agreement or arrangement or an indemnity from any ABRY Seller or any other ABRY entity on the terms satisfactory to the Purchaser for any lost document of title or share certificate (if any).

At or prior to Completion Glen Moar shall:

1. Procure that board meetings of the Company and of each Subsidiary are held at which:
 - 1.1 in the case of the Company, the sale of the Shares to the Purchaser or such other person as the Purchaser may nominate be approved and it shall be resolved that the transfer of the Shares shall be approved for registration and (subject only to the transfers being duly stamped) the transferee entered into the register of members;
 - 1.2 the registered office shall be changed to such address as the Purchaser may nominate;
 - 1.3 new auditors shall be appointed in accordance with any nomination received from the Purchaser;
 - 1.4 Joshua Mills, Frederick Potter and David Glennane are appointed as new directors and David Glennane is to be appointed as secretary;
 - 1.5 the resignations of the directors, secretaries and Auditors referred to in paragraphs 7.4 and 7.5 below shall be tendered and accepted with effect from the close of the meeting; and
 - 1.6 all existing mandates to banks shall be revoked and authority shall be given to such persons as the Purchaser may nominate to operate the relevant bank accounts.
2. Execute and deliver to the Purchaser a counterpart Tax Deed and the Escrow Agreement.
3. Procure a transfer of the domain names, "sentrum.com", "sentrum.co.uk", "sentrum-datacenters.co.uk", "sentrum-datacentre.co.uk" "sentrumcentrodedatos.com" and "sentrumcpd.com" from the registrant currently on record into the name of Sentrum Holdings Limited.
4. Transfer to the Group of all Business Information required for the Group to continue the operation of the Business, to the extent not already in possession of the Group.
5. Transfer to the Group all of IT Systems (to the extent not already in possession of the Group) required to ensure that each Group Company has full and unrestricted access to and use of the IT Systems, and that no third party agreements or consents are required to enable that Group Company to continue such access and use following Completion.
6. Deliver to the Purchaser or the Purchaser's Solicitors:
 - 6.1 duly executed transfers in respect of the Shares in favour of the Purchaser or such other person as the Purchaser may nominate;
 - 6.2 the Non-Compete Undertakings duly executed by (i) Andrew Joseph Ruhan; (ii) Simon McNally; and (iii) Franek Sodzawiczny;
 - 6.3 duly executed Deeds of Termination;

- 6.4 a waiver duly executed by Franek Sodzawiczny in a form acceptable to the Purchaser pursuant to which Franek Sodzawiczny waives any and all claims against the against Group Companies in respect of any cause, matter or thing whatsoever or howsoever arising;
- 6.5 duly executed notices of termination dated on or prior to the date of this Agreement terminating the Odyssey Service Agreements in accordance with the provisions of such agreements;
- 6.6 evidence that the agreements in place between (i) Sentrum Services Limited and Sentrum (Rugby) Limited; and (ii) any Group Company and Bridgehouse Capital Operations UK Limited, have been terminated;
- 6.7 the share certificates for the Shares;
- 6.8 such waivers, consents and other documents as the Purchaser may require to enable the Purchaser, or such other person as the Purchaser may nominate, to be registered as holder of the Shares in accordance with the provisions of Clause 2 (*Sale and Purchase*);
- 6.9 a power of attorney in the agreed terms duly executed as a deed by each of the Sellers in favour of the Purchaser to enable the Purchaser to exercise voting and other rights attaching to the Shares with immediate effect from the Completion Date;
- 6.10 a certified copy of each power of attorney under which any document to be delivered to the Purchaser has been executed;
- 6.11 a certified copy of the minutes of the meeting of the board of directors of each of the Sellers authorising the execution of this Agreement, the Tax Deed and the Escrow Agreement;
- 6.12 a certified copy of the minutes of the meeting of the board of directors of the Company and each Subsidiary referred to in paragraph 1;
- 6.13 evidence of the termination of the declaration of trust with respect to the shares held in Sentrum (Croydon) Limited and transfer of the shares to the Company;
- 6.14 a deed of novation in an agreed form, duly executed by the landlord and the tenant and in favour of Sentrum Construction Management Limited, of the tenancy agreement relating to 11 Holly Lodge, Heathside Crescent, Woking, Surrey, GU22 7AB dated 14 March 2012 between (1) Mr. Anthony Norrington Limited and (2) Sentrum Construction Management Limited and all ancillary documents thereto;
- 6.15 evidence in a form satisfactory to the Purchaser that:
- (a) Sentrum (Hayes) Limited has been transferred out of the Group;
 - (b) the employment of the Hayes Employees has been transferred to Glen Moar and that no Hayes Employee remains employed or engaged by any Group Company;

- (c) all indebtedness, borrowing, loans, loan capital or debt obligations of whatsoever nature (including, without limitation, any fee or similar instrument or liability) and any liability (actual or contingent, past, present or future) of whatsoever nature owed by any Group Company to Investec Bank plc (formerly Investec Bank (UK) Limited) has been irrevocably and unconditionally repaid and discharged in full;
- (d) all guarantees, indemnities, mortgages, charges, pledges, liens, debentures, hypothecations, assignments, novations, transfers of rights or title, deposits or any other security agreement or arrangement granted to, or conferred upon, Investec Bank plc (formerly Investec Bank (UK) Limited) by any Group Company has been irrevocably and unconditionally discharged and released in full pursuant to a deed of release in substantially similar form to the deed of release agreed between Investec Bank plc (formerly Investec Bank (UK) Limited), Bridgehouse Partners LLP and White & Case LLP on 25 June 2012 (the “**Template Deed of Release**”);
- (e) all indebtedness, borrowing, loans, loan capital or debt obligations of whatsoever nature (including, without limitation, any fee or similar instrument or liability) and any liability (actual or contingent, past, present or future) of whatsoever nature owed by any Group Company to Irish Bank Resolution Corporation Limited (formerly Anglo Irish Bank Corporation plc) has been irrevocably and unconditionally repaid and discharged in full;
- (f) all guarantees, indemnities, mortgages, charges, pledges, liens, debentures, hypothecations, assignments, novations, transfers of rights or title, deposits or other security agreement or arrangement granted to, or conferred upon, Irish Bank Resolution Corporation Limited (formerly Anglo Irish Bank Corporation plc) by any Group Company has been irrevocably and unconditionally discharged and released in full pursuant to a deed of release in substantially similar form to the Template Deed of Release;
- (g) all indebtedness, borrowing, loans, loan capital or debt obligations of whatsoever nature (including, without limitation, any fee or similar instrument or liability) and any liability (actual or contingent, past, present or future) of whatsoever nature owed by any Group Company to The Royal Bank of Scotland plc incurred under the RBS Overdraft Facility has been irrevocably and unconditionally repaid and discharged in full;
- (h) all guarantees, indemnities, mortgages, charges, pledges, liens, debentures, hypothecations, assignments, novations, transfers of rights or title, deposits or other security agreement or arrangement granted to, or conferred upon, The Royal Bank of Scotland plc in connection with the RBS Overdraft Facility by any Group Company has been irrevocably and unconditionally discharged and released in full pursuant to a deed of release in substantially similar form to the Template Deed of Release;
- (i) all indebtedness, borrowing, loans, loan capital or debt obligations of whatsoever nature and any liability (actual or contingent, past, present or future) of whatsoever nature (including, without limitation, any fee or similar instrument or liability) owed by any Group Company to any member of the Retained Group has been irrevocably and unconditionally repaid and discharged in full;

- (j) all guarantees, indemnities, mortgages, charges, pledges, liens, debentures, hypothecations, assignments, novations, transfers of rights or title, deposits or other security agreement or arrangement granted to, or conferred upon, any member of the Retained Group by any Group Company has been irrevocably and unconditionally discharged and released in full pursuant to a deed of release in substantially similar form to the Template Deed of Release;
 - (k) all indebtedness, borrowing, loans, loan capital or debt obligations of whatsoever nature (including, without limitation, any fee or similar instrument or liability) and any liability (actual or contingent, past, present or future) of whatsoever nature owed by any Group Company to any other third party has been irrevocably and unconditionally repaid and discharged in full
 - (l) all guarantees, indemnities, mortgages, charges, pledges, liens, debentures, hypothecations, assignments, novations, transfers of rights or title, deposits or other security agreement or arrangement granted by a Group Company has been discharged and released in full other than in connection with the Retained Debt Agreement unless repaid and discharged and released as contemplated by paragraph 7.21 below; and
 - (m) all change of control provisions contained in any contract to which a Group Company is a party have been irrevocably and unconditionally waived.
- 6.16 all documents of title and share certificates delivered to Investec Bank plc (formerly Investec Bank (UK) Limited) pursuant to any mortgage, charge, pledge, lien, debenture, hypothecation, assignment, novation, transfer of rights or title, deposit or other security agreement or arrangement or an indemnity from Investec Bank plc (formerly Investec Bank (UK) Limited) on the terms satisfactory to the Purchaser for any lost document of title or share certificate;
- 6.17 all documents of title and share certificates delivered to Irish Bank Resolution Corporation Limited (formerly Anglo Irish Bank Corporation plc) pursuant to any mortgage, charge, pledge, lien, debenture, hypothecation, assignment, novation, transfer of rights or title, deposit or other security agreement or arrangement or an indemnity from Irish Bank Resolution Corporation Limited (formerly Anglo Irish Bank Corporation plc) on the terms satisfactory to the Purchaser for any lost document of title or share certificate;
- 6.18 all documents of title and share certificates delivered to The Royal Bank of Scotland plc pursuant to any mortgage, charge, pledge, lien, debenture, hypothecation, assignment, novation, transfer of rights or title, deposit or other security agreement or arrangement in connection with the RBS Overdraft Facility or an indemnity from The Royal Bank of Scotland plc on the terms satisfactory to the Purchaser for any lost document of title or share certificate;
- 6.19 all documents of title and share certificates delivered to any member of the Retained Group pursuant to any mortgage, charge, pledge, lien, debenture, hypothecation, assignment, novation, transfer of rights or title, deposit or other security agreement or arrangement or an indemnity from any member of the Retained Group on the terms satisfactory to the Purchaser for any lost document of title or share certificate;

- 6.20 all documents of title and share certificates delivered to any beneficiary or entity pursuant to any mortgage, charge, pledge, lien, debenture, hypothecation, assignment, novation, transfer of rights or title, deposit or other security agreement or arrangement, guarantee or indemnity from any member of the Group on the terms satisfactory to the Purchaser for any lost document of title or share certificate;
- 6.21 duly executed (i) entity classification elections on IRS Form 8832 (electing for the Company to be classified as a partnership and for each Subsidiary to be disregarded as a separate entity) effective as of three (3) days before Completion (such form also being signed by the ABRY Sellers); and (ii) an application for employer identification number on IRS Form SS-4 for the Company and for each Subsidiary;
- 6.22 if all outstanding amounts under the Retained Debt Agreement have not been irrevocably and conditionally repaid and discharged in full on or before the Completion Date:
- (a) a duly executed original of the standstill agreement between the Purchaser, Sentrum III Limited, Sentrum IV Limited, Sentrum Holdings Limited and Sentrum Services Limited as obligors, The Royal Bank of Scotland plc, Deutsche Postbank AG, London Branch, Abbey National Treasury Services plc and Bayerische Landesbank, London Branch (together, the “**Retained Debt Lenders**”) entered into connection with the Retained Debt Agreement; and
 - (b) evidence in a form satisfactory to the Purchaser that the change of control provisions contained in the Retained Debt Agreement have been irrevocably and unconditionally waived by the Retained Debt Lenders;
- 6.23 if all outstanding amounts under the Retained Debt Agreement have been irrevocably and unconditionally repaid and discharged in full on or before the Completion Date:
- (a) evidence in a form satisfactory to the Purchaser that all indebtedness, borrowing, loan, loan capital or debt obligation of whatsoever nature (including, without limitation, any fee or similar instrument or liability) and any liability (actual or contingent, past, present or future) of whatsoever nature owed by any Group Company to the Retained Debt Lenders and any other finance party under the Retained Debt Agreement incurred under the Retained Debt Agreement has been irrevocably and unconditionally repaid and discharged in full;
 - (b) evidence in a form satisfactory to the Purchaser that all guarantees, indemnities, mortgages, charges, pledges, liens, debentures, hypothecations, assignments, novations, transfers of rights or title, deposits or other security agreement or arrangement granted to, or conferred upon the Retained Debt Lenders and any other finance party under the Retained Debt Agreement in connection with the Retained Debt Agreement by any Group Company has been irrevocably and unconditionally discharged and released in full; and

- (c) all documents of title and share certificates delivered to The Royal Bank of Scotland plc as security agent under the Retained Debt Agreement pursuant to any mortgage, charge, pledge, lien, debenture, hypothecation, assignment, novation, transfer of rights or title, deposit or other security agreement or arrangement in connection with the Retained Debt Agreement or an indemnity from The Royal Bank of Scotland plc as security agent or any other finance party under the Retained Debt Agreement on the terms satisfactory to the Purchaser for any lost document of title or share certificate; and
- 6.24 to the extent not already passed, duly passed resolutions members of the Company to ratify (i) the allotment of the A Shares to the A Shareholder on 7 January 2010 for payment otherwise than wholly in cash; (ii) the allotment of 23,265 B Shares to the B Shareholders on 1 August 2011; and (iii) all actions taken and documents entered into by the Company in connection with the issue and allotment of the A Shares and the B Shares to, respectively, the A Shareholder and B Shareholder.
7. Deliver to the Purchaser or such other person as the Purchaser may nominate:
- 7.1 the statutory books (written up to but not including the Completion Date), certificate of incorporation (including all certificates of incorporation on change of name (if any) and common seal (if any) of the Company and each Subsidiary;
- 7.2 share certificates in respect of all the issued share capital of each Subsidiary;
- 7.3 to the extent not held by banks as security for loans made to any Group Company which shall be discharged at Completion, the title deeds relating to each Property, including originals and counterparts of all leases, agreements for lease, service agreements and all ancillary and supplemental documents as disclosed in the Data Room;
- 7.4 written resignations in the agreed terms to take effect from Completion of all the directors and the secretary of the Company and of each of the Subsidiaries (other than such persons who, as agreed with the Purchaser, will remain in office) in each case executed as a deed and relinquishing any right (past, present or future) against the Company or, as appropriate, the relevant Subsidiary for loss of office (whether contractual, statutory or otherwise);
- 7.5 written resignations from the Auditors acknowledging that they have no claim against the Company or any Subsidiary and confirming that there are no circumstances connected with their ceasing to hold office which they consider should be brought to the attention of any members or creditors, in accordance with the Companies Act;
- 7.6 the cheque books relating to all bank accounts of the Company and each Subsidiary together with confirmation that no cheques have been written since the last Business Day prior to Completion;
- 7.7 evidence in a form reasonably satisfactory to the Purchaser that all guarantees, debentures, mortgages and charges have been released in full;

- 7.8 evidence in a form satisfactory to the Purchaser (acting reasonably) as to the absence of outstanding indebtedness or obligations owed by a member of the Group to a member of any Retained Group; and
- 7.9 evidence in a form satisfactory to the Purchaser that all change of control provisions contained in any contract to which a Group Company is a party have been irrevocably and unconditionally waived.

At or prior to Completion Glen Moar shall execute and deliver to Digital Realty (UK) Limited a counterpart Consultancy Agreement.

Part B
Purchaser's Obligations

At Completion the Purchaser shall:

1. transfer or procure that the Initial GM Consideration be transferred to Glen Moar by telegraphic transfer in immediately available cleared funds for same day value to GM's Designated Account;
2. transfer or procure that the ABRY Consideration be transferred to the ABRY Sellers by telegraphic transfer in immediately available cleared funds for same day value to the ABRY Sellers' Designated Account
3. procure that the that Escrow Amount shall be transferred by electronic transfer to the Escrow Account;
4. execute and deliver to the Sellers' Solicitors a counterpart Tax Deed, Escrow Agreement and Non-Compete Undertakings; and
5. deliver to the Sellers' Solicitors a certified copy of the minutes of the meeting of the board of directors of the Purchaser authorising the execution of this Agreement, the Tax Deed and the Escrow Agreement.

SCHEDULE 4

WARRANTIES

Part A

Warranties from the Sellers

1. INCORPORATION AND AUTHORITY OF SELLERS

- 1.1 Each such Seller is a company duly incorporated and validly existing under the laws of their respective jurisdictions of incorporation.
- 1.2 Each such Seller has full power and authority to enter into and perform this Agreement and the other Transaction Documents to which it is a party and all other documents executed by that Seller which are to be delivered at Completion (together, the “**Seller Documents**”), each of which constitutes (when executed) legal, valid and binding obligations of that Seller in accordance with its respective terms.
- 1.3 The execution, delivery and performance by such Seller of the Seller Documents will not constitute a breach of any laws or regulations in any relevant jurisdiction or result in a breach of or constitute a default under (i) any provision of the articles of association or equivalent constitutional documents of any Seller; (ii) any order, judgment or decree of any court or governmental authority by which any such Seller is bound; or (iii) any agreement or instrument to which any such Seller is a party or by which it is bound.
- 1.4 No such Seller is or will be required to give any notice to or make any filing with or obtain any permit, consent, waiver or other authorisation from any governmental or regulatory authority or other person in connection with the execution, delivery and performance of the Seller Documents.
- 1.5 No such Seller is insolvent or unable to pay its debts within the meaning of the Insolvency Act 1986 (or under the insolvency laws of any applicable jurisdictions or has stopped paying debts as they fall due. No order has been made, petition presented or resolution passed for the winding up of any such Seller. No administrator or any receiver or manager has been appointed by any person in respect of any such Seller or all or any of their assets and no steps have been taken to initiate any such appointment and no voluntary arrangement has been proposed. No such Seller has become subject to any analogous proceedings, appointments or arrangements under the laws of any applicable jurisdiction.

2. OWNERSHIP OF THE SHARES AND AUTHORITY

- 2.1 Each such Seller is the sole legal and beneficial owner of all of the Shares set opposite its name in Schedule 1 (*The Sellers*).
- 2.3 The Relevant Shares are free from all Encumbrances and there is no agreement or commitment to give or create any Encumbrance over or affecting the Relevant Shares and no claim has been made by any person to be entitled to any such Encumbrance.
- 2.4 Other than pursuant to the ABRY Investment Documents (which shall be terminated in accordance with the terms of this Agreement) there are no agreements or

commitments outstanding which call for the issue of any shares, loan stock, debentures or other securities of the Company or accord to any person the right to call for the issue of any such shares, loan stock, debentures or other securities.

Part B
Warranties from the Ordinary Shareholder

1. GROUP STRUCTURE AND AUTHORITY

- 1.1 The Shares constitute the entire allotted and issued share capital of the Company and are fully paid up.
- 1.2 Part B of Schedule 2 (*The Group*) lists all the Subsidiaries, each of which is a wholly-owned subsidiary of the Company. The particulars of the Subsidiaries set out in Part B of Schedule 2 (*The Group*) are accurate in all respects.
- 1.3 The entity identified in Part B of Schedule 2 (*The Group*) as the holder of the shares in a Subsidiary is the legal and beneficial owner of such shares which constitute the entire allotted and issued share capital of such Subsidiary, each of which is fully paid.
- 1.4 The shares in each Subsidiary are free from all Encumbrances and there is no agreement or commitment to give or create any Encumbrance over or affecting the shares of any Subsidiary and no claim has been made by any person to be entitled to any such Encumbrance.
- 1.5 There are no agreements or commitments outstanding which call for the issue of any shares or debentures in or other securities of any Subsidiary or accord to any person the right to call for the issue of any such shares, debentures or other securities.
- 1.6 No Group Company owns any debt or equity interests in any person or issuer other than the Company's equity interests in each of the Subsidiaries listed in Part B of Schedule 2.
- 1.7 No Group Company acts or carries on business in partnership with any other person or is a party to any joint venture agreement or any other agreement under which it is to participate with any other person in any business.
- 1.8 No Group Company is a member of any corporate or unincorporated body, undertaking or association.
- 1.9 No Group Company is a party to any voting agreements, trusts, shareholder agreements, pledge agreements, buy-sell agreements or agreements containing rights of first refusal or pre-emptive rights, other than the Shareholders Agreement dated 1 August 2011 and made between, *inter alia*, the Company and the Sellers.
- 1.10 No Group Company has any branch, agency, place of business or permanent establishment outside its jurisdiction of incorporation.
- 1.11 No Group Company is resident within the United Kingdom, the Channel Islands or the Isle of Man and at any time during the ten (10) years prior to the date of this Agreement has: (i) had equity share capital which has been admitted to the Official List of the UK Listing Authority; or (ii) published dealings in its equity share capital in a newspaper on a regular basis for a continuous period of at least six (6) months; or (iii) had equity share capital which has been subject to a marketing arrangement as described in s.693(3) Companies Act 2006 (e.g. their shares have been dealt in on AIM, PLUS or the Professional Securities Market); or (iv) filed a prospectus for the issue of equity share capital with the UK Registrar.

- 1.12 The execution, delivery and performance by the Sellers of the Seller Documents will not constitute a breach of any laws or regulations in any relevant jurisdiction or result in a breach of or constitute a default under (i) any provision of the articles of association or equivalent constitutional documents of any Group Company; (ii) any order, judgment or decree of any court or governmental authority by which any Group Company is bound; or (iii) any agreement or instrument to which any Group Company is a party or by which it is bound.
- 1.13 No Group Company is or will be required to give any notice to or make any filing with or obtain any permit, consent, waiver or other authorisation from any governmental or regulatory authority or other person in connection with the execution, delivery and performance of the Seller Documents.

2. CONSTITUTIONAL AND CORPORATE MATTERS

- 2.1 Each Group Company has been duly incorporated or formed and is validly existing and in good standing under the laws of its place of incorporation or formation.
- 2.2 The copies of the articles of association or equivalent constitutional documents of each Group Company, all of which have been provided to the Purchaser or the Purchaser's Solicitors, are complete and accurate in all respects and copies of all the resolutions and any other documents required under the laws of any applicable jurisdiction to be annexed or incorporated are annexed or have been incorporated.
- 2.3 The articles of association or equivalent constitutional documents fully set out the rights and restrictions attaching to the shares (including the Shares) of each Group Company to which they relate.
- 2.4 All documents required to be delivered by any Group Company to the UK Registrar (or equivalent authority and in accordance with the laws of any applicable jurisdiction) are complete and accurate in all respects and have been properly delivered.
- 2.5 The statutory books of each Group Company have been properly kept, are up-to-date and contain complete and accurate details of all matters required by applicable laws to be entered in them. No notice or indication that any of them is incorrect or should be rectified has been received.

3. INFORMATION

- 3.1 The information contained in (i) this Agreement; (ii) the Disclosure Letter (including the information included in such letter as being Disclosed such as written responses to queries raised by the Purchaser and the title information supplied with respect to the Properties); and (iii) the Data Room is accurate in all material respects and not misleading.
- 3.2 There are no omissions from the Disclosure Letter which, if included and Disclosed, might reasonably be expected to affect the willingness of the Purchaser to purchase the Shares on the terms of this Agreement save for facts and matters likely to affect to a similar extent generally all companies carrying on similar businesses.

3.3 The information given by or on behalf of the Sellers to or on behalf of the Purchaser during negotiations for this Agreement was and remains true and accurate in all material respects and not misleading.

4. CONTRACTS

4.1 In this paragraph 4 references to “**contract**” include any arrangement, obligation, understanding or commitment, and references to “**material**” shall mean material to the business, prospects, profits or assets of any Group Company.

4.2 Save as Disclosed and excluding all agreements for lease, leases, construction agreements and service agreements, no Group Company is a party to any contract which:

- (a) is of a revenue or expenditure nature in an amount in excess of thirty thousand pounds (£30,000) per annum; or
- (b) is a material contract; or
- (c) is of an unusual or exceptional nature or is not in the ordinary course of business; or
- (d) is for a two (2) year duration or longer or is of a length which significantly exceeds what is normal for such contracts; or
- (e) can be terminated upon a change in the direct or indirect ownership or control of that Group Company or whose terms, in the event of such a change of ownership or control, are different from those which apply prior to such event; or
- (f) cannot readily be performed by it on time except with undue effort or unusual expenditure; or
- (g) restricts its freedom to carry on the whole or any part of its business in any part of the world in such manner as it thinks fit, or is a party to any agency, distribution, franchise, licensing, management or joint venture agreement.

4.3 No Group Company is a party to or has any liability (actual or contingent, present, past or future) under any contract, agreement, debt instrument, quasi-debt instrument, guarantee, indemnity or letter of credit, or any leasing, rental, hire purchase, credit sale or conditional sale agreement or any instrument similar in nature.

4.4 Except for (i) any guarantee or warranty implied by law; and (ii) the Property and Construction Agreements, no Group Company has given any indemnity, guarantee, warranty, or made any representation in respect of goods or services supplied or to be supplied.

4.5 Each of the contracts to which a Group Company is a party is in full force and effect. No Group Company is in breach of any such contract nor has any allegation of any

breach or invalidity been made or received by any Seller or any Group Company. No notice of termination of any such contract has been served or received by any Seller or any Group Company, there are no grounds for the determination, rescission, avoidance or repudiation of any such contract and no allegation of such a thing has been made or received by any Seller or any Group Company.

4.6 No Group Company is or, within the past six (6) years has been, a party to a contract which is, or was, not entirely of an arm's length nature and no Group Company has transferred or has agreed to transfer any assets except at market value.

5. TERMS OF TRADE

5.1 No substantial customer or supplier of any Group Company (being a customer or supplier which accounts for five per cent. (5%) or more of such Group Company's annual custom or supply, as the case may be) has during the twelve (12) months immediately preceding the date of this Agreement ceased, reduced or indicated an intention to cease or reduce, changed the terms of or indicated an intention to change the terms of, its trading with or supplying to such Group Company.

5.2 No Group Company carries on business under any name other than its own corporate name.

5.3 No Group Company has offered price reductions, discounts or allowances on leases or services or provided any leases or services at less than cost.

6. COMPLIANCE WITH LAWS

Each Group Company has, at all times, conducted its business in compliance with all applicable laws and regulations in each country in which its business is or has been carried on.

7. ANTI-BRIBERY AND IMPROPER PAYMENTS

7.1 No Group Company and, with respect to the Business, no member of the Retained Group nor, so far as Glen Moar is aware, any of its or their respective directors, officers, employees, agents, representatives or other persons associated with, performing a service for or otherwise acting for or on behalf of it or them (each, an "**Associated Person**") has, in connection with the Business:

- (a) breached or contravened any Anti-Bribery Laws or any applicable anti- money laundering law, rule or regulation or any books and records offences relating directly or indirectly to a bribe; or
- (b) without limiting the generality of the foregoing, directly or indirectly:
 - (i) offered, promised, or given a financial or other advantage to another person intending the advantage to induce or reward improper performance of a relevant function or activity, or where acceptance of the advantage itself constituted such impropriety; or
 - (ii) requested, agreed to, or accepted a financial or other advantage, and in consequence intended to induce improper performance, or where a

request, agreement, or acceptance of an advantage itself has amounted to improper performance, or where the advantage has been paid as a reward for, or in anticipation of, or as a consequence of, the improper performance; or

- (iii) failed to prevent bribery by Associated Persons in order to obtain or retain business or a business advantage; or
- (iv) offered, promised, or given a financial or other advantage to a foreign public official (an “**Official**”) or another with intent to influence the Official in his official capacity and to obtain or retain business, or a business advantage, including, without limitation, making or receiving any bribe, rebate, pay-off, influence payment, kick-back or other contribution or gifts contrary to Anti-Bribery Laws.

7.2 Each Group Company maintains and regularly keeps under review on an ongoing basis adequate written anti-corruption procedures and internal accounting controls which are designed to ensure compliance by the relevant Group Company and its respective directors, officers and employees with all Anti-Bribery Laws.

7.3 Neither the Seller, nor any other member of the Retained Group, nor any Group Company has retained any intermediaries, representatives or other agents to act on their behalf in connection with the Business or any Group Company without first conducting a due diligence review with respect to such proposed intermediary, representative or other agent.

8. LICENCES

8.1 All licences, consents and other authorisations required by each Group Company for or in connection with its business (the “**Licences**”) are listed in the Disclosure Letter.

8.2 Each Licence is in full force and effect, is not subject to any onerous conditions, is not limited in duration and there are no grounds for the revocation or non-renewal of any Licence.

8.3 The change of control of the Group Companies pursuant to the sale and purchase of the Shares will not result in the revocation, termination or modification of any Licence.

8.4 So far as Glen Moar is aware, each Group Company has all necessary licences, consents, permissions and other authorisations necessary for the operation of the Business.

9. ASSETS

9.1 All assets (excluding the Properties) used by any Group Company for or in connection with its business, or which are required for the continuation of the Business as it is currently conducted are legally and beneficially owned by a Group Company.

- 9.2 The facilities and services to which each Group Company has a contractual right include all facilities and services which are required for the continuation of the Business as it is currently conducted.
- 9.3 All assets referred to in paragraph 9.1 are free from all Encumbrances and there is no agreement or commitment to create any Encumbrance and no claim has been made by any person to be entitled to any such Encumbrance.
- 9.4 All assets referred to in paragraph 9.1 are included in the Accounts except for an asset acquired, sold, realised or applied in the ordinary course of business since the Accounts Date, details of each of which are set out in the Disclosure Letter. Each asset (excluding the Properties) capable of possession is in the possession of a Group Company.
- 9.5 No Group Company has agreed to acquire any asset (excluding the Properties) on terms that ownership of such asset does not pass until full payment is made.
- 9.6 All plant and machinery (including fixed plant and machinery), vehicles and office equipment used by any Group Company in connection with its business are in good repair and condition, are properly maintained and fully serviceable and are capable of being used safely and efficiently in connection with the business of the relevant Group Company.
- 9.7 The list of plant and machinery, vehicles and office equipment of each Group Company which has been provided to the Purchaser is a complete and accurate record of the plant, machinery, vehicles and office equipment owned or used by it.

10. FINANCE ARRANGEMENTS

- 10.1 The name and address of each bank with which each Group Company maintains a bank account together with full details of each account (including the account name and number, all authorities and mandates, standing orders and direct debits) are set out in the Disclosure Letter.
- 10.2 No payment has been made out of any of the bank accounts except for routine payments in respect of trading in the ordinary course of business.
- 10.3 Full details of all overdraft, loan and other financial facilities of each Group Company (including the amounts and terms of all borrowings) are set out in the Disclosure Letter (the “**Existing Facilities**”).
- 10.4 The amount borrowed by each Group Company under the Existing Facilities does not exceed the amount stated in the relevant financial facility and the total amount borrowed by each Group Company does not exceed any limitations on the borrowing powers set out in its memorandum and articles of association or equivalent constitutional documents.
- 10.5 Except in relation to the Property and Construction Agreements, no guarantee, indemnity, mortgage, charge, pledge, lien, debenture, hypothecation, assignment, novation, transfer of rights or title, deposit or other security agreement or arrangement has been given by or entered into by any Group Company or third party in respect of any obligations of any Group Company (including, without limitation, in respect of borrowings) or in respect of the indebtedness or obligations or otherwise of any other person other than with respect to the Existing Facilities as set out in the Disclosure Letter.

- 10.6 Except for the Existing Facilities, no Group Company has outstanding any financial indebtedness, borrowing, loan, loan capital or debt obligation of whatsoever nature (including, without limitation, any fee or similar instrument or liability) or has incurred or agreed to incur any financial indebtedness, borrowing, loan, loan capital or debt obligation of whatsoever nature (including, without limitation, any fee or similar instrument or liability) which it has not irrevocable and unconditionally repaid, discharged or satisfied, in each case, in full, or any liability (actual or contingent, present, past or future) of whatsoever nature under any contract, agreement, debt instrument, quasi-debt instrument, guarantee, indemnity or letter of credit or any leasing, rental, hire purchase, credit sale or conditional sale agreement or any instrument similar in nature.
- 10.7 No Group Company has lent or agreed to lend any money which has not been repaid to it and there are no debts owing to any Group Company other than debts that have arisen in respect of trading and in the ordinary course of business, each of which is recoverable in full when it falls due.
- 10.8 No event which is, or which may become or result in, an event of default or potential event of default or a breach of the terms of the Existing Facilities or any financial indebtedness, borrowing, loan, loan capital or debt obligation of whatsoever nature of any Group Company has occurred or so far as Glen Moar is aware, been alleged and no change in the direct or indirect ownership or control of any Group Company will or may result in such an event of default or breach.

11. GRANTS AND ALLOWANCES

No Group Company has applied for or received any grant, subsidy or allowance from any government department or other body.

12. POWERS OF ATTORNEY

No Group Company has given any power of attorney or other authority (express, implied or ostensible) which is still in force to any person to enter into any contract or commitment on its behalf.

13. ARRANGEMENTS WITH RETAINED GROUP

- 13.1 No indebtedness (actual or contingent) and no contract or arrangement is outstanding between any Group Company and any member of the Retained Group or any person connected with any such member.
- 13.2 No member of the Retained Group or any person connected with any member of the Retained Group has any interest (direct or indirect) in any business which competes or is likely to compete with any business presently carried on by any Group Company. No member of the Retained Group intends to acquire any such interest.

13.3 No member of the Retained Group or any person connected with any member of the Retained Group is entitled to a claim of any nature against any Group Company or has assigned such right to any other person.

14. LITIGATION AND INVESTIGATIONS

14.1 No Group Company is engaged in or in the six (6) years prior to the date of this Agreement has been engaged in, or is proposing to engage in any litigation, arbitration, mediation or other legal proceedings (whether as plaintiff, defendant or otherwise), no litigation, arbitration, mediation or other legal proceedings are pending or threatened and no written notice has been received by any Group Company with respect to any such litigation, arbitration, mediation or other legal proceedings. So far as Glen Moar is aware, there are no circumstances likely to give rise to any such proceedings.

14.2 No Group Company is the subject of any investigation, enquiry or enforcement proceedings by any governmental or other body, no investigations, enquiries, or enforcement proceedings are, so far as Glen Moar is aware, pending or threatened and there are no circumstances likely to give rise to any such investigation, enquiry or enforcement proceedings. No Group Company has received any written notice with respect to any such pending or threatened investigations, enquiries, or enforcement proceedings.

14.3 No director or employee (in each case, past or present) of any Group Company is engaged in or subject to any of the matters referred to in paragraphs 14.1 and 14.2 for which any Group Company may be liable.

14.4 No Group Company is affected by any existing or pending judgments or rulings, orders or decrees of any court or governmental authority or any expert determination or arbitration proceedings.

14.5 No Group Company has committed, nor is liable for, any illegal or unauthorised act or breach of any obligation or duty however arising and no notification has been received that any investigation or enquiry into any such act or breach is being or will be made.

15. INSURANCE

15.1 Each Group Company has maintained full indemnity insurance cover against all risks that are lawfully and contractually required to be covered and otherwise deemed necessary by the Sellers, complete and accurate written particulars of each of which have been provided to the Purchaser.

15.2 All of the insurance policies are in full force and effect, none are void or voidable, no claims are outstanding, no event has occurred which might give rise to any claim and all premiums due and payable have been paid. No change in the direct or indirect ownership or control of any Group Company will or may entitle any insurer to terminate any such insurance policy.

15.3 During the two (2) years immediately preceding the date of this Agreement no individual insurance claim in excess of fifty thousand pounds (£50,000) has been made by any Group Company.

16. INSOLVENCY

16.1 No Group Company is insolvent or unable to pay its debts within the meaning of the Insolvency Act 1986 (or under the insolvency laws of any jurisdiction applicable to such Group Company) or has stopped paying its debts as they fall due.

16.2 No order has been made or resolution passed for the winding up of any Group Company and no provisional liquidator has been appointed. So far as Glen Moar is aware, no petition has been presented and no meeting has been convened for the purposes of winding up any Group Company and no voluntary arrangement has been proposed. No Group Company has become subject to any analogous proceedings or arrangements under the laws of any applicable jurisdiction.

16.3 No administrator, administrative receiver or any other receiver or manager has been appointed by any person in respect of any Group Company or all or any of its assets and no steps have been taken to initiate any such appointment. No analogous appointments have been made or initiated under the laws of any applicable jurisdiction.

17. ACCOUNTS

17.1 The Accounts have been prepared in accordance with the accounting principles and practices generally accepted in the United Kingdom at the Accounts Date comprising UK Accounting Standards. The accounting principles and practices adopted in the preparation of the Accounts are consistent with those adopted by companies carrying on business similar to the business of the respective Group Companies.

17.2 No change has been made to the accounting policies or to any other accounting treatment including, for the avoidance of doubt, any estimation techniques as defined by FRS 18, of any Group Company for at least three (3) years prior to the Accounts Date.

17.3 The Accounts are complete and accurate in all respects and gave a true and fair view of the assets, liabilities, financial position and profit or loss of each Group Company and of the Group as a whole at the respective Accounts Date. For the purposes of this paragraph 17.3 in respect of each Group Company which is not incorporated in the United Kingdom, the words “true and fair” shall be substituted with the equivalent terminology applicable under local auditing or statutory regulations to denote accounts in respect of which an unqualified auditor’s certificate has been given.

17.4 The Accounts include full provision for all bad and doubtful debts, obsolete or slow moving stock and the Accounts state accurately all liabilities and the value of all assets.

17.5 The depreciation and amortisation rates adopted in the Accounts are sufficient to ensure that the assets are written down to nil by the end of their useful economic lives.

- 17.6 The Accounts are not affected by any unusual or non-recurring item or by any other factor that makes the Accounts unusual or misleading in any respect.
- 17.7 At the Accounts Date no Group Company had any other liability (whether actual, contingent, unquantified or disputed) or outstanding capital commitment which is not fully disclosed or fully provided for in the Accounts.
- 17.8 The accounting and other records of each Group Company are up-to-date and have been fully, properly and accurately maintained and are in the possession of the relevant Group Company.
- 17.9 The Management Accounts have been prepared on a basis consistent with the management accounts of the Company and each Subsidiary prepared in the two (2) years immediately preceding the date of this Agreement, with all due care and attention and in accordance with the same accounting policies and accounting treatment as the Accounts. The Management Accounts give a fair view of the assets, liabilities and profit or loss and cash flow of each Group Company and of the Group as a whole and are not inaccurate or misleading in any respect.

18. EVENTS SINCE THE ACCOUNTS DATE

- 18.1 Since the Accounts Date:
- (a) the business of each Group Company has been conducted in the ordinary course;
 - (b) there has been no adverse change in the financial or trading position or prospects of any Group Company;
 - (c) no asset has been acquired or disposed of nor has there been any agreement to acquire or dispose of any such asset;
 - (d) no liability (actual or contingent) has been incurred or has arisen which is either unquantifiable or of an amount in excess of ten thousand pounds (£10,000);
 - (e) no dividend or other distribution has been, or has agreed to be, declared, made or paid by any Group Company; and
 - (f) no Group Company has borrowed or raised any money and no capital expenditure has been incurred.
- 18.2 All book debts contained in the Accounts have been realised for an amount not less than that stated in the Accounts, no debts or other receivables have been factored, sold or agreed to be sold and no indication has been received that any debt owing to any Group Company is bad or doubtful.
- 18.3 There are no liabilities, obligations or commitments of any Group Company that would be required to be reflected on, or in the notes to, an audited consolidated balance sheet of the Group as at the date of this Agreement and at Completion prepared on the same bases as the Accounts.

19. Taxation

For the purposes of this paragraph 19:

“CAA”	means the Capital Allowances Act 2001;
“CTA 2009”	means the Corporation Tax Act 2009;
“CTA 2010”	means the Corporation Tax Act 2010;
“ICTA”	means the Income and Corporation Taxes Act 1988;
“ITA”	means the Income Tax Act 2007;
“ITEPA”	means the Income Tax (Earnings and Pensions) Act 2003;
“ITTOIA”	means the Income Tax (Trading and Other Income) Act 2005;
“TCGA”	means the Taxation of Chargeable Gains Act 1992;
“TIOPA”	means the Taxation (International and Other Provisions) Act 2010;
“VATA”	means the Value Added Tax Act 1994;

Compliance and Liabilities

19.1 Taxation Liabilities

- (a) All liabilities of each Group Company for Tax as at the Accounts Date are fully provided for in the Accounts and all Tax for which each Group Company is liable or for which each Group Company is liable to account has been duly paid to the relevant Tax Authority (insofar as it ought to have been paid) and without limitation each Group Company has made all such deductions and retentions that it was obliged or entitled to make and has accounted in full to the appropriate authority for all amounts so deducted and retained.
- (b) The amount of the provision for deferred Tax in respect of each Group Company contained in the Accounts was, at the Accounts Date, fully in accordance with generally accepted accountancy practices in the jurisdiction in which the relevant Group Company files its Accounts.
- (c) If all facts and circumstances which are now known to any Group Company or the Seller had been known at the time the Accounts were drawn up, the provision for deferred Tax that would be contained in the Accounts would be no greater than the actual provision contained in the Accounts.

19.2 Tax Events Since the Accounts Date

- (a) Since the Accounts Date
 - (i) no Group Company has declared, made or paid any distribution;
 - (ii) no Tax accounting period of any Group Company has ended;

- (iii) there has been no disposal of any asset (including trading stock) or supply of any service or business facility of any kind (including a loan of money or the letting, hiring or licensing of any property whether tangible or intangible) in circumstances where the consideration actually received or receivable for such disposal or supply was less than the consideration which could be deemed to have been received for Tax purposes;
- (iv) no event has occurred which will give rise to a Tax liability on any Group Company calculated by reference to deemed (as opposed to actual) income, profits or gains or which will result in any Group Company becoming liable to pay or bear a Tax liability directly or primarily chargeable against or attributable to another individual partnership or company;
- (v) no disposal has taken place or other event occurred which will or may have the effect of crystallising a liability to Taxation which should have been included in the provision for deferred Taxation contained in the Accounts if such disposal or other event had been planned or predicted at the Accounts Date;
- (vi) no Group Company has made or incurred any obligation to make a payment of a revenue nature which will not be:
 - (A) deductible in computing (a) trading profits for the purposes of corporation tax or (b) income or profits for the purposes of income tax;
 - (B) deductible as a management expense of a company with investment business;
 - (C) deductible as a loan relationship debit in accordance with the provisions of Chapter 3 (*The Credits and Debits to be Brought into Account: General*) of Part 5 (*Loan Relationships*) CTA 2009; or
 - (D) deductible as an annual payment; and
- (vii) no Group Company has made or incurred any obligation to make a payment of a capital nature other than any such payment or obligation made or incurred in respect of the acquisition of capital assets in the ordinary course of business of any Group Company which are used for the purposes of the business of such Group Company as carried on at the Accounts Date.

19.3 Tax Returns

All returns required to be submitted, all information required to be supplied, all records required to be kept, and all notices and payments required to be made, by each Group Company in each case for the purposes of Taxation have been submitted, supplied, kept or made punctually on a proper basis and are correct and there are not, and so far as Glen Moar is aware, there are not likely to be, any disputes or enquiry whatsoever in respect thereof with any Taxation Authority.

19.4 Altering Existing Arrangements

No Group Company has taken any action which has had or might have the result of altering, prejudicing or in any way disturbing any written arrangement or agreement which it has previously negotiated with any relevant Taxation Authority.

Each Group Company has received approval (which continues to be effective) from HM Revenue & Customs under the “Non-Resident Landlord Scheme” to receive United Kingdom rental income with no tax deducted or withheld at source.

19.5 Penalties and Interest

No Group Company has within 6 (six) years of the date of this Agreement paid or become liable to pay nor are there any circumstances by virtue of which any Group Company is likely to become liable to pay, any penalty, fine, surcharge or interest in connection with any Tax.

19.6 Concessions and Arrangements

The amount of Tax chargeable on each Group Company during any accounting period ending on or within the 6 (six) years before the Accounts Date has not depended on any concessions, agreements or other formal or informal arrangements with any Taxation Authority.

19.7 Transactions Requiring Clearance or Consent

Any application for clearance or consent made by any Group Company or on behalf or affecting any Group Company has been made and obtained on the basis that all particulars furnished to any Taxation Authority constituted full and accurate disclosure to that Taxation Authority of all relevant material facts and considerations and any transaction for which clearance or consent was obtained has been carried into effect only in accordance with the terms of the relevant clearance or consent.

19.8 Investigation

No Group Company has within 6 (six) years of the date of this Agreement been the subject of an investigation, audit or visit by or involving any Taxation Authority and, so far as Glen Moar is aware, there are no circumstances existing which make it likely that such an investigation, audit or visit will be made.

PAYE & NI – Employees

19.9 Operation of PAYE System

Each Group Company has properly operated the pay as you earn and national insurance systems deducting and accounting for Tax and maintaining records as required by law.

Anti- Avoidance

19.10 Ramsay Principle

No Group Company has been involved in any scheme, arrangement, transaction or series of transactions in which any step or steps which have no commercial purpose have been inserted.

19.11 Notifiable arrangements and schemes

No Group Company has entered into any notifiable arrangements for the purposes of Part 7 of the Finance Act 2004 or any notifiable schemes for the purposes of Schedule 11A to VATA.

Value Added tax

19.12 Registration

Each Group Company is a registered and taxable person for the purposes of VAT and such registration is not subject to any conditions imposed by or agreed with HM Revenue & Customs or any other Tax Authority.

19.13 VAT Group

No Group Company has ever been treated for the purposes of VAT as a member of a VAT group registration for the purposes of Section 43 (*Groups of Companies*) VATA, no application for any Group Company to be so treated has been made and no direction has been given or is likely to be given by HM Revenue & Customs under Schedule 9A (*Anti-Avoidance Provisions: Groups*) VATA as a result of which any Group Company would be treated for the purposes of VAT as a member of a group.

19.14 Compliance

Each Group Company has complied with all statutory provisions, rules, regulations, orders and directions concerning VAT including the making on time of correct and accurate returns and payments, and the keeping of correct and accurate and up to date records and documents and no Group Company has incurred any fines penalties or interest in relation to VAT and no Group Company has been given any penalty liability notice pursuant to Section 64 (*Repeated Misdeclarations*) VATA, any surcharge liability notice pursuant to Section 59 (*Default Surcharge*) or Section 59A (*Default Surcharge: Payments on Account*) VATA, or any written warning within Section 76(2) VATA.

19.15 Option to Charge VAT on Supplies by the Group

- (a) The Disclosure Letter contains full particulars of all options to tax made or agreed to be made under Schedule 10 (*Buildings and Land*) VATA in respect of any property in which any Group Company has any interest by:
- (i) a Group Company; or

- (ii) any person in relation to which any Group Company is or has been a relevant associate as defined in paragraph 3 of Schedule 10 VATA.
- (b) In respect of each option to tax referred to in paragraph 19.15(a):
 - (i) any written notification required to be given under paragraph 20 Schedule 10 VATA has been delivered to HM Revenue & Customs or any other Tax Authority;
 - (ii) any prior permission for such option to tax required under paragraph 28 Schedule 10 VATA has been delivered to HM Revenue & Customs or any other Tax Authority;
 - (iii) no such option to tax has been revoked under any of paragraph 22, 23, 24 or 25 of Schedule 10 VATA; and
 - (iv) such option to tax has not been rendered ineffective by the provisions of paragraphs 5 to 12 of Schedule 10 VATA.
- (c) No Group Company is a party to, nor has any Group Company agreed to become a party to, any lease, tenancy or licence in the case of which, under its terms or by statute, any Group Company is or may be prevented from making an election to waive exemption from VAT under Schedule 10 VATA or from charging any amount in respect of VAT in addition to any rent, licence fee or other payments due.
- (d) No tenant with whom a Group Company has entered into any Lease (or agreement for lease) has made, or will prior to Completion make or be obliged to make, any payment to that Group Company in respect of construction work pursuant to any Lease (or agreement for lease) prior to completion of such works, where that tenant would not be occupying the relevant Property wholly, or substantially wholly, for eligible purposes as defined in paragraph 16 of Schedule 10 to the Value Added Tax Act 1994.

19.16 Capital Goods Scheme

The Disclosure Letter sets out full details of any assets of each Group Company which are capital items for the purposes of Part XV (Adjustments to the Deduction of Input Tax on Capital Goods) Value Added Tax Regulations 1995 together with, in relation to each such asset, details of:

- (a) the date of commencement of the first adjustment interval;
- (b) the total amount of input tax attributable to the asset which may be subject to adjustments; and
- (c) the amounts of any adjustments to input tax made at the end of the first and any subsequent adjustment intervals.

Capital Allowances

19.17 Book Cost and Tax Cost

The Disclosure Letter sets out full details of any balancing charge under the CAA (or other legislation relating to any capital allowances) that would be made on each Group Company on the disposal of any pool of assets (that is to say all those assets expenditure relating to which would be taken into account in computing whether a balancing charge would arise on a disposal of any other of those assets) or of any asset not in such a pool, on the assumption that the disposals are made on the Accounts Date for a consideration equal to the book value shown in or adopted for the purpose of the Accounts for the assets in the pool or (as the case may be) for the asset.

19.18 Qualifying Expenditure

All expenditure which each Group Company has incurred or may incur under any subsisting commitment on the provision of machinery or plant has qualified or will qualify (if not deductible as a trading expense of the trade carried on by such Group Company) for writing-down allowances or first year allowances under Part 2 (*Plant and Machinery Allowances*) CAA in relation to that Group Company.

19.19 Short Life Assets

No Group Company has made any election under Section 83 (*Meaning of "short-life" asset*) CAA nor is any Group Company taken to have made such an election under Section 89 (*Disposal to connected person*) CAA.

Capital Gains

19.20 Book Cost and Tax Cost

If each of the capital assets of each Group Company was disposed of at Completion for a consideration equal to the book value of that asset in, or adopted for the purpose of, the Accounts no chargeable gain or allowable loss would arise, disregarding for this purpose any relief or allowances available to any Group Company other than amounts falling to be deducted from the consideration received under Section 38 (*Acquisition and Disposal Costs*) TCGA.

19.21 Acquisitions Other Than at Arm's Length

There are set out in the Disclosure Letter full and complete particulars (including cost) of each asset of each Group Company (except trading stock and work in progress) that was acquired by such Group Company at any time:

- (a) by transfer from any other company then belonging to the same group of companies as a Group Company within the meaning of Section 170 (*Groups of Companies*) TCGA; or
- (b) otherwise than by way of bargain at arm's length.

Distributions and Other Payments

19.22 Interest Treated as Distribution

No securities (within the meaning of Section 1117 CTA 2010 issued by any Group Company and remaining in issue at the date of this Agreement were issued in such circumstances that the interest payable on such security or any part thereof falls or could fall to be treated as a distribution under Part 23 (*Company Distributions*) CTA 2010.

19.23 Loan Relationships

All interest, discounts and premiums payable by any Group Company in respect of its loan relationships (within the meaning of Part 5 (*Loan Relationships*) CTA 2009) are capable of being brought into account by such Group Company as a debit for the purposes of that Part as and to the extent that they are from time to time recognised in the relevant Group Company's accounts (assuming that the accounting policies and methods adopted for the purpose of the Accounts continue to be so adopted).

Residence and Overseas Trade etc.

19.24 Residence

Each Group Company is and has since incorporation been resident solely in the jurisdiction in which it is incorporated for the purposes of Taxation and no Group Company is or has ever been liable for Tax in any other jurisdiction or has or has ever had a permanent establishment in any other jurisdiction.

19.25 Non-Arm's Length Transactions

- (a) No Group Company is or has been a party to any transaction or arrangement under which the actual provision that has been made or imposed between such Group Company and any other person by means of a transaction or series of transactions differs from the provision which would have been made as between independent enterprises acting at arm's length.
- (b) In relation to each transaction or arrangement into which any Group Company has entered with a party with which it was connected, the relevant Group Company has full contemporaneous documentary evidence of the process used to establish that arm's length terms applied.

Stamp Duty and Stamp Duty Land Tax

19.26 Documents Duly Stamped

- (a) All documents in the possession or under the control of each Group Company to which such Group Company is a party and which attract stamp duty have been properly stamped.
- (b) The share register of each Group Company not incorporated in the United Kingdom is and has at all time been maintained outside the United Kingdom.

- (c) Neither the entering into this Agreement nor Completion will result in the withdrawal of any relief from stamp duty or stamp duty land tax granted on or before Completion which will affect any Group Company.

Property

19.27 No Trading Stock

Each Group Company holds the Properties as investments and not as assets to be realised in the course of any trade, nor acquired or developed with the sole or main object of realising a gain from disposal.

19.28 Sale and Lease Back

No Group Company has entered into any transaction to which the provisions of Chapter 2 (New Lease of Land After Assignment or Surrender) of Part 19 CTA 2010 have been or could be applied.

Real Estate Investment Trust

19.29 Lease Terms

- (a) No amount payable under any lease is based, in whole or in part, on the income or profits of any person.
- (b) With respect to each lease from which any amount payable is attributable to personal property: (i) such personal property has been leased in connection with a lease of real property pursuant to such lease; and (ii) the rent attributable to personal property has been less than fifteen per cent. (15%) of the total rent received or accrued under the lease.

19.30 Entity Status

- (a) No Group Company is a “controlled foreign corporation” within the meaning of Section 957(a) of the United States Internal Revenue Code of 1986, as amended.
- (b) No entity classification election pursuant to United States Treasury Regulations Section 301.7701-3 has been filed with respect to any Group Company.

20. Intellectual Property, Confidential Information, Information Technology and Data Protection

Registered Intellectual Property

- 20.1 Schedule 9 of the Disclosure Letter contains a complete and accurate list of the Registered Intellectual Property.
- 20.2 All registration, renewal and other maintenance fees in respect of the Registered Intellectual Property have been paid in full.

- 20.3 The Registered Intellectual Property is not being opposed, nor is any third party seeking its invalidation or revocation. Neither the Sellers nor a Group Company has received notice of any opposition to the grant of, or notice of any legal proceedings or claims relating to, any Registered Intellectual Property.
- 20.4 All Registered Intellectual Property is registered in the name of a Group Company and is valid and enforceable and there has been no act or omission by a Group Company that would jeopardise its validity, subsistence or enforceability.

Business Intellectual Property

- 20.5 All Business Intellectual Property is legally and beneficially owned by a Group Company, free from all Encumbrances and there is no agreement or commitment to give or create any Encumbrance over or affecting the Business Intellectual Property and no claim has been made by any person to be entitled to any such Encumbrance.
- 20.6 No Group Company has received notice of any legal proceedings, claims or complaints instituted against it in relation to any Business Intellectual Property. The use by a Group Company of the Business Intellectual Property does not infringe the Intellectual Property of any third party.
- 20.7 No Group Company has issued any notice of any legal proceedings, claims or complaints against a third party regarding the infringement of the Business Intellectual Property. No third party has infringed the Business Intellectual Property and so far as Glen Moar is aware no third party is infringing the Business Intellectual Property.
- 20.8 Schedule 10 of the Disclosure Letter contains a complete and accurate list of all licences granted to a Group Company relating to the Business Intellectual Property (the “**Business IP Licences**”).
- 20.9 Schedule 11 of the Disclosure Letter contains a complete and accurate list of all licences granted by a Group Company relating to the Business Intellectual Property (the “**Outgoing Licences**”).
- 20.10 The Sellers have delivered to the Purchaser true and complete copies of all of the Business IP Licences and the Outgoing Licences. All royalties and other payments due under such licences have been paid and no notice of a breach or default has been sent or received by a Group Company under any such licence that remains uncured nor, so far as Glen Moar is aware, is there any matter which would cause such a breach or default, including the acquisition of the Shares by the Purchaser.
- 20.11 No employee or former employee of a Group Company has any right to payment with respect to the use of, or any interest in any Business Intellectual Property. With the exception of Business Intellectual Property that is the subject of the Business IP Licences, (i) the Business Intellectual Property has been developed by employees of a Group Company acting in the course of their employment; or (ii) all consultants, contractors, and/or employees who have developed or who have contributed to the development of any Business Intellectual Property have assigned to a Group Company pursuant to a valid, legally binding, written assignment, any right, title, and interest in such Business Intellectual Property which did not automatically vest in a Group Company by virtue of any relevant law.

- 20.12 A copy of all Business Information required to continue the operation of the Business is in the possession of a Group Company.
- 20.13 The Business Intellectual Property is all the Intellectual Property required for the operation of the Business prior to, as at, and after the Completion Date.

Confidential Information

- 20.14 Each Group Company has at all times used commercially reasonable efforts to protect its trade secrets and confidential information in its possession and has not disclosed any trade secrets or confidential information to any third party except under written terms which provide full protection for such Group Company's commercial interests.

IT Systems / IT Contracts

- 20.15 Schedule 12 Part 1 of the Disclosure Letter contains a complete list of all IT Systems.
- 20.16 Schedule 12 Part 2 of the Disclosure Letter contains a complete list of all IT Contracts.
- 20.17 All IT Systems and related data are owned legally and beneficially owned by a Group Company, and are not wholly or partly dependent on any facilities or services not under the exclusive ownership and control of that Group Company. All of the IT Systems are used exclusively by the Group Companies.
- 20.18 All the IT Contracts are valid and binding. None of the IT Contracts has been the subject of any breach or default or of any event which (with notice or lapse of time or both) would constitute a default, or is liable to be terminated or otherwise adversely affected by the transaction contemplated by this Agreement.
- 20.19 Each Group Company has in its possession or in its control the source code of all Software (except any such Software that is "shrink-wrapped" or commercially available off-the-shelf) used by it for the purposes of the Business and no other person has rights therein or rights to use or make copies of the Software or source code.
- 20.20 Each Group Company has complied with the terms of all licences in respect of open source software or any other third party software used for the purposes of the Business. No product manufactured, developed or otherwise created by a Group company incorporates any open source software or any other software, the licence in respect of which requires that Group Company to disclose the source code of such product to third parties, make such product available at no charge or relinquish any Intellectual Property in respect of such product.

Computer operation and maintenance

- 20.21 All IT Systems are in full working order, function in accordance with all applicable specifications, and have been and are being properly and regularly maintained and replaced. No part of the IT Systems has materially failed to function at any time during the five (5) years prior to the date of this Agreement. The IT Systems have not

been used in such a way as would invalidate any manufacturer's or supplier's guarantee or warranty or entitle the provider of maintenance or support for the IT Systems to exclude, suspend or terminate those services.

- 20.22 All IT Services are being and have been provided in accordance with all applicable specifications.
- 20.23 Each Group Company has full and unrestricted access to and use of the IT Systems, and no third party agreements or consents are required to enable that Group Company to continue such access and use following Completion.
- 20.24 So far as Glen Moar is aware:
- (a) it is not necessary to incur any further expenditure on the modification, development, expansion or (save in the ordinary and usual course of business) replacement of the IT Systems; and
 - (b) the present capacity of the IT Systems is sufficient in order to satisfy the requirements of each Group Company with regard to data processing, data storage and communications during the period ending three (3) years from the date of this Agreement.
- 20.25 No part of the IT Systems is or has been infected by any virus or other extraneously-induced malfunction, and no person has had unauthorised access to the IT Systems or any data stored thereon. Each Group Company operates documented procedures to avoid such infections and unauthorised access and also has in place adequate security measures and disaster recovery arrangements.
- 20.26 All data processed using the IT Systems and/or the IT Services has been regularly archived. Such archived copies have been properly stored and catalogued, and are available for inspection as required by a Group Company from time to time.
- 20.27 The Company has taken all steps necessary to ensure that the Business can continue in the event of a failure of the IT Systems (whether due to natural disaster, power failure or otherwise) and have in place a comprehensive and viable recovery plan which takes into account the needs of the Business.

Data Protection

- 20.28 Each Group Company has complied with all Data Protection Law, including, without limitation:
- (a) Each Group Company has, if so required by any Data Protection Law, a current entry in all relevant registers maintained by all applicable authorities established pursuant to Data Protection Law ("**Supervisory Authority**"), and particulars of the entry are set out in the Disclosure Letter.
 - (b) Each Group Company has collected, obtained, processed, transferred, disclosed, and deleted personal data only in accordance with the terms of a privacy policy, which is attached to the Disclosure Letter.

- (c) Each Group Company has taken sufficient technical and organisational measures to protect data against accidental or unlawful destruction or accidental loss, alteration, unauthorised disclosure or access, in particular where the processing involves the transmission of data over a network, and against all other unlawful forms of processing ensure the security of information, whether the data is in manual or electronic form, and whether the data is stored on portable, fixed or virtual systems, including those hosted by third parties, and has taken steps to ensure the reliability of its employees or other personnel that have access to personal data (together the “**Data Security Measures**”). No Group Company has suffered a breach of the Data Security Measures that required notification to any Supervisory Authority or other third party.
- (d) Where any Group Company uses a third party to carry out the processing of personal data, the third party has provided sufficient guarantees in relation to Data Security Measures and is in compliance with those measures and there is in existence an enforceable written contract between such Group Company and such third party which complies with the requirements of Data Protection Laws.
- (e) Where any Group Company transfers or makes available personal data in the European Economic Area to jurisdictions outside the European Economic Area it complies with the requirements of the Data Protection Directive.
- (f) Each Group Company has complied with Data Protection Laws in respect of all electronic forms of direct marketing carried out by such Group Company or on its behalf, and does not permit, information to be placed on a web browser, smart phone or other terminal equipment without the prior consent of the relevant individual.
- (g) No Group Company has received any statutory notice, warrant or other communication from a Supervisory Authority alleging and/or enforcing non compliance with any Data Protection Law, or requesting an audit or compliance check relating to Data Protection Law, or requiring such Group Company to undertake an audit or compliance check or to change or delete any data or prohibiting the transfer of data to a third party or out of the European Union.
- (h) No individual has claimed or taken, or has a right to claim compensation or take action for breach of their rights under any Data Protection Law or pursuant to any contract entered into which requires compliance with Data Protection Law or Data Security Measures, or for loss or unauthorised disclosure of data.
- (i) Each Group Company has taken measures to ensure that the personal data it holds are adequate, relevant, not excessive and not kept longer than necessary in relation to the purpose for which they are processed, that they are accurate and where necessary, kept up to date.

21. PROPERTY

General

- 21.1 The Properties comprise all the land and buildings owned, controlled, occupied or used by any Group Company or in which any Group Company has any right, interest or liability.
- 21.2 The information in respect of the Properties set out in Schedule 6 (*Properties*) is true, complete and accurate and not misleading in any respect.

Leases

- 21.3 Save as mentioned in Schedule 14 of the Disclosure Letter, there are no leases, agreements for lease, underleases, tenancies or licences affecting any of the Properties nor is there any agreement to grant the same.
- 21.4 All of the leases, agreements for lease, underleases, tenancies or licences detailed in Schedule 14 of the Disclosure Letter are valid, subsisting and in full force and effect.

Title

- 21.5 A Group Company has good and marketable title to each of the Properties and is the sole legal and beneficial owner of each Property, and all relevant deeds and documents are in its possession or under its control (except for those Properties subject to the mortgages or charges referred to in Schedule 5 of the Disclosure Letter, in which case they are held by the first named mortgagees or chargees).
- 21.6 No person has or claims a lien over any of the Properties or any relevant deeds or documents.

Outgoings

- 21.7 The Properties are not subject to the payment of any outgoings except non domestic rates other than the usual rates and taxes and, in the case of leaseholds, the rent and other outgoings (if any) specified in the leases under which the Leasehold Properties are held.
- 21.8 There is no outstanding liability for any rent, rates or taxes in respect of any of the Properties.

Fixtures and Fittings

- 21.9 All fixtures, fittings, plant and equipment at the Properties are the absolute property of the Group free from any Encumbrance.

Disputes

- 21.10 There are no current, contingent or anticipated notices, actions, disputes, complaints, liabilities, claims or demands relating to or in respect of the Properties or their use, nor are there any circumstances rendering any of the foregoing likely.

Planning Matters

- 21.11 The Properties and all uses of and developments on the Properties comply with all town and country planning legislation and any legislation intended to control or regulate the construction, demolition, alteration or use of land or buildings and any orders, regulations, consents or permissions made or granted under any of the same (the “**Planning Legislation**”).
- 21.12 No breach of any Planning Legislation, by-laws or building regulations has been committed in relation to the Properties and no notice has been issued or injunction granted or, so far as Glen Moar is aware, applied for in respect of any breach or alleged breach of any Planning Legislation, by-laws, building regulations or other relevant legislation.

Breach of Covenant

- 21.13 No Group Company is in breach of any covenant, restriction, stipulation or other obligation affecting any of the Properties or conduct of the business of any Group Company upon, the Properties, nor, so far as Glen Moar is aware, has any breach been committed by any person in occupation of or deriving title from any Group Company to any of the Properties for which any Group Company may be actually or contingently liable.

Contingent Liabilities

- 21.14 No Group Company is actually or contingently liable in relation to any freehold or leasehold property (whether as owner or former owner or as tenant or former tenant of any such property or as an original contracting party, or guarantor of any party, to any deed, document, lease or licence connected therewith) other than the Properties.

State of Properties

- 21.15 The Disclosure Letter gives particulars of every agreement, warranty or guarantee in relation to the construction of any building or other major works on any Property or any main alteration of, or addition to, any building on any Property which is in the course of construction or which was completed within the last six (6) years and no defect or other matter has arisen which would give rise to any claim by the Sellers or any Group Company under any such agreement, warranty or guarantee.

Leasehold Properties

- 21.16 In relation to the Leasehold Properties:
- (a) all covenants, conditions and agreements contained in the relevant leases, on the part of the landlord and the tenant, have been complied with; and
 - (b) there has been no complaint alleging any breach or any refusal to accept rent.
- 21.17 In respect of such of the Properties as are let or occupied otherwise than by the Group:
- (a) the tenants or other occupants have complied with the terms of their occupancy and no Group Company has had any cause to complain of breach;

- (b) all necessary consents have been duly obtained and registrations made with the landlord and any superior landlords;
- (c) no surety has been released, expressly or by implication;
- (d) no collateral assurances, side letters, undertakings or concessions have been made or given by or to any party to any such lease, tenancy, licence or agreement; and
- (e) there are no subsisting disputes between any Group Company and the tenants or other occupiers.

Replies to Enquiries

21.18 In relation to any enquiries made of the Sellers, any Group Company or the Seller's Solicitor in respect of the Properties the replies to any enquiries are and remain complete and accurate and are not misleading;

22. ENVIRONMENTAL

For the purposes of this paragraph 22:

"Environment" means all or any of the following media (alone or in combination): air (including the air within buildings and the air within other natural or man-made structures whether above or below ground); water (including water under or within land or in drains or sewers); soil and land and any ecological systems and living organisms supported by these media;

"Environmental Authority" means any legal person or body of persons (including any government department or government agency or court or tribunal) having jurisdiction to determine any matter arising under Environmental Law and/or relating to the Environment;

"Environmental Law" means all applicable laws (including, for the avoidance of doubt, common law), statutes, regulations, statutory guidance notes and final and binding court and other tribunal decisions of any relevant jurisdiction in force in the relevant jurisdiction at Completion whose purpose is to protect, or prevent pollution of, the Environment or to regulate emissions, discharges, or releases of Hazardous Substances into the Environment, or to regulate the use, treatment, storage, burial, disposal, transport or handling of Hazardous Substances, and all by-laws, codes, regulations, decrees or orders issued or promulgated or approved thereunder or in connection therewith to the extent that the same have force of law at Completion;

"Environmental Permit" means any licence, approval, authorisation, permission, notification, waiver, order or exemption which is issued, granted or required under Environmental Law which is material to the operation of the business of the Group on or before Completion; and

"Hazardous Substances" means any wastes, pollutants, contaminants and any other natural or artificial substance (whether in the form of a solid, liquid, gas or vapour) which is capable of causing harm or damage to the Environment or a nuisance to any person.

- 22.1 Each Group Company is conducting, and has during the past five (5) years conducted, the Business in compliance with Environmental Law.
- 22.2 All Environmental Permits:
- (a) have been obtained;
 - (b) are in force; and
 - (c) have been complied with.
- 22.3 None of the Sellers, nor any Group Company, has received any written notice of any civil, criminal, regulatory or administrative action, claim, investigation or other proceeding or suit relating to Environmental Law or Environmental Permits.
- 22.4 None of the Sellers, nor any Group Company, has received written notice that either (i) an Environmental Authority is intending to revoke, suspend, vary or limit any Environmental Permits or (ii) any amendment to any Environmental Permit is required to enable the continued operation of the Business.
- 22.5 None of the Sellers, nor any Group Company, has received written notice of any proceedings or actions by any Environmental Authority or by any other person, entity or governmental authority pending against any Group Company under any Environmental Law.
- 22.6 No Group Company is responsible (wholly or in part) for any clean-up or other corrective action which has been assessed or ordered by any Environmental Authority in relation to any property of, or used by, the Company or, so far as Glen Moar is aware, is subject to any investigation or inquiry by an Environmental Authority in relation to the same.
- 22.7 No Group Company has disposed of any Hazardous Substance other than in compliance with applicable Environmental Law.

23. EMPLOYMENT

23.1 For the purposes of this paragraph 23:

“**ERA**” means the Employment Rights Act 1996;

“**European Works Council**” means any council established under and in accordance with any applicable law implementing the provisions of Council Directive 94/45/EC dated 22 September 1994;

“**ICER 2004**” means the Information and Consultation of Employees Regulations 2004;

“**Key Worker**” means any Worker whose total gross annual remuneration exceeds £60,000;

“**Transfer Regulations**” means any applicable law or regulations implementing the provisions of Council Directive 2001/23/EC dated 12 March 2001;

“**TULR(C)A**” means the Trade Unions and Labour Relations (Consolidation) Act 1992;

“**Workers**” means the employees, directors, officers, workers and self-employed contractors of the Group.

- 23.2 The particulars of the terms of employment or engagement of all Key Workers are contained in the Disclosure Letter including their job titles, dates of commencement of employment or engagement and period of continuous employment (calculated in accordance with chapter I of part XIV of the ERA), dates of birth, notice periods, all remuneration and other benefits actually provided or which each Group Company is bound to provide (save in respect of any pension or other retirement benefit schemes, arrangements and understandings as set out in the Pension’s section of the Disclosure Letter and in paragraph 24 below), which apply to each of the Key Workers.
- 23.3 The information on the number of Workers employed or engaged by each Group Company and the annual remuneration payable to Workers by each Group Company annexed to the Disclosure Letter is true, complete and accurate in all material respects, and includes particulars of and details of participation in all profit sharing, incentive, bonus, commission, share option, medical, permanent health insurance, long term disability insurance, life assurance, directors’ and officers’ insurance, redundancy and other benefit schemes, arrangements and understandings (the “**Schemes**”) operated for all or any Workers or former Workers of the Group or their dependants whether legally binding on any Group Company or not save in respect of any pension or other retirement benefit schemes as set out in the Pension’s section of the Disclosure Letter and in paragraphs 24.1 to 24.3 below.
- 23.4 The Disclosure Letter contains copies of all the standard terms and conditions, staff handbooks and policies which apply to Workers and copies of all contracts of employment or terms of engagement of all Key Workers.
- 23.5 There are no terms and conditions in any contract with any Worker pursuant to which such person will be entitled to receive any payment or benefit or such person’s rights will change as a direct consequence of the transaction contemplated by this Agreement.
- 23.6 All Workers of each Group Company are legally entitled to work in, and have complied with the local asylum and immigration requirements and legislation in the relevant jurisdiction.
- 23.7 The Schemes have at all times been operated in accordance with their governing rules or terms and all applicable laws and, so far as Glen Moar is aware, all documents which are required to be filed with any regulatory authority have been so filed.
- 23.8 The terms of employment or engagement of all Workers are such that their employment or engagement may be terminated by not more than 3 months’ notice given at any time without liability for any payment including by way of compensation or damages (except for any compensation under any applicable statutory regime).
- 23.9 Since the Accounts Date no Group Company has made, announced or proposed any material changes to the emoluments or benefits of or any bonus to any Workers and no Group Company is under any express or implied obligation to make any such changes with or without retrospective operation.

- 23.10 There are no amounts in excess of £1,000 owing or agreed to be loaned or advanced by any Group Company to any Workers (other than amounts representing salary accrued due for the current pay period, accrued holiday pay for the current holiday year or for reimbursement of expenses).
- 23.11 Full details of all disciplinary and grievance matters in relation to the Workers within the last twelve (12) months are annexed to the Disclosure Letter.
- 23.12 No Worker has given or received notice to terminate his employment or engagement.
- 23.13 There are no Workers who are on secondment, career break or absent on grounds of ill health or disability or other leave of absence (other than normal holidays, maternity leave, parental leave, adoption leave, paternity leave or absence of no more than one (1) month due to illness).
- 23.14 There are no outstanding offers of employment or engagement by any Group Company to any person who would become a Key Worker and no person has accepted such an offer but not yet taken up the position accepted.
- 23.15 Full details of all severance payments and awards for compensation or orders for reinstatement or re-engagement made against each Group Company in respect of current or past Workers in the last two (2) years are annexed to the Disclosure Letter.
- 23.16 All salaries, wages and fees and other benefits of all Workers have, to the extent due, been paid or discharged in full together with all related payments to third party benefit providers or relevant authorities.
- 23.17 There is no European Works Council or any pre existing, negotiated or default agreement between the Workers and any Group Company for the purposes of information and consultation pursuant to ICER 2004 or otherwise, and there are no applicable collective agreements or information or consultation arrangements (whether legally binding or not) concerning any Workers and any Group Company.
- 23.18 Within the three (3) years preceding the date hereof no Group Company has been engaged or involved in any trade dispute with any Worker, trade union, works council, special negotiating body, staff association or any other body representing Workers and no event has occurred which could or might give rise to any such dispute and no industrial action involving Workers, official or unofficial, is now occurring or threatened.
- 23.19 No past or present Worker has any claim or right of action, either actual or which can reasonably be anticipated, against any Group Company.
- 23.20 There are no terms or conditions under which any Worker is employed or engaged or was previously employed or engaged nor has anything occurred or not occurred prior to Completion that may give rise to any claim for discrimination on the grounds of sex, sexual orientation, marital status, gender reassignment, race, nationality, religion or belief, disability, age or for equal pay or treatment either under English, United Kingdom or European law whether by such Worker or a prospective Worker or otherwise.

- 23.21 Full and accurate details are disclosed in the Disclosure Letter of any redundancy payment (whether pursuant to a redundancy scheme or formula or policy or implied through custom or practice or otherwise whether contractual or discretionary) any Group Company has made in excess of the statutory redundancy entitlement to any Worker or former Worker in the last three (3) years.
- 23.22 No Group Company has within a period of one (1) year preceding the date hereof given notice of any redundancies to the Secretary of State or started consultations with any Trade Union or workers' representatives under the provisions of Part IV TULR(C)A nor has any Group Company failed to comply with any such obligations under Part IV TULR(C)A.
- 23.23 Full details of all health and safety policies and procedures and any complaints, recommendations, investigations or claims relating to health and safety issues made or carried out in the last three (3) years and affecting any Group Company and its Workers have been disclosed in the Disclosure Letter.
- 23.24 Each Group Company has complied in all material respects with all relevant provisions of the Treaty of Rome, EC Directives, statutes, regulations, codes of conduct, collective agreements, terms and conditions of employment, orders, declarations and awards relevant to Workers or the relations between a Group Company and any trade union, works council, special negotiating body, staff association or any other body representing Workers and in respect of relations with any regulatory authority.
- 23.25 No Group Company has within the 18 months preceding the date hereof entered into any agreement which involved or may involve any Group Company acquiring any undertaking or part of one such that the Transfer Regulations applied or may apply thereto.
- 23.26 No Group Company has entered into any agreement or arrangement for the management or operation of its business or any part thereof other than with its Workers.
- 23.27 Each Group Company has properly operated the pay as you earn and national insurance systems deducting and accounting for Tax and maintaining records as required by law.
- 23.28 Save in respect of the Camberley Employees and the Hayes Employees, all other employees employed by Sentrum Services Limited are engaged in the Business as it relates to the Properties.
- 23.29 All employees of the Group are employed under contracts of employment with Sentrum Services Limited.

24. PENSIONS

24.1 For the purposes of this paragraph 24, the following expressions shall have the following meanings:

“**Disclosed Plan**” means the disclosed arrangement under which a Group Company contributes up to 6% of each current Worker’s pensionable earnings to a personal pension scheme on a matching basis;

“**Pension Benefits**” means any pension, lump sum or other benefit payable on, in anticipation of, or following retirement, death, reaching a particular age, illness or disability, or in similar circumstances; and

“**Worker**” means a current or former employee or a current or former director or other officer of any Group Company.

24.2 Other than the Disclosed Plan, there are no agreements, arrangements, obligations or commitments (whether funded or unfunded) under which any Group Company is required to make payment of a contribution towards, or other provision for, Pension Benefits for the benefit of a Worker or a Worker’s dependants and no undertaking or assurance (whether written or oral) has been given by any Group Company to any person as to the continuance or introduction of any plan or arrangement, or increase, augmentation or improvement of any Pension Benefits (including without limitation those provided under the Disclosed Plan) other than pursuant to the Disclosed Plan.

24.3 Without prejudice to the generality of the preceding paragraph:

- (a) each pension scheme to which any Group Company contributes pursuant to the Disclosed Plan is registered pursuant to section 153 of the Finance Act 2004;
- (b) the Disclosed Plan has been operated in compliance with all applicable laws and regulatory requirements;
- (c) there are not in respect of the Disclosed Plan as at the date of Completion any outstanding contributions, costs or expenses payable by any Group Company; and
- (d) no claim has been made or threatened against any Group Company, or any person whom any Group Company is or may be liable to indemnify or compensate, in connection with the Disclosed Plan (other than routine claims for benefits), nor are there any circumstances which may give rise to any such claim.

25. COMPETITION

25.1 No Group Company is or has at any time been party to or directly or indirectly concerned in any agreement, arrangement, understanding or practice (whether or not legally binding) or course of conduct which:

- (a) is or was in contravention or breach of any competition or similar legislation in any jurisdiction in which the Business is or has been carried on;

- (b) is or has been the subject of any investigation, site inspection or request for information by any court, competition or other governmental or administrative authority pursuant to any competition or similar legislation in any jurisdiction in which the Business is or has been carried on;
 - (c) is or has been during the past three (3) years the subject of any registration with, or any notification or application for a decision or guidance to, any competition or other governmental or administrative authority pursuant to any competition or similar legislation of any jurisdiction in which the Business is or has been carried on;
 - (d) is or was otherwise registrable, notifiable, unenforceable or void or which renders a Group Company or any of its officers liable to administrative, civil or criminal proceedings under any competition or similar legislation in any jurisdiction in which the Business is or has been carried on.
- 25.2 No Group Company has given any undertaking, and no order, decision, judgment or direction of any court, competition authority or other governmental or administrative authority has been made against any Group Company or in relation to it, pursuant to any competition or similar legislation in any jurisdiction in which the Business is or has been carried on.
- 25.3 No Group Company has received any aid, or any written notice of any investigation, complaint, action or negative decision in relation to the receipt or the alleged receipt of any aid or alleged aid, from any governmental organisation in any jurisdiction in which the Business is or has been carried on.

SELLERS' LIMITATIONS ON LIABILITY

1. LIMITATIONS ON QUANTUM

- 1.1 The liability of each of the ABRY Sellers in respect of any breaches of this Agreement, including of the Warranties set out in Part A of Schedule 4 (*Warranties from the Sellers*) shall not exceed the amount of the ABRY Consideration received by the relevant ABRY Seller.
- 1.2 The liability of Glen Moar in respect of any Warranty Claim shall not arise unless and until the aggregate amount of all Claims for which it would, in the absence of this provision be liable, exceeds one million pounds (£1,000,000), in which case the Purchaser shall be entitled to claim the whole of such amount and not merely the excess, provided that the aforementioned aggregate claim amount shall not apply with respect of Warranty Claims relating to paragraph 2 of Schedule 4Part A and paragraphs 1 and 2 of Schedule 4Part B.
- 1.3 The liability of Glen Moar in respect of any Warranty Claim shall not (when aggregated with the amount of all other Claims) exceed the Glen Moar Consideration plus any amount paid pursuant to the provision of Clause 4.

2. TIME LIMITS

- 2.1 The ABRY Sellers shall not be liable in respect of any claim with respect to any breaches of the Warranties set out in Part A of Schedule 4 (*Warranties from the Sellers*) unless written notice of the matter giving rise to the Claim so far as then known to the Purchaser is given by or on behalf of the Purchaser to the ABRY Sellers or to Glen Moar by no later than three (3) years from the Completion Date.
- 2.2 Glen Moar shall not be liable in respect of any Claim unless written notice of the matter giving rise to the claim so far as then known to the Purchaser is given by or on behalf of the Purchaser to Glen Moar:
- (a) in the case of a Claim other than a claim under the Tax Warranties or the Tax Deed by no later than three (3) years from the Completion Date;
 - (b) in the case of a claim under the Tax Warranties or the Tax Deed by no later than seven (7) years from the Completion Date,
- provided that* any such Claim (other than a claim under the Tax Deed) shall (if not previously satisfied, settled or withdrawn) be deemed to have been withdrawn unless legal proceedings in respect of it have been commenced within twelve (12) months of such written notice being given to Glen Moar, except that:
- (i) where any such claim is based on a liability which is contingent or otherwise not capable of being quantified it shall not be deemed to have been withdrawn unless legal proceedings in respect of it have not been commenced within twelve (12) months of the date on which the contingent liability becomes an actual liability or the liability becomes capable of quantification; and

- (ii) where such a claim is made under a Warranty in respect of which notice was given under this paragraph 2.2 at a time when the amount specified in paragraph 1.2 above has not been exceeded, it shall not be deemed to have been withdrawn unless legal proceedings in respect of it have not been commenced within twelve (12) months of the date on which the amount of Claims notified to Glen Moar under this paragraph 2.2 exceeds the amount specified in paragraph 1.2 above for the first time.

3. NO DOUBLE RECOVERY

The Purchaser shall not be entitled to recover damages or obtain payment, reimbursement, restitution or indemnity more than once in respect of any one shortfall, damage, deficiency, breach or other set of circumstances which gives rise to one or more Claims.

4. EXCLUSION OF SELLERS' LIMITATIONS

- 4.1 Nothing in this Schedule 5 applies to a Claim that arises or is delayed as a result of fraud or dishonesty by any of the Sellers, any other member of a Retained Group, or any of their respective Agents.

BAKER STREET PROPERTY AND THE HAYES PROPERTY

**Part A
(Baker Street)**

1. LICENCE TO ASSIGN

- 1.1 This Schedule 7 Part A (*Baker Street*) applies to the Baker Street Property in relation to which the Consent must be obtained in order that it may be properly and lawfully assigned or transferred to Sentrum Construction.
- 1.2 Sentrum Construction shall procure at its sole cost that the Consent is obtained as soon as possible.
- 1.3 Sentrum Construction shall submit an application for Consent in the agreed terms for the Baker Street Property within 10 (ten) Business Days of the date of this Agreement.
- 1.4 If Consent is not granted within 9 (nine) months from the date of this Agreement, Sentrum Construction shall (unless otherwise agreed in writing between Sentrum Construction and the Purchaser), commence proceedings at its own cost for a declaration that the Consent is being unreasonably withheld.
- 1.5 If the Court refuses to make a declaration that the Consent is being unreasonably withheld, Sentrum Construction shall, with the Purchaser's prior written approval, procure the Landlord's consent to the grant of an underlease in favour of Sentrum Construction and the provisions of paragraphs 1.2, 1.3, 1.6 and 1.9 shall apply equally to that application altered only to make reference to an application for licence to underletting rather than licence to assign. The Purchaser shall act reasonably in considering whether to give its approval under this paragraph 1.5.
- 1.6 Sentrum Construction shall:
- (a) supply promptly (and in any event within 10 (ten) Business Days of request if made after Completion) provide such information as may reasonably be required by the Landlord or any superior landlord in connection with the application for the Consent; and
 - (b) comply with all requirements which the Landlord or any superior landlord is entitled to impose pursuant to the Lease on a prospective assignee of the Lease or a prospective subtenant as a condition of granting the Consent.
- 1.7 If the Purchaser is reasonably required by the Landlord to give an authorised guarantee agreement (as defined in s.16 of the Landlord and Tenant (Covenants) Act 1995) as required under the Baker Street Lease then Sentrum Construction undertakes to indemnify and hold the Purchaser, the Company and/or any Group Company harmless from and against all Losses suffered or incurred directly and/or indirectly by them pursuant to such authorised guarantee agreement.

- 1.8 If the Consent has not been obtained by Completion, the contractual date for completion in relation to the Baker Street Property shall be postponed to the fifth Business Day after the Consent or a final court order is obtained.
- 1.9 The costs and expenses (including VAT) of the Landlord, any superior landlord and the mortgagees of any of them in connection with the application for the Consent shall solely be borne by Sentrum Construction, whether or not the Consent is granted.

2. OCCUPATION

2.1 With effect from Completion and until completion of the transfer of the Baker Street Property in accordance with Part A of this Schedule 7 (“**Actual Completion**”):

- (a) The Purchaser shall:
- (i) promptly notify Sentrum Construction of any demands which it receives for payment of outgoings as referred to in paragraph 2.1(b)(i); and
 - (ii) subject to being put in funds by Sentrum Construction, pay on the due date or within any grace period all rents, licence fees, service charges, building insurance premiums and other outgoings properly payable in respect of the Baker Street Property.
- (b) Sentrum Construction shall:
- (i) fund the Purchaser for all rents, licence fees, and on written demand service charges, building insurance premiums and other outgoings properly payable in respect of the Baker Street Property; and
 - (ii) without prejudice to paragraph 2.1(b)(i) and the other provisions of this paragraph 2, observe and perform the covenants on the part of the tenant contained in the Baker Street Lease (other than those relating to payment of rents and other sums as referred to in paragraph 2.1(b)(i)),
- and Sentrum Construction hereby undertakes to indemnify and hold the Purchaser, the Company and/or any Group Company harmless from and against all Losses suffered or incurred, directly and/or indirectly, by them arising from any breach of this paragraph 2.1(b).

**Part B
(Hayes)**

1. HAYES CONSENTS

- 1.1 This Schedule 7 Part B (*Hayes*) applies to the Hayes Covenants, the Hayes Guarantees, the Hayes Service Agreements and the Hayes Construction Documents in relation to which the Hayes Consents must be obtained in order that the Hayes Guarantees and the Hayes Covenants are waived and released and that the Hayes Services Agreements and the Hayes Construction Documents may be properly and lawfully novated to Sentrum Construction.
- 1.2 Sentrum Construction shall procure at its sole cost that the Hayes Consents are obtained as soon as possible.
- 1.3 Sentrum Construction shall submit an application for the Hayes Consents in the agreed form within 10 (ten) Business Days of the date of this Agreement.
- 1.4 Sentrum Construction shall:
- (a) supply promptly (and in any event within 10 (ten) Business Days of request if made after Completion) such information as may be required by the relevant counterparties in connection with the applications for the Hayes Consents; and
 - (b) comply with all requirements which such counterparties impose as a condition of granting the Hayes Consents.
- 1.5 If the Hayes Consents have not been obtained by Completion, the separate contractual dates for the respective completions in relation to the deeds of release waiver and novation shall be postponed to the fifth Business Day after each relevant Hayes Consent is obtained.
- 1.6 The costs and expenses (including VAT) of the counterparties in connection with the applications for the Hayes Consents shall solely be borne by Sentrum Construction, whether or not the Hayes Consents are granted.

2. COMPLIANCE

With effect from Completion and until actual completion of each of the deeds of release waiver and novation:

- 2.1 The Purchaser shall:
- (a) promptly notify Sentrum Construction of any demands which it receives for payment of outgoings as referred to in paragraph 2.2(a); and
 - (b) subject to being put in funds by Sentrum Construction, pay on the due date or within any grace period all outgoings properly payable pursuant to the Hayes Guarantees and the Hayes Covenants.
- 2.2 Sentrum Construction shall:
- (a) perform all obligations of whatever kind and fund all outgoings pursuant to the Hayes Covenants and the Hayes Guarantees; and

(b) without prejudice to paragraph 2.1(b) and the other provisions of this paragraph 2, observe and perform the Hayes Covenants and the Hayes Guarantees.

SCHEDULE 8

WORKED EXAMPLE OF ADDITIONAL PAYMENT CALCULATION

Below is a demonstration of the earnout calculation:

Example rents:

- Net Contracted First Year's Rent: Initial Rate of £150 per net tech SF in year 1
- Services rent: £30 per net tech SF in year 1
(operational & services costs agreed to be equal to £30 per net tech SF in year 1.
- Gross rent total: £180 per net tech SF in year 1

Example lease terms:

- 10,000 net tech SF
- Annual Rent increases of 3%
- 10 year lease term
- Year 1 rent is used and annual rent increases ignored for the purposes of calculation

Example expenses:

This list is for illustration purposes and not intended to be exhaustive;

- Construction costs
- Commissions
- Power provisioning
- Free Rent
- Any concession granted to Tenant

all of which in aggregate = £100 per net tech SF

Earnout multiple is applied to net contracted rent as follows:

- Net Technical Earnout Total:
 - Gross earnout – $(10,000 \times £150) = £1,500,000 \times 11.5 \text{ multiple} = £17,500,000$
 - Less the total value of all Expenses = $(10,000 \times £100) = £1,000,000$
 - Net Earnout = £16,500,000

The earnout multiple is not applied to net tech services rent.

SCHEDULE 9

OPTION LANDS

1. For the purposes of this Schedule 9, the following definitions shall apply:

1.1 “**Expansion Land Consideration**” means (in each case exclusive of VAT):

- (a) in relation to the Woking Expansion Land, £9,086,861 (nine million eighty six thousand and eight hundred and sixty one pounds);
- (b) in relation to the Croydon Expansion Land, £2,399,936 (two million three hundred and ninety nine thousand nine hundred and thirty six pounds); and
- (c) in relation to the Watford Expansion Land, £2,013,203 (two million thirteen thousand two hundred and three pounds),

Or, where a part or parts of such properties are being sold, a *pro rata* amount of the same based on the actual area acquired;

1.2 “**LIBOR**” means the British Bankers’ Association Interest Settlement Rate for sterling on the day that the relevant acquisition is completed and, if any such rate is below zero, LIBOR will be deemed to be zero;

1.3 “**Option Land Interest**” annual interest at LIBOR plus 4%;

1.4 “**Option Period**” means the period of 6 (six) months following Completion; and

1.5 “**Purchase Price**” means the price paid (or agreed to be paid by any binding contract) for any Option Land(s) by any of the Sellers.

2. Option Lands

2.1 Neither the Sellers or the Retained Group will deal with, make any disposal of, or grant, any contract, option, consent or other interest relating directly or indirectly to the Option Lands during the Option Period save to the Purchaser (or its nominee), unless the Purchaser (in its absolute discretion) provides its written consent.

2.2 During the Option Period, Glen Moar shall (or shall procure that), in relation to any proposed dealings with the Option Lands during the Option Period:

- (a) keep the Purchaser informed in writing of the progress of any negotiations with third parties;
- (b) provide complete details of all related correspondence, documents and information available from time to time including title information;
- (c) provide the Purchaser with reasonable prior notice of all proposed meetings and otherwise provide all reasonable opportunity for their attendance at such meetings;
- (d) take all reasonable steps to ensure that they and their professional advisers are aware of all aspects of the negotiations from time to time; and

- (e) take account of all representations made by the other and their nominated professional advisers and allow them reasonable opportunity and time to review and comment on all materials provided from time to time during the course of negotiations.

3. Purchase of the Option Land

- 3.1 During the Option Period, the Purchaser may in its absolute discretion, elect by service of notice in writing to Glen Moar, to purchase all or any part or parts of the Option Lands (the “**Election Notice**”) from Glen Moar or its proposed nominee that it may hold at that time.
- 3.2 Following receipt of the Election Notice, Glen Moar shall, acting in good faith, use all reasonable endeavours to agree a form of contract with the Purchaser for the transfer of such part or parts of the Option Lands identified in the relevant Election Notice to the Purchaser as expeditiously as is reasonably practicable and subject to such reasonable conditions as the Purchaser shall stipulate.
- 3.3 Glen Moar and the Purchaser agree that if they decide to complete a contract for the sale and purchase of the Option Lands then the consideration payable by the Purchaser for the relevant Option Land shall be equal to the Purchase Price aggregated with the relevant Expansion Land Consideration (or a pro rata amount based upon a measured area if less than the whole).
- 3.4 Each party shall bear their own costs in relation to this Schedule 9.
- 3.5 For the avoidance of doubt, the Purchaser may continue to repeat the process set out in this clause 3 during the Option Period.

4. Expiry of the Option Period

- 4.1 Following the expiry of the Option Period, Glen Moar may freely dispose of any interests it has or may acquire in any of the Option Lands without further recourse to the Purchaser and for the avoidance of doubt the Purchaser may freely acquire any interests over the Option Lands without further recourse to Glen Moar.
- 4.2 Notwithstanding Clause 4.1 of this Schedule 9, if the Purchaser subsequently agrees to purchase any of the Option Lands or any land situated (either in whole or part) within 500 metres of any of the boundaries of the Option Lands (or part or parts thereof) after the expiry of the Option Period and within a period of 8 years from Completion, the parties agree that the Purchaser shall pay Glen Moar, within 15 Business Days following completion of the acquisition, the relevant Expansion Land Consideration (or a pro rata amount based upon a measured area if less than the whole) plus the Option Land Interest thereon calculated from the date of the expiry of the Option Period until the date of actual completion of the relevant acquisition.

5. Land Registry Restrictions

5.1 Glen Moar shall procure that an application is made to register the following Land Registry restriction against the registered title of the relevant Option Land within 10 Business Days following its acquisition:

“No disposition of the registered estate by the proprietor of the registered estate, or by the proprietor of any registered charge, is to be registered without a certificate signed by Digital Stout Holding, LLC c/o 71 Fenchurch Street, London EC3M 4BS, that the provisions of Schedule 9 of the Share Sale and Purchase Agreement between *inter alia* Sentrum Holdings Limited and Digital Realty Trust, L.P. dated [—] June 2012 have been complied with.”

5.2 Glen Moar shall procure that the Purchaser is notified of each application made to the Land Registry pursuant to this Schedule 9 within 10 Business Days of such application being submitted and shall provide the Purchaser with updated copies of the relevant registered title following the completion of each such application as soon as it is received.

SIGNED by)
for and on behalf of)
GLEN MOAR PROPERTIES LIMITED) /s/ Authorised signatory
Authorised signatory

SIGNED by)
for and on behalf of)
ABRY PARTNERS VI, LP) /s/ Brian St. Jean
Acting by its manager, ABRY PARTNERS, LLC Authorised signatory

SIGNED by)
for and on behalf of)
ABRY ADVANCED SECURITIES FUND, LP) /s/ Brian St. Jean
Acting by its manager, ABRY PARTNERS, LLC Authorised signatory

SIGNED by)
for and on behalf of)
ABRY ADVANCED SECURITIES FUND II, LP) /s/ Brian St. Jean
Acting by its manager, ABRY PARTNERS, LLC Authorised signatory

SIGNED by)
for and on behalf of)
ABRY INVESTMENT PARTNERSHIP, LP) /s/ Brian St. Jean
Acting by its manager, ABRY PARTNERS, LLC Authorised signatory

SIGNED by)
for and on behalf of)
ABRY SENIOR EQUITY CO-INVESTMENT FUND, III LP) /s/ Brian St. Jean
Acting by its manager, ABRY PARTNERS, LLC Authorised signatory

SIGNED by)
for and on behalf of)
ABRY SENIOR EQUITY III, LP) /s/ Brian St. Jean
Acting by its manager, ABRY PARTNERS, LLC Authorised signatory

Digital Stout Holding, LLC,
a Delaware limited liability company
By: Digital Realty Trust, L.P.
its member

By: Digital realty Trust, Inc.,
its general partner

By: /s/ Michael F. Foust

(name, title) Michael F. Foust, CEO

SIGNED by)

for and on behalf of)

SENTRUM HOLDINGS LIMITED)

/s/ Authorised signatory
Authorised signatory

SIGNED by)

for and on behalf of)

SENTRUM CONSTRUCTION)

MANAGEMENT LIMITED)

/s/ Authorised signatory
Authorised signatory

Digital Realty Trust, L.P.,
a Maryland limited partnership
By: Digital Realty Trust, Inc.,
its general partner

By: /s/ Michael F. Foust

(name, title) Michael F. Foust, CEO

PLANS SHOWING CURRENT VACANT SPACE

**FOURTH AMENDMENT TO
FIRST AMENDED AND RESTATED
DIGITAL REALTY TRUST, INC., DIGITAL SERVICES, INC. AND
DIGITAL REALTY TRUST, L.P. 2004 INCENTIVE AWARD PLAN**

THIS FOURTH AMENDMENT TO THE FIRST AMENDED AND RESTATED DIGITAL REALTY TRUST, INC., DIGITAL SERVICES, INC. AND DIGITAL REALTY TRUST, L.P. 2004 INCENTIVE AWARD PLAN, made as of April 23, 2012 (this "Fourth Amendment"), is made and adopted by Digital Realty Trust, Inc., a Maryland corporation (the "Company"). Capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed to them in the Plan (as defined below).

WHEREAS, the Company maintains the First Amended and Restated Digital Realty Trust, Inc., Digital Services, Inc. and Digital Realty Trust, L.P. 2004 Incentive Award Plan, as amended by the First, Second and Third Amendments thereto (the "Plan");

WHEREAS, pursuant to Section 14.1 of the Plan, the Plan may be amended from time to time by the Company's Board of Directors (the "Board"); and

WHEREAS, the Company desires to amend the Plan as set forth herein.

NOW, THEREFORE, BE IT RESOLVED, that the Plan be amended as follows:

1. Subsections 8.10(a) and 8.10(b) of the Plan are hereby amended and restated in their entirety as follows:

"8.10 Granting of Profits Interest Units to Independent Directors.

(a) Pro Rata Grant. During the term of the Plan, commencing after the Company's 2012 annual meeting of stockholders (the "2012 Annual Meeting"), each person who first becomes an Independent Director on a date other than the date of an annual meeting of the Company's stockholders shall, on the date of such person first becoming an Independent Director, be granted a number of Profits Interest Units equal to the product of (A) the quotient obtained by dividing (x) \$100,000 by (y) the Fair Market Value of a share of Stock on such date, multiplied by (B) the quotient obtained by dividing (x) 12 minus the number of months that have elapsed since the immediately preceding annual meeting of the Company's stockholders, by (y) 12 (the "Pro Rata Grant").

(b) Annual Grant. During the term of the Plan, commencing as of the 2012 Annual Meeting, each person who first becomes an Independent Director at such annual meeting and each person who otherwise continues to be an Independent Director immediately following such annual meeting shall, on the date of each such annual meeting, be granted a number of Profits Interest Units equal to the quotient obtained by dividing (x) \$100,000 by (y) the Fair Market Value of a share of Stock on the date of such annual meeting (the "Annual Grant")."

2. Subsection 8.10(c) of the Plan is hereby amended by deleting the phrase “Fifth Annual Meeting” from the first sentence of such subsection and replacing it with the phrase “fifth annual meeting of the Company’s stockholders following the Public Trading Date.”

3. This Fourth Amendment shall be and is hereby incorporated in and forms a part of the Plan.

4. All other terms and provisions of the Plan shall remain unchanged except as specifically modified herein.

[SIGNATURE PAGE FOLLOWS]

I hereby certify that the foregoing Fourth Amendment was duly adopted by the Board of Directors of Digital Realty Trust, Inc. on April 23, 2012.

Executed on this 23rd day of April, 2012.

/s/ Joshua A. Mills

Assistant Secretary

Director Compensation Program

On April 23, 2012, the Board of Directors of Digital Realty Trust, Inc. (the "Company") approved amendments to the Company's director compensation, effective April 23, 2012, as follows:

Each of the Company's directors who is not an employee of the Company or any of its subsidiaries receives an annual cash retainer of \$60,000 for services as a director. Directors receive annual fees for service on the following committees, in addition to the foregoing retainer of \$60,000: \$10,000 for Audit Committee, \$7,500 for Compensation Committee and \$7,500 for Nominating and Corporate Governance Committee. The director who serves as the chair of the Audit Committee receives an additional annual retainer of \$20,000; the director who serves as the chair of the Compensation Committee receives an additional annual retainer of \$15,000; and the director who serves as the chair of the Nominating and Corporate Governance Committee receives an additional annual retainer of \$15,000. In addition, any non-employee director who serves as Chairman of the Board receives an annual cash retainer of \$25,000 (in addition to the annual cash base retainer of \$60,000).

The Company's Incentive Award Plan provides for formula grants of long-term incentive units to non-employee directors as follows:

- *Pro Rata Grant.* Commencing after the 2012 Annual Meeting of Stockholders, each person who first becomes a non-employee director on a date other than the date of an annual meeting of stockholders will, on the date of such person first becoming a non-employee director, be granted a number of long-term incentive units equal to the product of (A) the quotient obtained by dividing (x) \$100,000 by (y) the fair market value of a share of Common Stock on such date, multiplied by (B) the quotient obtained by dividing (x) 12 minus the number of months that have elapsed since the immediately preceding annual meeting of stockholders, by (y) 12. The award will be fully vested on the date of grant.
- *Annual Grant.* Commencing as of the 2012 Annual Meeting of Stockholders, each person who first becomes a non-employee director at an annual meeting of stockholders and each person who otherwise continues to be a non-employee director immediately following such annual meeting will, on the date of such annual meeting, be granted a number of long-term incentive units equal to the quotient obtained by dividing (x) \$100,000 by (y) the fair market value of a share of Common Stock on the date of such annual meeting. The award will be fully vested on the date of grant.

Digital Realty Trust, Inc. and Subsidiaries
Statement of Computation of Ratios ⁽¹⁾
(in thousands, except ratios)

	Six Months Ended June 30,		Year Ended December 31,				
	2012	2011	2011	2010	2009	2008	2007
Income from continuing operations before noncontrolling interests	\$ 103,231	\$ 77,240	\$ 162,126	\$ 105,412	\$ 91,234	\$ 67,918	\$ 22,546
Interest expense	75,711	75,416	149,350	137,384	88,442	63,621	67,054
Interest within rental expense ⁽²⁾	1,545	1,403	2,847	2,604	2,633	2,619	1,971
Noncontrolling interests in consolidated joint ventures	392	199	324	288	(140)	(335)	—
Earnings available to cover fixed charges	<u>\$ 180,879</u>	<u>\$ 154,258</u>	<u>\$ 314,647</u>	<u>\$ 245,688</u>	<u>\$ 182,169</u>	<u>\$ 133,823</u>	<u>\$ 91,571</u>
Fixed charges:							
Interest expense	75,711	75,416	149,350	\$ 137,384	\$ 88,442	\$ 63,621	\$ 67,054
Interest within rental expense ⁽²⁾	1,545	1,403	2,847	2,604	2,633	2,619	1,971
Capitalized interest	<u>9,128</u>	<u>8,888</u>	<u>17,905</u>	<u>10,241</u>	<u>9,196</u>	<u>18,351</u>	<u>12,264</u>
	86,384	85,707	170,102	150,229	100,271	84,591	81,289
Preferred stock dividends	<u>19,144</u>	<u>11,235</u>	<u>25,397</u>	<u>37,004</u>	<u>40,404</u>	<u>38,564</u>	<u>19,330</u>
Fixed charges and preferred stock dividends	<u>\$ 105,528</u>	<u>\$ 96,942</u>	<u>\$ 195,499</u>	<u>\$ 187,233</u>	<u>\$ 140,675</u>	<u>\$ 123,155</u>	<u>\$ 100,619</u>
Ratio of earnings to fixed charges	2.09	1.80	1.85	1.64	1.82	1.58	1.13
Ratio of earnings to fixed charges and preferred stock dividends	<u>1.71</u>	<u>1.59</u>	<u>1.61</u>	<u>1.31</u>	<u>1.29</u>	<u>1.09</u>	<u>— ⁽³⁾</u>

(1) All numbers presented in this exhibit exclude 100 Technology Center Drive (sold in March 2007) and 4055 Valley View Lane (sold in March 2007).

(2) Interest within rental expense represents one-third of rental expense (the approximate portion of rental expense representing interest).

(3) For the year ended December 31, 2007, earnings were insufficient to cover fixed charges and preferred dividends by \$9,048.

Digital Realty Trust, L.P. and Subsidiaries
Statement of Computation of Ratios ⁽¹⁾
(in thousands, except ratios)

	Six Months Ended June 30,		Year Ended December 31,				
	2012	2011	2011	2010	2009	2008	2007
Income from continuing operations before noncontrolling interests	\$ 103,231	\$ 77,240	\$162,126	\$105,412	\$ 91,234	\$ 67,918	\$ 22,546
Interest expense	75,711	75,416	149,350	137,384	88,442	63,621	67,054
Interest within rental expense ⁽²⁾	1,545	1,403	2,847	2,604	2,633	2,619	1,971
Noncontrolling interests in consolidated joint ventures	392	199	324	288	(140)	(335)	—
Earnings available to cover fixed charges	<u>\$ 180,879</u>	<u>\$ 154,258</u>	<u>\$314,647</u>	<u>\$245,688</u>	<u>\$182,169</u>	<u>\$133,823</u>	<u>\$ 91,571</u>
Fixed charges:							
Interest expense	75,711	75,416	149,350	\$137,384	\$ 88,442	\$ 63,621	\$ 67,054
Interest within rental expense ⁽²⁾	1,545	1,403	2,847	2,604	2,633	2,619	1,971
Capitalized interest	9,128	8,888	17,905	10,241	9,196	18,351	12,264
	<u>86,384</u>	<u>85,707</u>	<u>170,102</u>	<u>150,229</u>	<u>100,271</u>	<u>84,591</u>	<u>81,289</u>
Preferred unit distributions	<u>19,144</u>	<u>11,235</u>	<u>25,397</u>	<u>37,004</u>	<u>40,404</u>	<u>38,564</u>	<u>19,330</u>
Fixed charges and preferred unit distributions	<u>\$ 105,528</u>	<u>\$ 96,942</u>	<u>\$195,499</u>	<u>\$187,233</u>	<u>\$140,675</u>	<u>\$123,155</u>	<u>\$100,619</u>
Ratio of earnings to fixed charges	2.09	1.80	1.85	1.64	1.82	1.58	1.13
Ratio of earnings to fixed charges and preferred unit distributions	<u>1.71</u>	<u>1.59</u>	<u>1.61</u>	<u>1.31</u>	<u>1.29</u>	<u>1.09</u>	<u>— ⁽³⁾</u>

(1) All numbers presented in this exhibit exclude 100 Technology Center Drive (sold in March 2007) and 4055 Valley View Lane (sold in March 2007).

(2) Interest within rental expense represents one-third of rental expense (the approximate portion of rental expense representing interest).

(3) For the year ended December 31, 2007, earnings were insufficient to cover fixed charges and preferred distributions by \$9,048.

**Certification of Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Michael F. Foust, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Digital Realty Trust, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 7, 2012

By: /s/ MICHAEL F. FOUST
 Michael F. Foust
 Chief Executive Officer
 (Principal Executive Officer)

**Certification of Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Michael F. Foust, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Digital Realty Trust, L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 7, 2012

By: /s/ MICHAEL F. FOUST
 Michael F. Foust
 Chief Executive Officer
 (Principal Executive Officer)
 Digital Realty Trust, Inc., sole general partner of
 Digital Realty Trust, L.P.

**Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as
Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Digital Realty Trust, Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2012 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Dated: August 7, 2012

/s/ MICHAEL F. FOUST

Michael F. Foust
Chief Executive Officer

Pursuant to Securities and Exchange Commission Release 33-8238, dated June 5, 2003, this certification is being furnished and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference in any registration statement of the Company filed under the Securities Act of 1933, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as
Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Digital Realty Trust, Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2012 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Dated: August 7, 2012

/s/ A. WILLIAM STEIN

A. William Stein
Chief Financial Officer

Pursuant to Securities and Exchange Commission Release 33-8238, dated June 5, 2003, this certification is being furnished and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference in any registration statement of the Company filed under the Securities Act of 1933, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as
Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Digital Realty Trust, L.P. (the "Operating Partnership") hereby certifies, to such officer's knowledge, that:

- (i) the accompanying Quarterly Report on Form 10-Q of the Operating Partnership for the quarterly period ended June 30, 2012 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Operating Partnership at the dates and for the periods indicated.

Dated: August 7, 2012

/s/ MICHAEL F. FOUST

Michael F. Foust

Chief Executive Officer

Digital Realty Trust, Inc., sole general partner of
Digital Realty Trust, L.P.

Pursuant to Securities and Exchange Commission Release 33-8238, dated June 5, 2003, this certification is being furnished and shall not be deemed filed by the Operating Partnership for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference in any registration statement of the Operating Partnership filed under the Securities Act of 1933, as amended.

A signed original of this written statement required by Section 906 has been provided to the Operating Partnership and will be retained by the Operating Partnership and furnished to the Securities and Exchange Commission or its staff upon request.

**Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as
Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Digital Realty Trust, L.P. (the "Operating Partnership") hereby certifies, to such officer's knowledge, that:

- (i) the accompanying Quarterly Report on Form 10-Q of the Operating Partnership for the quarterly period ended June 30, 2012 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Operating Partnership at the dates and for the periods indicated.

Dated: August 7, 2012

/s/ A. WILLIAM STEIN

A. William Stein

Chief Financial Officer

Digital Realty Trust, Inc., sole general partner of
Digital Realty Trust, L.P.

Pursuant to Securities and Exchange Commission Release 33-8238, dated June 5, 2003, this certification is being furnished and shall not be deemed filed by the Operating Partnership for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference in any registration statement of the Operating Partnership filed under the Securities Act of 1933, as amended.

A signed original of this written statement required by Section 906 has been provided to the Operating Partnership and will be retained by the Operating Partnership and furnished to the Securities and Exchange Commission or its staff upon request.