

QTS Realty Trust, Inc.  
Form 424B5  
June 03, 2015

**Filed Pursuant to Rule 424(b)(5)  
Registration No. 333-199848**

**PROSPECTUS SUPPLEMENT**  
(To Prospectus dated November 25, 2014)

**7,000,000 Shares**

**QTS REALTY TRUST, INC.**

**Class A Common Stock**

We are offering 5,750,000 shares of our Class A common stock. The selling stockholder named in this prospectus supplement is offering an additional 1,250,000 shares of our Class A common stock. We will not receive any proceeds from the sale of our Class A common stock by the selling stockholder in this offering.

Our shares trade on the New York Stock Exchange under the symbol QTS. On June 1, 2015, the last sale price of the shares as reported on the New York Stock Exchange was \$37.84 per share.

Our charter contains restrictions on ownership and transfer of our common stock intended to assist us in maintaining our status as a real estate investment trust for federal and/or state income tax purposes. For example, our charter generally restricts any person from actually or constructively owning more than 7.5% of the aggregate of the outstanding shares of our common stock by value or by number of shares, whichever is more restrictive, except for certain designated investment entities that may own up to 9.8% of the aggregate of the outstanding shares of our common stock, subject to certain conditions. See **Restrictions on Ownership and Transfer** in the accompanying prospectus.

**We are an emerging growth company under the federal securities laws. Investing in our common stock involves risks. See Risk Factors beginning on page S-7 of this prospectus supplement and the risk factors beginning on page 4 of our Annual Report on Form 10-K for the year ended December 31, 2014, which are incorporated by reference herein.**

	Per Share	Total
Public offering price	\$ 37.00	\$ 259,000,000
Underwriting discount <sup>(1)</sup>	\$ 1.5725	\$ 11,007,500
Proceeds, before expenses, to us	\$ 35.4275	\$ 203,708,125
Proceeds, before expenses, to the selling stockholder	\$ 35.4275	\$ 44,284,375

(1) See **Underwriting** for disclosure regarding the underwriting discount and certain expenses payable to the underwriters.

The selling stockholder named in this prospectus supplement has granted the underwriters the option to purchase up to an additional 1,050,000 shares of our common stock at the public offering price, less underwriting discounts, for 30 days after the date of this prospectus supplement.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The underwriters expect to deliver the shares against payment on or about June 5, 2015.

Deutsche Bank Securities

**Jefferies**

**KeyBanc Capital Markets**

BofA Merrill Lynch

**Evercore ISI**

**Goldman, Sachs & Co.**

J.P. Morgan

**Morgan Stanley**

**Stifel**

Baird

**Credit Suisse**

**PNC Capital Markets LLC**

SunTrust Robinson Humphrey

**TD Securities**

The date of this prospectus supplement is June 2, 2015.

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**You should rely only on the information contained in or incorporated by reference into this prospectus supplement, the accompanying prospectus or any applicable free writing prospectus in making a decision about whether to invest in our common stock. Neither we, the selling stockholder, nor the underwriters (or any of our or their respective affiliates) have authorized any other person to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell, or a solicitation of an offer to purchase, any securities in any jurisdiction where it is unlawful to make such offer or solicitation.**

**You should assume that the information appearing in this prospectus supplement, the accompanying prospectus, any applicable free writing prospectus and any document incorporated by reference herein or therein is accurate only as of their respective dates or on the date or dates that are specified in such documents. Our business, financial condition, liquidity, results of operations and prospects may have changed since those dates.**

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## **ABOUT THIS PROSPECTUS SUPPLEMENT AND THE PROSPECTUS**

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference herein or therein. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering.

To the extent the information contained in this prospectus supplement differs or varies from the information contained in the accompanying prospectus or documents incorporated by reference herein or therein, the information in this prospectus supplement will supersede such information. In addition, any statement in a filing we make with the Securities and Exchange Commission (the SEC) that adds to, updates or changes information contained in an earlier filing we made with the SEC shall be deemed to modify and supersede such information in the earlier filing.

This prospectus supplement does not contain all of the information that is important to you. You should read the accompanying prospectus as well as the documents incorporated by reference in this prospectus supplement and the accompanying prospectus. See *Incorporation by Reference* in this prospectus supplement and *Where to Find Additional Information* in the accompanying prospectus. Unless the context requires otherwise, references in this prospectus supplement and the accompanying prospectus to *we*, *our*, *us* and *our company* refer to QTS Realty Trust, Inc., a Maryland corporation, together with its consolidated subsidiaries, including QualityTech, LP, a Delaware limited partnership, which we refer to as the *Operating Partnership*. In addition, unless the context requires otherwise, references in this prospectus supplement to *our common stock* or *our Class A common stock* refer to our Class A common stock, \$0.01 par value per share.

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## **FORWARD-LOOKING STATEMENTS**

Some of the statements contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein contain forward-looking statements within the meaning of the federal securities laws. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In particular, statements pertaining to our capital resources, portfolio performance and results of operations contain forward-looking statements. Likewise, all of our statements regarding anticipated growth in our funds from operations and anticipated market conditions are forward-looking statements. In some cases, you can identify forward-looking statements by the use of forward-looking terminology such as may, will, should, expects, intends, plans, anticipates, believes, predicts, or potential or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

The forward-looking statements contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein reflect our current views about future events and are subject to numerous known and unknown risks, uncertainties, assumptions and changes in circumstances that may cause our actual results to differ significantly from those expressed in any forward-looking statement. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all). The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

- adverse economic or real estate developments in our markets or the technology industry;
  - national and local economic conditions;
  - difficulties in identifying properties to acquire and completing acquisitions;
  - our failure to successfully develop, redevelop and operate acquired properties;
  - our failure to complete the Carpathia acquisition (as defined below) or successfully integrate its operations;
  - significant increases in construction and development costs;
  - the increasingly competitive environment in which we operate;
  - defaults on or non-renewal of leases by customers;
  - increased interest rates and operating costs, including increased energy costs;
  - financing risks, including our failure to obtain necessary outside financing;
  - decreased rental rates or increased vacancy rates;
- dependence on third parties to provide Internet, telecommunications and network connectivity to our data centers;
- our failure to qualify and maintain our qualification as a real estate investment trust;
- environmental uncertainties and risks related to natural disasters;
- financial market fluctuations; and
- changes in real estate and zoning laws and increases in real property tax rates.

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While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. Any forward-looking statements speak only as of the date on which they are made. We disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, of new information, data or methods, future events or other changes. For a further discussion of these and other factors that could cause our future results to differ materially from any forward-looking statements, see the section of this prospectus supplement entitled "Risk Factors" and the risk factors incorporated by reference from our Annual Report on Form 10-K for the year ended December 31, 2014.

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## SUMMARY

*This summary highlights information contained elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus. This summary is not complete and does not contain all of the information that you should consider before investing in our common stock. We urge you to read this entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein carefully, including the financial statements and notes to those financial statements incorporated by reference herein and therein. Please read Risk Factors for more information about important risks that you should consider before investing in our common stock.*

## QTS Realty Trust, Inc.

We are a leading owner, developer and operator of state-of-the-art, carrier-neutral, multi-tenant data centers. Our data centers are facilities that house the network and computer equipment of multiple customers and provide access to a range of communications carriers. We have a fully integrated platform through which we own and operate our data centers and provide a broad range of IT infrastructure solutions. We refer to our spectrum of core data center products as our 3Cs, which consists of Custom Data Center, Colocation and Cloud and Managed Services. We believe that we own and operate one of the largest portfolios of multi-tenant data centers in the United States, as measured by gross square footage, and have the capacity to more than double our leased raised floor without constructing or acquiring any new buildings.

As of March 31, 2015, we operated a portfolio of 12 data centers across eight states, located in some of the top U.S. data center markets plus other high-growth markets. Our data centers are highly specialized, full-service, mission-critical facilities used by our customers to house, power and cool the networking equipment and computer systems that support their most critical business processes. We believe that our data centers are best-in-class and engineered to adhere to the highest specifications commercially available to customers, providing fully redundant, high-density power and cooling sufficient to meet the needs of major national and international companies and organizations. This is in part reflected by our operating track record of five-nines (99.999%) reliability and by our diverse customer base of more than 850 customers, including financial institutions, healthcare companies, government agencies, communications service providers, software companies and global Internet companies.

We are a Maryland corporation formed in May 2013. Substantially all of our assets are owned directly or indirectly, and substantially all of our operations are conducted directly or indirectly, by our Operating Partnership. As of March 31, 2015, we owned an approximate 82.7% ownership interest in the Operating Partnership.

We believe that we have operated and have been organized in conformity with the requirements for qualification and taxation as a real estate investment trust ( REIT ) commencing with our taxable year ended December 31, 2013. Our qualification as a REIT, and maintenance of such qualification, depends upon our ability to meet, on a continuing basis, various complex requirements under the Internal Revenue Code of 1986, as amended (the Code ), relating to, among other things, the sources of our gross income, the composition and values of our assets, our distributions to our stockholders and the concentration of ownership of our equity shares.

Our principal executive office is located at 12851 Foster Street, Overland Park, Kansas 66213. Our telephone number is (913) 814-9988. Our web address is [www.qtsdatacenters.com](http://www.qtsdatacenters.com). The information on or accessible through our website does not constitute a part of this prospectus supplement or any other applicable document.





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## Recent Developments

### Pending Acquisition of Carpathia

#### Overview

On May 6, 2015, through Quality Technology Services Holding, LLC, our taxable REIT subsidiary, we entered into a stock purchase agreement (the "Stock Purchase Agreement") with Carpathia Holdings, LLC (the "Seller") and Carpathia Acquisition, Inc. Pursuant to the Stock Purchase Agreement, we agreed to acquire Carpathia Acquisition, Inc. and its subsidiaries, including Carpathia Hosting, Inc. (collectively, "Carpathia"), which would become indirect, wholly-owned subsidiaries of our company. We refer to this transaction as the "Carpathia acquisition."

If the Carpathia acquisition is consummated, we will indirectly acquire 100% of the outstanding stock of Carpathia, a Virginia-based hybrid cloud services and Infrastructure-as-a-Service ("IaaS") provider servicing enterprise customers and federal agencies.

Pursuant to the Stock Purchase Agreement, at the closing of the Carpathia acquisition, we will pay aggregate consideration of approximately \$326 million, excluding Carpathia's cash (which we will separately pay to the Seller), working capital and any other adjustments required to be made in connection with the purchase price allocation in accordance with generally accepted accounting principles, but including the prepayment of debt and the Seller's transaction-related expenses and the assumption of capital leases, subject to customary closing adjustments. We plan to fund the cash portion of the purchase price, in addition to our transaction costs estimated to be approximately \$5 million, through a combination of net proceeds from this offering and borrowings under our unsecured revolving credit facility. This offering is not conditioned upon completion of the Carpathia acquisition, and the Carpathia acquisition is not subject to a financing condition, including completion of this offering.

The Stock Purchase Agreement contains customary representations and warranties and pre- and post-closing covenants. Pursuant to the Stock Purchase Agreement, the Seller has agreed to indemnify us for all losses arising from the Seller's breach of its representations and warranties, from the Seller's or Carpathia's failure to perform covenants in the Stock Purchase Agreement and for any income and payroll taxes related to pre-closing tax periods. The Seller's indemnification obligations survive for 15 months following closing (except with respect to claims for breach of post-closing covenants (which survive until expiration of the statute of limitations) and for income taxes (which survive indefinitely)), and is subject to an overall cap of \$20 million. However, claims for fraud, intentional breach and income taxes related to pre-closing tax periods are not subject to the cap. We have also agreed to indemnify the Seller for all losses arising from breach of our representations and warranties and our failure to perform covenants (including post-closing covenants of Carpathia).

The Stock Purchase Agreement further provides that either we or the Seller may terminate the Stock Purchase Agreement if the Carpathia acquisition has not occurred by July 15, 2015, subject to extension in certain circumstances. The Stock Purchase Agreement also contains certain other termination rights for us and the Seller including, without limitation, our ability to terminate or seek specific performance of the Stock Purchase Agreement in the event that the Seller materially breaches the agreement and fails to cure its breach within 30 days after we deliver written notice thereof.

The closing of the Carpathia acquisition is expected to occur on or before July 15, 2015, subject to customary closing conditions. There can be no assurance that the Carpathia acquisition will be consummated on the currently contemplated terms, other terms or at all, or if consummated, of the timing thereof.



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**The Business of Carpathia**

Carpathia is a cloud services and IaaS provider founded in 2003 and headquartered in Dulles, Virginia. Carpathia offers high level security and compliance solutions to approximately 230 commercial and government customers and has a presence in nine markets through leased space in 13 domestic and international data centers. Carpathia's 2014 revenue was approximately \$82.1 million and it had a net loss in 2014 of approximately \$0.8 million. U.S. federal government agencies directly or indirectly provided approximately 35% of Carpathia's 2014 revenue, and commercial customers provided the remaining 65%. Approximately 75% of Carpathia's 2014 revenue was derived from products similar to our Cloud and Managed Services (C3) offering, while the remaining approximate 25% was derived from products similar to our Colocation (C2) offering. During 2014, Carpathia's average revenue per customer was approximately \$31,000, and its rental churn was approximately 7.0%. For the first quarter of 2015, Carpathia's revenue was approximately \$21.9 million, and it had net income of approximately \$634,000.

**Rationale for the Carpathia Acquisition**

We believe that the Carpathia acquisition is an attractive opportunity for us to strengthen our existing, fully integrated real estate and technology services platform and will add scale and diversification to our business. We believe that the Carpathia acquisition will provide a number of strategic and financial benefits, including the following:

**Enhances our well-established C2 and C3 Platform.** We expect the Carpathia acquisition to bring scale to our existing Cloud and Managed Services (C3) business, accelerate our cloud capabilities, and diversify our revenue mix by expanding our C3 and Colocation (C2) products, geographic presence and customer base.

**Accelerates our federal business.** We expect that the Carpathia acquisition will increase our access to government business through Carpathia's Authorizations to Operate ( ATOs ) with federal civilian and Department of Defense agencies, including a provisional ATO from the FedRAMP Joint Authorization Board.

**Complementary with our focus on security and compliance.** We expect that the Carpathia acquisition will further differentiate us in highly regulated markets, such as government and healthcare customers.

**Deepens customer base.** We expect the Carpathia acquisition to add approximately 230 customers to our current customer base, with the combined companies servicing over 1,000 customers in North America, Europe and Asia-Pacific.

**Expands geographic footprint.** Through Carpathia's operations in eight domestic and five international facilities in Toronto, Amsterdam, London, Hong Kong and Sydney, the Carpathia acquisition is expected to expand our geographic footprint. We believe that the addition of international capabilities will enable us to expand our relationships with existing customers. We expect that Carpathia's domestic footprint in the Mid-Atlantic region, including the Vault/IBX Campus, combined with our mega data center in Richmond, Virginia, will enable us to better support federal government business and allow for the migration of several of Carpathia's customers to our existing facilities.

**Immediate and long-term financial benefit.** We expect the Carpathia acquisition to be financially beneficial to us on a leverage neutral basis.

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On a pro forma basis assuming the completion of the Carpathia acquisition, the Company will have more than 1,000 customers in 25 data centers located in 14 markets. The Company's C1/C2/C3 customer mix, based on MRR at December 31, 2014, would be approximately 31% C1 customers, 42% C2 customers and 27% C3 customers, on a pro forma basis taking into account the Carpathia acquisition.

For additional information regarding the Carpathia Acquisition or the Stock Purchase Agreement, please refer to our Current Report on Form 8-K filed with the SEC on May 12, 2015, which is incorporated by reference in this prospectus supplement.

In addition to the foregoing, if consummated, the Carpathia acquisition also will expand our executive team. Peter Weber, Carpathia's Chief Executive Officer, would join our executive team as Chief Product Officer, and the remainder of the Carpathia leadership team also would continue to play key roles in further developing and delivering products and services that customers seek and value.

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## The Offering

*The following is a brief summary of certain terms of this offering. For a more complete description of the terms of our Class A common stock, see Description of Common Stock in the accompanying prospectus.*

Issuer

QTS Realty Trust, Inc., a Maryland corporation

Selling Stockholder

GA QTS Interholdco, LLC

Shares of Class A common stock offered by us

5,750,000 shares of Class A common stock

Shares of Class A common stock offered by the selling stockholder

1,250,000 shares of Class A common stock (2,300,000 shares if the underwriters exercise in full their option to purchase additional shares)

Shares of Class A common stock outstanding immediately upon completion of this offering

40,744,211 shares of Class A common stock

Shares of Class A common stock and OP units outstanding immediately upon completion of this offering

47,741,211<sup>(1)</sup> shares of Class A common stock and OP units

Use of Proceeds

We expect the net proceeds to us from the sale of common stock in this offering, after deducting related underwriting discounts and commissions and estimated expenses, will be approximately \$203.3 million. We intend to contribute to our Operating Partnership the net proceeds from this offering in exchange for OP units. The Operating Partnership intends to use the net proceeds from this offering to fund a portion of the cash consideration payable in the Carpathia acquisition, and prior to such use, or if the acquisition is not consummated, we intend to use a portion of the proceeds for general corporate purposes, which may include the repayment of amounts outstanding under our unsecured revolving credit facility.

Affiliates of certain of the underwriters are lenders under our unsecured revolving credit facility. As described above, the Operating Partnership may use a portion of the net proceeds from this offering to repay the borrowings outstanding from time to time under our unsecured revolving credit facility. As a result, such affiliates will receive their proportionate share of any amount of the unsecured revolving credit facility that is repaid with the proceeds we receive from of this offering.

We will not receive any of the proceeds from the sale of the shares of our common stock by the selling stockholder.

We will pay all expenses incident to this offering, other than underwriting discounts and commissions on the sale of shares by the selling stockholder and any out-of-pocket expenses of the selling stockholder (including disbursements of counsel, accountants and other advisors), except that we will reimburse the underwriters for up to \$7,000 for underwriters' counsel in connection with FINRA matters.

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Restrictions on Ownership and Transfer

Our charter contains restrictions on ownership and transfer of our common stock intended to assist us in maintaining our status as a real estate investment trust for federal and/or state income tax purposes. For example, our charter generally restricts any person from actually or constructively owning more than 7.5% of the aggregate of the outstanding shares of our common stock by value or by number of shares, whichever is more restrictive, except for certain designated investment entities that may own up to 9.8% of the aggregate of the outstanding shares of our common stock, subject to certain conditions. See Restrictions on Ownership and Transfer in the accompanying prospectus.

Risk Factors

Investing in our common stock involves a high degree of risk and the purchasers of our common stock may lose their entire investment. See Risk Factors and other information included or incorporated by reference in this prospectus supplement and accompanying prospectus for a discussion of factors that you should consider before making a decision to invest in our common stock.

NYSE symbol

QTS

(1) Includes 6,931,062 Class A units of limited partnership of the Operating Partnership (the OP units ) and 65,938 Class RS LTIP units of the Operating Partnership, in each case, held by limited partners of the Operating Partnership. Each Class RS LTIP unit is convertible into OP units by the Operating Partnership at any time or by the holder at any time following full vesting (if such unit is subject to vesting), and upon equalization of the capital account of a Class RS LTIP unit with the per unit capital account of the OP units (and full vesting of the Class RS LTIP unit, if such unit is subject to vesting), the Class RS LTIP unit will automatically convert into one OP unit, subject to certain exceptions and adjustments. The OP Units may, subject to certain limitations, be redeemed by the holder thereof for cash or, at our option, exchanged for shares of Class A common stock on a one-for-one basis.

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## RISK FACTORS

*Investing in our common stock involves risks. In addition to other information in this prospectus supplement, you should carefully consider the following risks and the risks described in our Annual Report on Form 10-K for the year ended December 31, 2014, as well as other information and data set forth in this prospectus supplement and the accompanying prospectus and the documents we incorporate by reference herein and therein before making an investment decision with respect to our common stock. The occurrence of any of the following risks could materially and adversely affect our business, prospects, financial condition, liquidity and results of operations and our ability to make cash distributions to our stockholders, which could cause you to lose all or a part of your investment in our common stock. Some statements in this prospectus supplement and the accompanying prospectus and the documents we incorporate by reference herein and therein, including statements in the following risk factors, constitute forward-looking statements. See Forward-Looking Statements.*

### Risks Related to the Carpathia Acquisition

#### **Failure to complete the Carpathia acquisition could negatively impact our business, prospects, financial condition and results of operations, which could have a material adverse effect on us.**

We intend to use all or a significant portion of the net proceeds of this offering to fund the cash consideration for (or indebtedness incurred in connection with) the Carpathia acquisition. The Carpathia acquisition is subject to certain closing conditions, including, among other things, the continuing accuracy of representations and warranties (except as would not have a material adverse effect), compliance with covenants, receipt of certain required third-party consents and clearance from the Federal Trade Commission pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended. Moreover, the Stock Purchase Agreement may be terminated by either party without penalty if the transaction has not been consummated by an outside date of July 15, 2015 (or, if the failure is solely due to antitrust waiting periods or approvals having not yet expired or been obtained, by the earlier of August 31, 2015 or the third business day following such expiration or approval). There can be no assurance that any condition to the closing of the transaction will be satisfied or waived before the outside date, or at all. Therefore, there can be no assurance with respect to the timing of the closing of the transaction or whether the transaction will be completed on the currently contemplated terms, other terms or at all. If the Carpathia acquisition is not completed for any reason, we may be subject to several risks, including, but not limited to, the following:

the issuance of a significant number of additional shares of our common stock in this offering without realizing a corresponding increase in earnings and cash flow from acquiring the Carpathia business;

the focus of our management having been directed toward the transaction and integration planning instead of on our core business and other opportunities that could have been beneficial to us;

our intention in that case to use the net proceeds of this offering for other general corporate purposes, including the repayment of debt, which may not be accretive to our results of operations; and

the incurrence of substantial legal, accounting, financial advisory and costs relating to the transaction that are payable whether or not the transaction is completed.

If the transaction is not completed, these risks may materially adversely affect our business, prospects, financial condition, liquidity and results of operations, which could have a material adverse effect on us.



**The intended benefits of the Carpathia acquisition may not be realized, which could negatively impact our business, prospects, financial condition, liquidity and results of operations, which could have a material adverse effect on us.**

We may not be able to achieve the anticipated benefits of the Carpathia acquisition, even if the transaction is consummated. Upon completion of the Carpathia acquisition, we expect to integrate the business of Carpathia with our existing operations. We may be unable to accomplish the integration smoothly, successfully or within anticipated cost estimates. The diversion of our management's attention from our current operations to these

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integration efforts, and any difficulties encountered, could prevent us from realizing the full benefits we anticipate to result from the Carpathia acquisition and could have a material adverse effect on us. Additional risks include, among others:

the inability to successfully integrate the operations, maintain consistent standards, controls, policies and procedures, or realize the benefits we anticipate of the Carpathia acquisition within the anticipated timeframe or at all;  
the inability to effectively monitor and manage our expanded business, retain customers, suppliers and business partners, attract new customers, retain key employees or attract highly qualified new employees;  
anticipated future synergies, accretion, revenues, cost savings or operating metrics may fail to materialize or our estimates thereof may prove to be inaccurate;

the acquired business may fail to perform as expected;

certain portions of the acquired business are located in new markets, including foreign markets, in which we have not previously operated, where we face risks associated with an incomplete knowledge or understanding of the local market;

the market price of our common stock may decline if we do not achieve the benefits we anticipate of the transaction as rapidly or to the extent anticipated by financial or industry analysts or if the effect of the transaction on our financial results is not consistent with the expectations of financial or industry analysts; and

potential unknown liabilities with limited or no recourse against the Seller and unforeseen increased expenses related to the Carpathia acquisition.

We cannot assure you that we will be able to complete the integration without encountering difficulties or that any such difficulties will not have a material adverse effect on us. Failure to realize the intended benefits of the Carpathia acquisition could adversely affect our business, prospects, financial condition, liquidity and results of operations, which could have a material adverse effect on us.

### **Our indemnification rights under the Stock Purchase Agreement are limited.**

Under the Stock Purchase Agreement, our right to recover losses from the Seller arising from breaches of representations and warranties and failure to perform covenants survives only for 15 months following closing (subject to certain exceptions for breaches of post-closing covenants and for income taxes) and is subject to an overall cap of \$20 million (although claims for fraud, intentional breach and income taxes related to pre-closing tax periods are not subject to the cap). Claims for breaches of representations and warranties are further subject to a deductible of \$1.5 million (other than with respect to taxes, which are subject to a deductible of \$750,000). Therefore, to the extent

we incur losses from the Carpathia acquisition due to breaches by the Seller, even of certain fundamental representations such as capitalization and authority, our recovery generally will be limited to the \$20 million cap and 15 month survival period, which could have a material adverse effect on us.

### **Following the Carpathia acquisition, the growth of Carpathia's business (and our Cloud and Managed Services business generally) will continue to be limited by the 25% limit on ownership of TRS stock imposed by the Code.**

We expect to consummate the Carpathia acquisition and hold Carpathia's business through our taxable REIT subsidiary. The Code provides that no more than 25% of the value of a REIT's assets may consist of shares or securities of one or more taxable REIT subsidiaries ( TRSs ) and that at least 75% of its assets must consist of real estate assets. Following the Carpathia acquisition, we will provide Carpathia's hybrid cloud services and IaaS product to customers through our TRS. The Carpathia acquisition will significantly increase the value of our TRS. Moreover, our investment in our TRS does not qualify as a real estate asset for purposes of the 75% real estate asset requirement. The 25% ownership limitation on TRS stock and the 75% real estate asset requirement could limit further growth of

our Cloud and Managed Services business. In addition, because our TRS is subject to regular corporate income tax on its profits, subject to offset, to the extent we

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have available, tax net operating losses, our profits from our Cloud and Managed Services will be subject to regular corporate income tax and will not benefit from the special income tax treatment afforded REITs.

Furthermore, given limitations under the tax rules applicable to REITs, we have been providing our Cloud and Managed Services through our TRS. We had been seeking a ruling from the Internal Revenue Service ( IRS ) to the effect that payments received from customers for cloud storage on servers at our data centers would qualify as rents from real property for purposes of the gross income tests applicable to REITs, with the goal of conducting the cloud storage portion of our business directly through the REIT. After discussions with the IRS, we have decided to withdraw our request relating solely to cloud storage, but continue to seek a ruling with respect to the interconnect and cross connect operations, and expect to receive a favorable ruling in this respect. Based on these developments, we will continue to provide all of our Cloud and Managed Services through our TRS.

**If the Carpathia acquisition is consummated, we will acquire additional government customers, contracts and subcontracts, which may subject us to additional risks, including early termination, audits, investigations, sanctions and penalties, which could have a material adverse effect on us.**

If the Carpathia acquisition is consummated, we will derive increased revenues from contracts with the U.S. government, state and local governments, and subcontracts with government contractors. Some of these customers may be entitled to terminate all or part of their contracts at any time, without cause.

Recently, political pressure has increased for governments and their agencies, both domestically and internationally, to reduce spending. Some of Carpathia's and our federal government contracts and subcontracts are directly or indirectly subject to Congressional approval of appropriations to fund the expenditures under these contracts. Similarly, some of

Carpathia's and our contracts and subcontracts at the state and local levels are subject to government funding authorizations. To the extent that funding underlying any of these government contracts or subcontracts is reduced or eliminated, there is an increased risk that the counterparties may terminate the contracts or subcontracts, which could have a material adverse effect on us.

Government contracts and subcontracts also are generally subject to government audits and investigations. To the extent we fail to comply with laws or regulations related to such contracts, any such audit or investigation of us could result in various civil and criminal penalties and administrative sanctions, including termination of such contracts, refund of a portion of fees received, forfeiture of profits, suspension of payments, fines and suspensions or debarment from future government business, any of which could have a material adverse effect on us.

**Our business (which, following the Carpathia acquisition, will include Carpathia's business) could be adversely affected by security breaches through cyber attacks, cyber intrusions or otherwise.**

We face risks associated with security breaches and other significant disruptions of our information technology networks and related systems, which are essential to our business operations. Following the Carpathia acquisition, we may be more subject to these risks. Such breaches and disruptions may occur through cyber attacks or cyber intrusions over the Internet, malware, computer viruses, attachments to e-mails, persons inside our organization or persons with access to systems inside our organization. Because a portion of Carpathia's business focuses on serving United States government agencies and their contractors with a general focus on data security and information technology, we may be especially likely to be targeted by cyber attacks, including by governments, organizations or persons hostile to our

If the Carpathia acquisition is consummated, we will acquire additional government customers, contracts and subcontracts

government, following the Carpathia acquisition. Despite our activities to maintain the security and integrity of our networks and related systems, there can be no assurance that these activities will be effective. A security breach involving our networks and related systems could disrupt our operations in numerous ways, including by creating difficulties for our customers that may reflect poorly on us or by exposing us to potential liability, which could have a material adverse effect on us.

**If the Carpathia acquisition is consummated, we will have international operations, in which we have no prior experience and international operations will expose us to regulatory, currency, legal, tax and other risks distinct from those faced by us in the U.S.**

Foreign operations will involve risks not generally associated with investments in the United States, including:

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our limited knowledge of and relationships with customers, contractors, suppliers or other parties in these markets;  
complexity and costs associated with managing international development and operations;  
difficulty in hiring qualified management, sales and other personnel and service providers;  
differing employment practices and labor issues;  
multiple, conflicting and changing legal, regulatory, entitlement and permitting, and tax and treaty environments;  
exposure to increased taxation, confiscation or expropriation;  
currency transfer restrictions and limitations on our ability to distribute cash earned in foreign jurisdictions to the United States;  
difficulty in enforcing agreements in non-U.S. jurisdictions, including those entered into in connection with our acquisitions or in the event of a default by one or more of our customers, suppliers or contractors;  
local business and cultural factors; and  
political and economic instability, including sovereign credit risk, in certain geographic regions.  
Our inability to overcome these risks could adversely affect our international operations and could harm our business, prospects, financial condition, liquidity and results of operations.

**If consummated, the Carpathia acquisition will increase the proportion of our business associated with Cloud and Managed Services, which would increase our exposure to the risks of that product service, including adverse economic or other conditions or adverse changes in law or other regulations relating to the Internet, communications or information technologies.**

If consummated, the Carpathia acquisition will increase the proportion of our business dedicated to the Cloud and Managed Services market. Therefore, adverse changes in that product service, such as increased regulation of, an oversupply of or a decrease in demand for, the Cloud and Managed Services market or any other adverse condition, would have a proportionately greater adverse effect on us than such change would have had before the Carpathia acquisition. Additionally, the adoption or modification of laws or regulations relating to the Internet, or otherwise relating to our Cloud and Managed Services business or Carpathia's business, or changes in interpretations of existing laws, would have a proportionately greater adverse effect on us than such change would have before the Carpathia acquisition. Therefore, this increased exposure to the Cloud and Managed Services market could have a material adverse effect on us.

**Carpathia leases datacenter space in several locations under long-term non-cancellable lease agreements, and the non-renewal or loss of such leases, or the continuing obligations under such leases in the event of a loss of Carpathia's customers or customer revenues, could have a material adverse effect on us.**

Carpathia leases datacenter space in several locations under long-term non-cancellable lease agreements expiring through 2026 and, in turn, subleases that space to its customers. Following the Carpathia acquisition, we would incur costs if we were forced to vacate this space due to the high costs of relocating the equipment in these facilities and installing the necessary infrastructure in a new data center property. If we were forced to vacate any of these facilities, we could lose customers that chose our services based on our location. Carpathia's landlords could attempt to evict us for reasons beyond our control. Further, we may be unable to maintain good working relationships with Carpathia's landlords, which would adversely affect our relationship with Carpathia's customers and could result in the loss of current customers. In addition, we cannot assure you that we will be able to renew these leases prior to their expiration

If the Carpathia acquisition is consummated, we will have international operations, in which we have no prior experie

dates on favorable terms or at all. Certain of such leases relate to datacenters owned by companies that may view us as a competitor, which may impact their willingness to extend Carpathia's leases upon expiration. If we are unable to renew our lease agreements, we could lose a significant number of customers who are unwilling to relocate their equipment to another one of our data center properties, which could have a material adverse effect on us. Even if we are able to renew these leases, the terms and other costs of renewal may be less favorable than Carpathia's

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existing lease arrangements. Failure to sufficiently increase revenue from customers at these facilities to offset these projected higher costs could have a material adverse effect on us.

In addition, the terms of Carpathia's customer contracts are of shorter duration in many cases than Carpathia's non-cancellable lease agreements for datacenter space described in the prior risk factor. Carpathia is obligated to make payments on its long-term non-cancellable leases regardless of whether its customer contracts are terminated or expire and regardless of whether its customers continue to make payments under their contracts. To the extent we experience a loss of Carpathia's customers or customer revenue, including upon expiration or termination of their customer contracts, our continuing obligations under Carpathia's non-cancellable lease agreements for datacenter space may result in expenses to us without offsetting revenue, which could have a material adverse effect on us.

## **Risks Related to this Offering**

### **The trading volume and market price of our Class A common stock may be volatile and could decline significantly following this offering.**

The market price of our Class A common stock may be volatile. The stock markets, including the NYSE, on which our Class A common stock is listed, have experienced significant price and volume fluctuations. As a result, the market price of our Class A common stock is likely to be similarly volatile, and could decline significantly, unrelated to our operating performance or prospects. If the per share trading price of our Class A common stock declines significantly, you may be unable to resell your shares at or above the purchase price. The market price of our Class A common stock could be subject to wide fluctuations in response to a number of factors, including those listed in this Risk Factors section of this prospectus supplement and others such as:

- our operating performance and prospects and those of other similar companies;
- actual or anticipated variations in our financial condition, liquidity, results of operations, funds from operations, net operating income, earnings before interest, taxes, depreciation and amortization, monthly recurring revenue and the amount of distributions, if any, paid to our stockholders;
- changes in our estimates or those of securities analysts relating to our earnings or other operating metrics;
- publication of research reports about us, our significant customers, our competition, data center companies generally, the real estate industry or the technology industry;
- additions or departures of key personnel;
- the passage of legislation or other regulatory developments that adversely affect us or our industry;
- changes in market valuations of similar companies;
- adverse market reaction to leverage we may incur or equity we may issue in the future;
- actions by institutional stockholders;
- actual or perceived accounting issues, including changes in accounting principles;
- compliance with NYSE requirements;
- our qualification and maintenance as a REIT;
- terrorist acts;
- speculation in the press or investment community;
- adverse developments in the creditworthiness, business or prospects of one or more of our significant customers;
- general market and economic conditions; and

the realization of any of the other risk factors presented in our Annual Report on Form 10-K for the year ended December 31, 2014.

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In the past, securities class action litigation has often been instituted against companies following periods of volatility in the market price of their common stock. This type of litigation, if brought against us, could result in substantial costs and divert our management's attention and resources, which could have a material adverse effect on us.

**Affiliates of certain of the underwriters may receive benefits in connection with this offering.**

Affiliates of certain of the underwriters in this offering are lenders under our unsecured revolving credit facility. To the extent that we use a portion of the net proceeds of this offering we receive to repay borrowings outstanding under our unsecured revolving credit facility, such affiliates will receive their proportionate share of any amount of the unsecured revolving credit facility that is repaid with the net proceeds of this offering. These transactions create potential conflicts of interest because the underwriters have an interest in the successful completion of this offering beyond the sales commissions they will receive. The interest may influence the decision regarding the terms and circumstances under which the offering is completed.

**You may experience significant dilution as a result of this offering, which may adversely affect the per share trading price of our Class A common stock.**

This offering may have a dilutive effect on our earnings per share and funds from operations per share after giving effect to the issuance of our Class A common stock in this offering and the receipt of the expected net proceeds. The actual amount of dilution from this offering will be based on numerous factors, particularly the timing of the use of proceeds (including the timing of the Carpathia acquisition) and the return generated by such investment, and cannot be determined at this time. The per share trading price of our Class A common stock could decline as a result of sales of a large number of shares of our Class A common stock in the market pursuant to this offering, or otherwise, or as a result of the perception or expectation that such sales could occur.

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## **USE OF PROCEEDS**

We expect the net proceeds to us from the sale of common stock in this offering, after deducting related underwriting discounts and commissions and other estimated offering expenses, will be approximately \$203.3 million.

We intend to contribute to our Operating Partnership the net proceeds from this offering in exchange for OP units. The Operating Partnership intends to use the proceeds to fund a portion of the cash consideration payable in the Carpathia acquisition, and prior to such use, we intend to use a portion of the proceeds for general corporate purposes, which may include the repayment of amounts outstanding under our unsecured revolving credit facility. If the Carpathia acquisition is not consummated, we intend to use the net proceeds from this offering for working capital and general corporate purposes, including to repay amounts outstanding under our unsecured revolving credit facility.

As of March 31, 2015 and May 29, 2015, we had approximately \$40 million and \$95 million, respectively, outstanding under our unsecured revolving credit facility. The unsecured revolving credit facility matures on December 17, 2018 (which maturity may be extended for an additional one year at our option subject to certain conditions). Amounts outstanding under our unsecured revolving credit facility bear interest at a variable rate equal to, at our election, LIBOR or a base rate, plus a spread, depending upon our leverage ratio, from 1.70% to 2.25% for LIBOR loans and 0.70% to 1.25% for base rate loans. As of March 31, 2015 and May 29, 2015, the weighted average interest rate for amounts outstanding under the unsecured revolving credit facility was 1.88%.

Affiliates of certain of the underwriters are lenders under our unsecured revolving credit facility. As described above, the Operating Partnership may use a portion of the net proceeds from this offering to repay the borrowings outstanding from time to time under our unsecured revolving credit facility. As a result, such affiliates will receive their proportionate share of any amount of the unsecured revolving credit facility that is repaid with the proceeds we receive from of this offering.

We will not receive any of the proceeds from the sale of the shares by the selling stockholder. We will pay all expenses incident to this offering, other than underwriting discounts and commissions on the sale of shares by the selling stockholder and any out-of-pocket expenses of the selling stockholder (including disbursements of counsel, accountants and other advisors), except that we will reimburse the underwriters for up to \$7,000 for underwriters counsel in connection with FINRA matters.

Pending application of the cash proceeds, we will invest the net proceeds from this offering in interest-bearing accounts and short-term, interest-bearing securities, in a manner that is consistent with our intention to qualify as a REIT.

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The following table sets forth our capitalization as of March 31, 2015:

on an actual basis;

on an *as adjusted basis* to give effect to the issuance and sale of 5,750,000 shares of Class A common stock in this offering by us; and

on a *pro forma as adjusted basis* to give effect to (i) the sale of 5,750,000 shares of Class A common stock in this offering by us and (ii) the Carpathia acquisition.

Other than as described above and in the table below, no other adjustments have been made to reflect normal course operations by us or other developments in our business after March 31, 2015. As a result, the as adjusted information provided below is not indicative of our actual consolidated capitalization as of any date after March 31, 2015.

You should read this table in conjunction with the *Use of Proceeds* in this prospectus supplement and the consolidated financial statements and related notes and *Management's Discussion and Analysis of Financial Condition and Results of Operations* in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, which are incorporated by reference in this prospectus supplement.

	March 31, 2015		
	Actual	As Adjusted	Pro Forma As Adjusted
	(\$ in thousands)		
Cash and Cash Equivalents	\$5,748	\$169,048	\$5,748
Debt:			
Mortgages notes payable	\$86,016	\$86,016	\$86,016
Unsecured credit facility <sup>(1)</sup>	140,000	100,000	228,122
Capital lease obligations	13,509	13,509	57,509
Senior Notes	297,791	297,791	297,791
Total Debt	537,316	497,316	669,438
Equity:			
Class A common stock, \$0.01 par value, 450,000,000 shares authorized, 34,818,437 <sup>(2)</sup> shares issued and outstanding, actual; 40,568,437 <sup>(2)</sup> shares issued and outstanding, as adjusted and proforma as adjusted	\$347	\$405	\$405
Class B common stock, \$0.01 par value per share, 133,000 share authorized, issued and outstanding, actual, as adjusted and proforma as adjusted	1	1	1
Additional paid-in capital	474,185	653,399	653,399
Accumulated dividends in excess of earnings	(29,563 )	(29,563 )	(29,563 )
Total Stockholders' equity	444,970	624,242	624,242
Noncontrolling interests	93,253	112,282	112,282
Total Equity	538,223	736,524	736,524
Total capitalization	\$1,075,539	\$1,233,840	\$1,405,962

(1) Amount shown includes \$100.0 million term loan in addition to amounts outstanding under the revolving feature of the unsecured credit facility.

Excludes (i) options to purchase 883,946 shares of our Class A common stock and (ii) 3,432,863 shares of our Class A common stock reserved for future issuance under the QTS Realty Trust, Inc. 2013 Equity Incentive Plan, (2) upon redemption of OP units in exchange for Class B common stock and upon conversion of outstanding LTIP units.

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The selling stockholder, GA QTS Interholdco, LLC, is offering 1,250,000 shares of our common stock (2,300,000 shares if the underwriters exercise in full their option to purchase additional shares from the selling stockholder). We will not receive any proceeds from the sale of our common stock by the selling stockholder in this offering. The shares of common stock being offered by the selling stockholder were acquired by the selling stockholder in connection with our formation transactions and our IPO. The table below sets forth the name of the selling stockholder and the certain information as of the date of this prospectus supplement:

The mailing address of the selling stockholder is c/o General Atlantic Service Company, LLC, 55 East 52nd Street, 32nd floor, New York, New York 10055.

Name of Selling Stockholder	Shares of Common Stock Beneficially Owned Prior to the Offering	Shares of Common Stock Offered Hereby <sup>(1)</sup>	Shares of Common Stock Beneficially Owned After Completion of the Offering <sup>(1)</sup>	Percentage of Outstanding Common Stock Beneficially Owned After Completion of the Offering <sup>(1)(2)</sup>
GA QTS Interholdco, LLC <sup>(3)</sup>	10,891,145	2,300,000	8,591,145	21.1 %

(1) Assumes the sale of 1,050,000 shares of our Class A common stock by the selling stockholder upon exercise of the underwriters' option to purchase additional shares from the selling stockholder in full.

(2) Based on 40,744,211 shares of our Class A common stock outstanding following completion of this offering.

Shares shown as beneficially owned by the selling stockholder prior to this offering consist of 10,891,145 shares of Class A common stock, of which the selling stockholder has sole voting and investment power. The members of GA QTS Interholdco, LLC are General Atlantic Partners 85, L.P., a Delaware limited partnership ( "GAP 85" ), General Atlantic Partners 93, L.P., a Delaware limited partnership ( "GAP 93" ), GAP Coinvestments III, LLC, a Delaware limited liability company ( "GAPCO III" ), GAP Coinvestments IV, LLC, a Delaware limited liability company ( "GAPCO IV" ), GAP Coinvestments CDA, L.P., a Delaware limited partnership ( "GAPCO CDA" ), and GAPCO GmbH & Co., KG, a German limited partnership ( "KG" ) and together with GAP 85, GAP 93, GAPCO III, GAPCO IV and GAPCO CDA, the "GA Funds" ).

General Atlantic GenPar, L.P., a Delaware limited partnership ( "GA GenPar" ), is the general partner of GAP 85 and GAP 93. General Atlantic LLC ( "GA LLC" ) is the general partner of GA GenPar. GA LLC is also the managing member of GAPCO III and GAPCO IV and the general partner of GAPCO CDA. GAPCO Management GmbH, a German corporation ( "GmbH" ), is the general partner of KG.

There are 22 Managing Directors of GA LLC. GA QTS Interholdco, LLC, GAP 85, GAP 93, GAPCO III, GAPCO IV, GAPCO CDA, KG, GenPar, GmbH and GA LLC are a group under Rule 13d-5 under the Securities Exchange Act of 1934, as amended. The Managing Directors of GA LLC may be deemed to share voting and dispositive power with respect to shares and interests held by the GA Funds. The GA Funds control GA QTS Interholdco, LLC by virtue of their ownership of all of the interests of GA QTS Interholdco, LLC. Consequently, GA QTS Interholdco, LLC, the GA Funds, GA LLC and Managing Directors of GA LLC may, from time to time, consult among themselves and coordinate the voting and disposition of the shares held by GA QTS Interholdco, LLC. The mailing address of the foregoing entities (other than GmbH and KG) is c/o General Atlantic Service Company, LLC, 55 East 52nd Street,

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32nd floor, New York, New York 10055. The mailing address of KG and GmbH Management is c/o General Atlantic GmbH, Maximilianstrasse 35b, 80539 Munich, Germany.

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Subject to the terms and conditions set forth in the underwriting agreement, dated June 2, 2015, among us, the selling stockholder and Deutsche Bank Securities Inc., Jefferies LLC and KeyBanc Capital Markets Inc., as the representatives of the underwriters named below and the joint book-running managers of this offering, we and the selling stockholder have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from us and the selling stockholder, the respective number of shares of common stock shown opposite its name below:

Underwriter	Number of Shares
Deutsche Bank Securities Inc.	1,505,000
Jefferies LLC	1,050,000
KeyBanc Capital Markets Inc.	1,050,000
Evercore Group L.L.C.	420,000
Goldman, Sachs & Co.	420,000
J.P. Morgan Securities LLC	420,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	420,000
Morgan Stanley & Co. LLC	420,000
Stifel, Nicolaus & Company, Incorporated	420,000
Robert W. Baird & Co. Incorporated	175,000
Credit Suisse Securities (USA) LLC	175,000
PNC Capital Markets LLC	175,000
SunTrust Robinson Humphrey, Inc.	175,000
TD Securities (USA) LLC	175,000
Total	7,000,000

The underwriting agreement provides that the obligations of the several underwriters are subject to certain conditions precedent such as the receipt by the underwriters of officers' certificates and legal opinions and approval of certain legal matters by their counsel. The underwriting agreement provides that the underwriters will purchase all of the shares of common stock if any of them are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the underwriting agreement may be terminated.

We and the selling stockholder have agreed to indemnify the underwriters and certain of their controlling persons against certain liabilities, including liabilities under the Securities Act of 1933, as amended, and to contribute to payments that the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the shares of common stock, including the common stock owned by the selling stockholder, subject to their acceptance of the shares of common stock from us and the selling stockholder and subject to prior sale. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.



## **Commissions, Discounts and Expenses**

The underwriters have advised us that they propose to offer the shares of common stock to the public at the initial public offering price set forth on the cover page of this prospectus supplement and to certain dealers, which may include the underwriters, at that price less a concession not in excess of \$0.9435 per share of common stock. After the offering, the initial public offering price and concession to dealers may be reduced by the representatives. No such reduction will change the amount of proceeds to be received by us as set forth on the cover page of this prospectus.

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The following table shows the public offering price, the underwriting discounts and commissions that we and the selling stockholder are to pay the underwriters and the proceeds, before expenses, to us and the selling stockholder in connection with this offering. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares.

	Per Share		Total	
	Without	With	Without	With
	Option to	Option to	Option	Option to
	Purchase	Purchase	to Purchase	Purchase
	Additional	Additional	Additional	Additional
	Shares	Shares	Shares	Shares
Public offering price	\$37.00	\$37.00	\$259,000,000	\$297,850,000
Underwriting discounts and commissions paid by us	\$1.5725	\$1.5725	\$9,041,875	\$9,041,875
Proceeds to us, before expenses	\$35.4275	\$35.4275	\$203,708,125	\$203,708,125
Underwriting discounts and commissions paid by the selling stockholder	\$1.5725	\$1.5725	\$1,965,625	\$3,616,750
Proceeds to the selling stockholder, before expenses	\$35.4275	\$35.4275	\$44,284,375	\$81,483,250

We estimate expenses payable by us in connection with this offering, other than the underwriting discounts and commissions referred to above, will be approximately \$400,000 (including up to \$7,000 of reimbursement for underwriters' counsel in connection with FINRA matters). The underwriters have agreed to reimburse the selling stockholder for certain amounts in connection with this offering.

## Listing

Our common stock is listed on the NYSE under the trading symbol QTS.

## Stamp Taxes

If you purchase shares of common stock offered in this prospectus, you may be required to pay stamp taxes and other charges under the laws and practices of the country of purchase, in addition to the offering price listed on the cover page of this prospectus supplement.

## Option to Purchase Additional Shares

The selling stockholder has granted to the underwriters an option, exercisable for 30 days from the date of this prospectus supplement, to purchase, from time to time, in whole or in part, up to an aggregate of 1,050,000 shares from the selling stockholder at the public offering price set forth on the cover page of this prospectus supplement, less underwriting discounts and commissions. If the underwriters exercise this option, each underwriter will be obligated, subject to specified conditions, to purchase a number of additional shares proportionate to that underwriter's initial purchase commitment as indicated in the table above. This option may be exercised only if the underwriters sell more shares than the total number set forth on the cover page of this prospectus supplement.

## **No Sales of Similar Securities**

We, and our officers, directors and the selling stockholder have agreed, subject to specified exceptions, not to directly or indirectly:

sell, offer, contract, lend or grant any option to purchase (including any short sale), pledge, transfer, establish an open put equivalent position within the meaning of Rule 16a-1(h) under the Securities Exchange Act of 1934, as amended, liquidate or decrease any call equivalent position within the meaning of Rule 16a-1(b) under the Securities Exchange Act of 1934, as amended, or

otherwise dispose of any shares of common stock, options or warrants to acquire shares of common stock, or securities exchangeable or exercisable for or convertible into shares of common stock currently or hereafter owned either of record or beneficially, or

publicly announce an intention to do any of the foregoing for a period of 60 days after the date of this prospectus without the prior written consent of the representatives.

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This restriction terminates after the close of trading of the common stock on and including the 60th day after the date of this prospectus.

The representatives may, in their sole discretion and at any time or from time to time before the termination of the 60-day period, release all or any portion of the securities subject to lock-up agreements. There are no existing agreements between the underwriters and any of our shareholders who will execute a lock-up agreement, providing consent to the sale of shares prior to the expiration of the lock-up period.

## **Stabilization**

The underwriters have advised us that they, pursuant to Regulation M under the Securities Exchange Act of 1934, as amended, may engage in short sale transactions, stabilizing transactions, syndicate covering transactions or the imposition of penalty bids in connection with this offering. These activities may have the effect of stabilizing or maintaining the market price of the common stock at a level above that which might otherwise prevail in the open market. Establishing short sales positions may involve either covered short sales or naked short sales.

Covered short sales are sales made in an amount not greater than the underwriters' option to purchase additional shares of our common stock in this offering. The underwriters may close out any covered short position by either exercising their option to purchase additional shares of our common stock or purchasing shares of our common stock in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the option to purchase additional shares.

Naked short sales are sales in excess of the option to purchase additional shares of our common stock. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares of our common stock in the open market after pricing that could adversely affect investors who purchase in this offering.

A stabilizing bid is a bid for the purchase of shares of common stock on behalf of the underwriters for the purpose of fixing or maintaining the price of the common stock. A syndicate covering transaction is the bid for or the purchase of shares of common stock on behalf of the underwriters to reduce a short position incurred by the underwriters in connection with the offering. Similar to other purchase transactions, the underwriter's purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. A penalty bid is an arrangement permitting the underwriters to reclaim the selling concession otherwise accruing to a syndicate member in connection with the offering if the common stock originally sold by such syndicate member are purchased in a syndicate covering transaction and therefore have not been effectively placed by such syndicate member.

Neither we, nor the selling stockholder, nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. The underwriters are not obligated to engage in these activities and, if commenced, any of the activities may be discontinued at any time.

## **Electronic Distribution**

A prospectus in electronic format may be made available by e-mail or on the web sites or through online services maintained by one or more of the underwriters or their affiliates. In those cases, prospective investors may view offering terms online and may be allowed to place orders online. The underwriters may agree with us to allocate a specific number of shares of common stock for sale to online brokerage account holders. Any such allocation for online distributions will be made by the underwriters on the same basis as other allocations. Other than the prospectus in electronic format, the information on the underwriters' web sites and any information contained in any other web site maintained by any of the underwriters is not part of this prospectus, has not been approved and/or endorsed by us or the underwriters and should not be relied upon by investors.

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## **Other Activities and Relationships**

The underwriters and certain of their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The underwriters and certain of their respective affiliates have, from time to time, performed, and may in the future perform, various commercial and investment banking and financial advisory services for us and our affiliates, for which they received or will receive customary fees and expenses. Affiliates of certain of the underwriters are lenders under our unsecured credit facility. In the event that we use the net proceeds received by us from this offering to repay amounts outstanding under our unsecured credit facility, these lenders would receive their proportionate shares of any amount of our unsecured credit facility that is repaid with the net proceeds received by us from this offering. The repayments of amounts outstanding under our unsecured revolving credit facility will not affect the commitments of those affiliates of the underwriters to fund future amounts thereunder in accordance with the terms of the facility. See Use of Proceeds. Stifel, Nicolaus & Company, Incorporated may pay an unaffiliated entity or its affiliate, who is also a lender under our unsecured credit facility, a fee in connection with sales of shares of common stock in this offering. Affiliates of certain of the underwriters are also lenders under our Richmond secured credit facility. In addition, Deutsche Bank Securities Inc. acted as our lead financial advisor in connection with the pending Carpathia acquisition.

In the ordinary course of their various business activities, the underwriters and certain of their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments issued by us and our affiliates. The underwriters and certain of their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

## **Sales Outside of the United States**

Other than in the United States, no action has been taken by us or the underwriters that would permit a public offering of the securities offered by this prospectus in any jurisdiction where action for that purpose is required. The securities offered by this prospectus may not be offered or sold, directly or indirectly, nor may this prospectus supplement, the accompanying prospectus or any other offering material or advertisements in connection with the offer and sale of any such securities be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus supplement and the accompanying prospectus come are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus supplement and the accompanying prospectus. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell or a solicitation of an offer to buy any securities offered by this prospectus supplement and the accompanying prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

Sales of shares of common stock made outside of the United States may be made by affiliates of the underwriters.

## Notice to Prospective Investors in Australia

This prospectus supplement and the accompanying prospectus:

do not constitute a disclosure document under Chapter 6D.2 of the Corporations Act 2001 (Cth) (the Corporations Act );  
have not been, and will not be, lodged with the Australian Securities and Investments Commission ( ASIC ), as a disclosure document for the purposes of the Corporations Act and do not purport to include the information required of a disclosure document under Chapter 6D.2 of the Corporations Act; and

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may only be provided in Australia to select investors who are able to demonstrate that they fall within one or more of the categories of investors, or Exempt Investors, available under section 708 of the Corporations Act.

The shares of common stock may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for or buy the shares of common stock may be issued, and no draft or definitive offering memorandum, advertisement or other offering material relating to any shares of common stock may be distributed in Australia, except where disclosure to investors is not required under Chapter 6D of the Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for the shares of common stock, you represent and warrant to us that you are an Exempt Investor.

As any offer of shares of common stock under this prospectus supplement and the accompanying prospectus will be made without disclosure in Australia under Chapter 6D.2 of the Corporations Act, the offer of those securities for resale in Australia within 12 months may, under section 707 of the Corporations Act, require disclosure to investors under Chapter 6D.2 if none of the exemptions in section 708 applies to that resale. By applying for the shares of common stock you undertake to us that you will not, for a period of 12 months from the date of issue of the shares of common stock, offer, transfer, assign or otherwise alienate those securities to investors in Australia except in circumstances where disclosure to investors is not required under Chapter 6D.2 of the Corporations Act or where a compliant disclosure document is prepared and lodged with ASIC.

## **Notice to Prospective Investors in the Dubai International Financial Centre**

This prospectus and the accompanying prospectus relate to an Exempt Offer in accordance with the Markets Rules 2012 of the Dubai Financial Services Authority ( DFSA ). This prospectus supplement and the accompanying prospectus are intended for distribution only to persons of a type specified in the Markets Rules 2012 of the DFSA. They must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus supplement and the accompanying prospectus nor taken steps to verify the information set forth herein and therein and has no responsibility for this prospectus supplement and the accompanying prospectus. The shares of common stock to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares of common stock offered should conduct their own due diligence on the shares of common stock. If you do not understand the contents of this prospectus supplement and the accompanying prospectus you should consult an authorized financial advisor.

## **Notice to Prospective Investors in the European Economic Area**

In relation to each Member State of the European Economic Area (each, a Relevant Member State ), no offer of shares of common stock may be made to the public in that Relevant Member State other than:

- A. to any legal entity which is a qualified investor as defined in the Prospectus Directive; to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives; or
- B.
- C. in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of shares of common stock shall require the Company or the representatives to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the



Prospectus Directive.

Each person in a Relevant Member State who initially acquires any shares of common stock or to whom any offer is made will be deemed to have represented, acknowledged and agreed that it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive. In the case of any shares of common stock being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus

Directive, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the shares of common stock acquired by it in the offer have not

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been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any shares of common stock to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the representatives has been obtained to each such proposed offer or resale.

The Company, the representatives and their affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements.

This prospectus supplement and the accompanying prospectus have been prepared on the basis that any offer of shares of common stock in any Relevant Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of shares of common stock. Accordingly any person making or intending to make an offer in that Relevant Member State of shares of common stock which are the subject of the offering contemplated in this prospectus supplement and the accompanying prospectus may only do so in circumstances in which no obligation arises for the Company or any of the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither the Company nor the underwriters have authorized, nor do they authorize, the making of any offer of shares of common stock in circumstances in which an obligation arises for the Company or the underwriters to publish a prospectus for such offer.

For the purpose of the above provisions, the expression an offer to the public in relation to any shares of common stock in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares of common stock to be offered so as to enable an investor to decide to purchase or subscribe the shares of common stock, as the same may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in the Relevant Member State and the expression Prospectus Directive means Directive 2003/71/EC (including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member States) and includes any relevant implementing measure in the Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

## **Notice to Prospective Investors in Hong Kong**

The shares of common stock have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to professional investors as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a prospectus as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the shares of common stock has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to shares of common stock which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

## **Notice to Prospective Investors in the United Kingdom**

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are qualified investors (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the Order) and/or (ii) who

are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as relevant persons ).

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Any person in the United Kingdom that is not a relevant person should not act or rely on the information included in this document or use it as basis for taking any action. In the United Kingdom, any investment or investment activity that this document relates to may be made or taken exclusively by relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

### **Notice to Prospective Investors in Germany**

This prospectus supplement and the accompanying prospectus have not been prepared in accordance with the requirements for a securities or sales prospectus under the German Securities Prospectus Act (*Wertpapierprospektgesetz*), the German Sales Prospectus Act (*Verkaufprospektgesetz*), or the German Investment Act (*Investmentgesetz*). Neither the German Federal Financial Services Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht-BaFin*) nor any other German authority has been notified of the intention to distribute our common stock in Germany. Consequently, the shares of common stock may not be distributed in Germany by way of public offering, public advertisement or in any similar manner and this prospectus supplement, the accompanying prospectus and any other document relating to this offering, as well as information or statements contained therein, may not be supplied to the public in Germany or used in connection with any offer for subscription of the shares of common stock to the public in Germany or any other means of public marketing. The shares of common stock are being offered and sold in Germany only to qualified investors which are referred to in Section 3, paragraph 2 no. 1, in connection with Section 2, no. 6, of the German Securities Prospectus Act, Section 8f paragraph 2 no. 4 of the German Sales Prospectus Act, and in Section 2 paragraph 11 sentence 2 no. 1 of the German Investment Act. This prospectus supplement and the accompanying prospectus are strictly for use of the person who has received it. It may not be forwarded to other persons or published in Germany.

### **Notice to Prospective Investors in the Netherlands**

The shares of common stock may only be offered to legal entities which are qualified investors as defined in the Prospectus Directive.

### **Notice to Prospective Investors in Luxembourg**

This prospectus supplement and the accompanying prospectus have not been approved by and will not be submitted for approval to the Luxembourg financial sector supervisory authority, Commission de Surveillance du Secteur Financier (the CSSF), for purposes of public offering or sale in the Grand Duchy of Luxembourg (Luxembourg). Accordingly, the shares of common stock may not be offered or sold to the public in Luxembourg, directly or indirectly, and neither this prospectus supplement, the accompanying prospectus, nor any other offering circular, prospectus, form of application, advertisement or other material related to the shares of common stock may be distributed, or otherwise be made available in or from, or published in, Luxembourg, except if a prospectus has been duly approved by the CSSF in accordance with the Law of July 10, 2005 on prospectuses for securities, as amended from time to time (the Prospectus Law), or the offer benefits from an exemption to or constitutes a transaction otherwise not subject to the requirement to publish a prospectus for the purpose of the Prospectus Law.

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## **LEGAL MATTERS**

The validity of the shares of Class A common stock offered by this prospectus supplement and the accompanying prospectus and certain federal income tax matters will be passed upon for us by Hogan Lovells US LLP. Sidley Austin LLP has acted as counsel to the underwriters.

## **EXPERTS**

The consolidated financial statements of QTS Realty Trust, Inc. and subsidiaries as of December 31, 2014 and 2013 and for the year ended December 31, 2014 and for the period from May 17, 2013 to December 31, 2013 and of QualityTech, LP as of December 31, 2014 and 2013 and for the period from January 1, 2013 to October 14, 2013 and for the three years ended December 31, 2014 appearing in QTS Realty Trust, Inc.'s Annual Report (Form 10-K) for the year ended December 31, 2014 including schedules appearing therein have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon, included therein, and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

The consolidated financial statements of Carpathia Holdings, LLC and subsidiaries as of December 31, 2014 and for the year then ended have been audited by McGladrey LLP, independent auditor, as set forth in their report thereon, included therein, and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

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## INCORPORATION BY REFERENCE

SEC rules allow us to incorporate information into this prospectus supplement and accompanying prospectus by reference, which means that we disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus supplement and accompanying prospectus, except to the extent superseded by information contained herein or by information contained in documents filed with or furnished to the SEC after the date of this prospectus supplement. This prospectus supplement incorporates by reference the documents set forth below that have been previously filed with the SEC:

our Annual Report on Form 10-K for the year ended December 31, 2014;  
the portions of our Definitive Proxy Statement on Schedule 14A filed with the SEC on March 19, 2015 incorporated by reference in the Annual Report on Form 10-K for the period ended December 31, 2014;  
our Quarterly Report on Form 10-Q for the period ended March 31, 2015;  
our Current Reports on Form 8-K filed on March 2, 2015, May 6, 2015, May 12, 2015, June 1, 2015 and June 2, 2015.  
the description of our Class A common stock included in our Registration Statement on Form 8-A, filed on October 1, 2013, and all reports filed for the purpose of updating that description; and  
all documents filed by us with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus supplement and prior to the termination of the offering of the underlying securities.  
We also incorporate by reference into this prospectus supplement and accompanying prospectus additional documents that we may file with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1933, as amended, from the date of this prospectus supplement until the termination of this offering. We are not, however, incorporating any information furnished under either Item 2.02 or Item 7.01 of any Current Report on Form 8-K. These documents may include, among others, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as proxy statements.

You may read and copy the registration statement and any other documents filed by us at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. Our SEC filings are also available to the public at the SEC's Internet site at <http://www.sec.gov>. Our reference to the SEC's Internet site is intended to be an inactive textual reference only. We will provide without charge to each person, including any beneficial owner, to whom this prospectus supplement and the accompanying prospectus is delivered, on written or oral request of that person, a copy of any or all of the documents we are incorporating by reference into this prospectus supplement and the accompanying prospectus, other than exhibits to those documents unless those exhibits are specifically incorporated by reference into those documents.

A written or telephone request should be made to:

QTS Realty Trust, Inc.  
12851 Foster Street  
Overland Park, KS 66213  
(913) 814-9988  
Attn: Investor Relations

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## INDEX TO FINANCIAL STATEMENTS

# QTS Realty Trust, Inc. QualityTech, LP Unaudited Pro Forma Condensed Consolidated Financial Information

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<u>Unaudited Pro Forma Condensed Consolidated Statement of Operations For the Three Months Ended March 31, 2015</u>	<u>F-4</u>
<u>Unaudited Pro Forma Condensed Consolidated Statement of Operations For the Twelve Months Ended December 31, 2014</u>	<u>F-5</u>
<u>Notes to Unaudited Pro Forma Condensed Consolidated Financial Information</u>	<u>F-6</u>

Throughout this report, the terms the Company or QTS refer to either QTS Realty Trust, Inc. or to QTS Realty Trust, Inc. and its operating subsidiaries collectively, as the context requires.

Set forth below are QTS unaudited pro forma condensed consolidated financial statements as of March 31, 2015 and for the year ended December 31, 2014 and for the three months ended March 31, 2015 which reflect the pending acquisition of Carpathia Acquisition, Inc. (the Carpathia Acquisition) and related issuance of equity with estimated net proceeds of approximately \$203.3 million as well as certain historical transactions further described in the notes to the pro forma condensed consolidated financial statements. The pro forma condensed consolidated balance sheet and pro forma condensed consolidated statement of operations for the three months ended March 31, 2015 were derived from the Company's and Carpathia Acquisition, Inc.'s (Carpathia) unaudited financial statements and the pro forma condensed consolidated statement of operations for the twelve months ended December 31, 2014 were derived from the Company's audited financial statements as of and for the year ended December 31, 2014 and the audited financial statements of Carpathia Acquisition, Inc. and Subsidiaries as of and for the year ended December 31, 2014 and give effect to the Carpathia Acquisition, related issuance of equity and certain historical transactions as if they had occurred on January 1, 2014, including the acquisition of the Princeton, NJ facility, the issuance of \$300 million of senior unsecured notes, the issuance of \$165 million of Class A common stock, the acquisition of the Chicago, IL facility and the modification of the unsecured credit facility and the credit facility secured by the Richmond Property resulting in decreased interest rates on both.

The unaudited pro forma condensed consolidated financial statements were prepared using the acquisition method of accounting, with QTS considered the acquirer of Carpathia. The purchase price is allocated to the underlying Carpathia tangible assets acquired and liabilities assumed, acquired intangibles are all based on preliminary estimates of their respective fair values.

The pro forma adjustments and the purchase price allocation as presented are based on estimates and certain limited information that is currently available. Therefore, the provisional measurements of fair value reflected have not yet been finalized, are subject to change, and could vary materially from the actual amounts. A final determination of the fair value of Carpathia's assets and liabilities, including intangibles, will be made within the measurement period, not

to exceed one year from the acquisition date. The pro forma adjustments are preliminary and are subject to change as additional information becomes available and as additional analyses are performed. The preliminary pro forma adjustments have been made solely for the purpose of providing the unaudited pro forma condensed consolidated financial statements presented below. QTS estimated the fair value of Carpathia's assets and liabilities based on discussions with Carpathia's management and preliminary valuation studies. Any increases or decreases in the fair value of relevant balance sheet amounts upon completion of the final valuations will result in adjustments to the pro forma condensed consolidated balance sheet and/or pro forma condensed consolidated statement of operations. The final purchase price allocation may be different than that reflected in the pro forma purchase price allocation presented herein, and this difference may be material.

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Assumptions and estimates underlying the unaudited adjustments to the unaudited pro forma financial statements are described in the accompanying notes. The historical consolidated financial statements have been adjusted in the unaudited pro forma financial statements to give pro forma effect to events that are: (1) directly attributable to the acquisition and related equity issuance, (2) factually supportable, and (3) expected to have a continuing impact on the results of operations of the consolidated results of QTS. This information is presented for illustrative purposes only and is not indicative of the consolidated operating results or financial position that would have occurred if such transactions had occurred on the dates and in accordance with the assumptions described herein, nor is it indicative of future operating results or financial position.

The unaudited pro forma financial statements, although helpful in illustrating the financial characteristics of QTS under one set of assumptions, do not reflect opportunities to earn additional revenue, or other factors that may result as a consequence of the acquisition or related equity issuance and do not attempt to predict or suggest future results. The unaudited pro forma condensed consolidated financial statements exclude the effects of costs associated with any restructuring or integration activities which may occur, as they are currently not known, and to the extent they occur, are expected to be non-recurring and were not incurred at the closing date of the acquisition. However, such costs could affect QTS following the acquisition in the period the costs are incurred or recorded. Further, the unaudited pro forma condensed consolidated financial statements do not reflect the effect of any regulatory actions that may impact the results of QTS following the acquisition and related equity issuance.

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**QTS Realty Trust, Inc.**  
**QualityTech, LP**  
**Unaudited Pro Forma Condensed Consolidated**  
**Balance Sheet**

**March 31, 2015**  
**(in thousands)**

	QTS Historical (A)	Carpathia Historical (B)	Carpathia Purchase Price Allocation Adjustments (C)	Total Before Equity Transaction	Equity Transaction (D)	QTS Pro Forma
<u>ASSETS</u>						
Real Estate Assets						
Land	\$48,577	\$750	\$	\$49,327	\$	\$49,327
Buildings and improvements	954,915	149,260	(73,561 )	1,030,614		1,030,614
Less: Accumulated depreciation	(192,107 )	(82,971 )	82,971	(192,107 )		(192,107 )
	811,385	67,039	9,410	887,834		887,834
Construction in progress	266,234	9,551		275,785		275,785
Real Estate Assets, net	1,077,619	76,590	9,410	1,163,619		1,163,619
Cash and cash equivalents	5,748	5,639	(5,639 )	5,748		5,748
Rents and other receivables, net	16,730	10,845		27,575		27,575
Acquired intangibles, net	17,262	1,372	91,128	109,762		109,762
Deferred costs, net	37,902	1,073	(1,073 )	37,902		37,902
Prepaid expenses	6,477	1,900		8,377		8,377
Goodwill		52,318	110,082	162,400		162,400
Other assets, net	24,252	1,086	1	25,339		25,339
<b>TOTAL ASSETS</b>	<b>\$1,185,990</b>	<b>\$150,823</b>	<b>\$203,909</b>	<b>\$1,540,722</b>	<b>\$</b>	<b>\$1,540,722</b>
<u>LIABILITIES</u>						
Mortgage notes payable	\$86,016	\$	\$	\$86,016	\$	\$86,016
Unsecured credit facility	140,000		291,422	431,422	(203,300)	228,122
Senior notes, net of discount	297,791			297,791		297,791
Credit agreement		73,340	(73,340 )			
Capital lease obligations	13,509	39,014	4,986	57,509		57,509
Accounts payable and accrued liabilities	82,230	10,509		92,739		92,739
Dividends and distributions payable	13,381			13,381		13,381

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Advance rents, security deposits and other liabilities	3,439	3,384	(3,384 )	3,439		3,439
Deferred income taxes		5,301		5,301		5,301
Deferred income	11,401	9,180	(680 )	19,901		19,901
<b>TOTAL LIABILITIES</b>	<b>647,767</b>	<b>140,728</b>	<b>219,004</b>	<b>1,007,499</b>	<b>(203,300)</b>	<b>804,199</b>
<b>EQUITY</b>						
Common stock	348			348	58	406
Additional paid-in capital	474,185			474,185	184,214	658,399
Accumulated dividends in excess of earnings	(29,563 )			(29,563 )		(29,563 )
Carpathia equity		10,095	(15,095 )	(5,000 )		(5,000 )
Total stockholders equity	444,970	10,095	(15,095 )	439,970	184,271	624,241
Noncontrolling interests	93,253			93,253	19,029	112,282
<b>TOTAL EQUITY</b>	<b>538,223</b>	<b>10,095</b>	<b>(15,095 )</b>	<b>533,223</b>	<b>203,300</b>	<b>736,523</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$1,185,990</b>	<b>\$150,823</b>	<b>\$203,909</b>	<b>\$1,540,722</b>	<b>\$</b>	<b>\$1,540,722</b>

See accompanying notes to pro forma financial statements.

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**QTS Realty Trust, Inc.**  
**QualityTech, LP**  
**Unaudited Pro Forma Condensed Consolidated**  
**Statement of Operations**

**For the Three Months Ended March 31, 2015**  
**(in thousands except share and per share data)**

	QTS Historical (AA)	QTS Transactions	Subtotal	Carpathia Historical (DD)	Carpathia Purchase Price Allocation Adjustments	Carpathia Adjustments	Total Before Equity Transaction	Equity Transaction
Members	\$49,333	\$	\$49,333	\$8,911	\$	\$	\$58,244	\$
	5,664		5,664				5,664	
	5,795		5,795	13,017			18,812	
	594		594	11			605	
	61,386		61,386	21,939			83,325	
	19,336		19,336	9,618		(2,497) (II)	26,457	
	1,485		1,485				1,485	
	16,243		16,243	4,764	1,971 (EE)	352 (II)	23,330	
Provisional	13,838		13,838	4,670		2,197 (II)	20,705	
	105	(105) (BB)		31	(31) (FF)			
	51,007	(105) (BB)	50,902	19,083	1,940	52	71,977	
	10,379	105	10,484	2,856	(1,940)	(52) (II)	11,348	
	(5,342) (II)	1,684 (CC)	(3,658) (II)	(2,016) (II)	77 (GG)		(5,597) (II)	1,015
Provisional	5,037	1,789	6,826	840	(1,863)	(52) (II)	5,751	1,015
Provisional	5,037	1,789	6,826	205	(1,863)	(52) (II)	5,546	1,015
	(955) (II)	(234) (MM)	(1,189) (II)	635			(1,189) (II)	184

For the Three Months Ended March 31, 2015 (in thousands except share and per share data)

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\$4,082	\$1,555	\$5,637	\$635	\$(1,863)	\$(52 )	\$4,357	\$1,199
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31,294,488	3,388,888	<b>(HH)</b>	34,683,376	5,750,000
39,209,226	3,388,888	<b>(HH)</b>	42,598,114	5,750,000

See accompanying notes to pro forma financial statements.

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**QTS Realty Trust, Inc.  
QualityTech, LP  
Unaudited Pro Forma Condensed Consolidated  
Statement of Operations  
For the Twelve Months Ended December 31, 2014  
(in thousands except share and per share data)**

See accompanying notes to pro forma financial statements.

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**QTS Realty Trust, Inc.**  
**QualityTech, LP**  
**Notes to Unaudited Pro Forma Condensed Consolidated Financial Information**

**1. Pro Forma Condensed Consolidated Balance Sheet as of March 31, 2015**

(A) Reflects the historical consolidated balance sheet of QTS as of March 31, 2015.

(B) Reflects the historical consolidated balance sheet of Carpathia Acquisition, Inc. and Subsidiaries ( Carpathia ) as of March 31, 2015.

(C) Reflects adjustments to Carpathia s historical net book value of acquired assets and liabilities to arrive at QTS preliminary allocation of the total consideration for the Carpathia Acquisition. This incorporates working capital amounts as of March 31, 2015, with other amounts revalued as of the date of this filing.

QTS preliminary allocation of the total consideration for the Carpathia Acquisition is as follows (in thousands):

	Preliminary Fair Value
<u>ASSETS</u>	
Buildings and improvements	\$ 86,000
Acquired intangibles, net	92,500
Goodwill	162,400
Total Assets	\$ 340,900
<u>LIABILITIES</u>	
Capital lease obligations	\$ 44,000
Deferred income taxes	5,301
Net working capital	5,177
<u>EQUITY</u>	
Carpathia equity*	286,422
Total Liabilities and Equity	\$ 340,900

For pro forma purposes, the Carpathia equity outlined above was purchased through borrowing under QTS revolving credit facility. This amount does not include estimated transaction costs of approximately \$5 million that QTS will incur as part of this transaction and will also fund through its revolving credit facility. These transaction costs are reflected in the pro forma balance sheet as a reduction to equity and increase in the revolving credit facility to fund such costs.

The Carpathia Acquisition will be accounted for as an acquisition under the acquisition method of accounting in accordance with FASB Accounting Standard Codification Subtopic 805, *Business Combinations*. The assets and liabilities of Carpathia will be reflected at fair value. A final determination of the purchase accounting adjustments, including the allocation of the purchase price of the assets acquired and liabilities assumed based on their fair values, has not been made. Accordingly, the purchase accounting adjustments made in connection with the development of these unaudited pro forma condensed consolidated financial statements are preliminary and have been made solely for

purposes of developing such unaudited pro forma condensed consolidated financial statements.

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**QTS Realty Trust, Inc.  
QualityTech, LP  
Notes to Unaudited Pro Forma Condensed  
Consolidated Financial Information**

**1. Pro Forma Condensed Consolidated Balance Sheet as of  
March 31, 2015 (continued)**

(D) Reflects the estimated proceeds from the sale of 5,750,000 shares of Class A common stock utilizing the public offering price in connection with this offering (in thousands):

Estimated proceeds from this offering	\$ 212,750
Less estimated costs of this offering	(9,450 )
Estimated net cash proceeds	\$ 203,300
Use of proceeds:	
Repayment of unsecured credit facility	\$ 203,300

The Company expects to use a portion of the proceeds to pay down indebtedness under the revolving portion of its unsecured credit facility as of March 31, 2015.

In addition, this also reflects the change in the share of equity which is owned by the noncontrolling interest of QTS Realty Trust, Inc. resulting from this issuance of 5,750,000 shares of Class A common stock.

**2. Pro Forma Condensed Consolidated Statements of  
Operations**

(AA) Reflects QTS condensed consolidated statements of operations for the three months ended March 31, 2015 and the year ended December 31, 2014.

Pro forma adjustment for the three months ended March 31, 2015 reflects the elimination of \$0.1 million of transaction costs incurred by QTS related to the examination of the proposed Carpathia Acquisition. Pro forma

(BB) adjustment for the year ended December 31, 2014 reflects the elimination of \$1.0 million of costs incurred by QTS primarily related to the acquisition of the Princeton facility.

(CC) Reflects pro forma adjustments to interest expense as if the following transactions occurred at January 1, 2014: March 2, 2015 equity issuance net proceeds of approximately \$165 million used to reduce revolving credit facility debt outstanding;

July 23, 2014 senior note proceeds (net of fees) of approximately \$290 million used to reduce revolving credit facility debt outstanding;

June 30, 2014 acquisition of the Princeton facility funded by borrowings of approximately \$75 million;

July 8, 2014 acquisition of the former Sun Times Press facility in Chicago funded by borrowings of approximately \$18 million; and

modifications to QTS unsecured credit facility and its credit facility secured by its Richmond property (the Richmond Credit Facility ) in 2014 resulting in decreased interest rates on both.

Borrowings at January 1, 2014 included an unsecured credit facility with outstanding term loan indebtedness of \$100 million, 5.875% senior notes of \$300 million and associated discount on the senior notes of approximately \$2.4 million, the Atlanta Metro equipment loan of approximately \$16 million and the Richmond Credit Facility of \$70 million. Interest expense on the revolving credit facility under the unsecured credit facility has been calculated by applying an interest rate reduction of 0.4% reflecting the change in the interest rate spread to LIBOR due to the modifications to the credit agreement. Amortization of deferred financing costs has been calculated using a five year term on the term loan facility, a four year term on the revolving

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**QTS Realty Trust, Inc.**  
**QualityTech, LP**  
**Notes to Unaudited Pro Forma Condensed Consolidated Financial Information**

**2. Pro Forma Condensed Consolidated Statements of Operations (continued)**

credit facility and an eight year term on the senior notes. Capitalized interest has been adjusted to the weighted average interest rate considering the modifications to the credit agreement for all periods presented. The adjustments to interest expense set forth in the pro forma statements are based upon estimates and assumptions that QTS believes to be reasonable at this time and are subject to change in the future. Any cash retained after consideration of all the transactions was utilized to fund development in subsequent periods. The effect of an increase or decrease in interest rates of 1/8% on pro forma interest expense is \$0.7 million and \$0.2 million for the year ended December 31, 2014 and three months ended March 31, 2015, respectively.

(DD) Reflects Carpathia's condensed consolidated statements of operations for the three months ended March 31, 2015 and the year ended December 31, 2014.

(EE) Reflects pro forma adjustments of Carpathia's depreciation and amortization expense assuming the acquired buildings and improvements and intangibles were recorded at their preliminary fair value as disclosed in note (C) above on January 1, 2014.

(FF) Reflects the elimination of transaction costs incurred by Carpathia related to the examination of the proposed sale of Carpathia.

(GG) Pro forma adjustments to interest expense are comprised of the following two transactions described below (in thousands, positive amounts indicate decreases in interest expense, with negative amounts indicating increases in interest expense):

	December 31, 2014	March 31, 2015
Long term debt interest expense adjustment	\$ 779	\$ (302 )
Capital lease interest expense adjustment	1,727	379
Total pro forma adjustment to interest expense	\$ 2,506	\$ 77

The adjustments to interest expense related to long-term debt assume that the approximately \$291 million in credit facility borrowings to fund the acquisition was reduced by the available cash on hand from the equity and senior notes issuances, net of acquisitions, discussed in note (CC) above. The adjustments also assume that QTS's incremental borrowing rate on the unsecured revolving credit facility at the time of the acquisition of 1.85% was applied to the outstanding debt during the periods. The historical Carpathia outstanding debt at March 31, 2015 and December 31, 2014 of approximately \$73 million and \$70 million, respectively, bore interest at 5.50%.

Interest expense is also adjusted for changes in the interest expense associated with Carpathia's capital lease obligations. Pro forma adjustments assume Carpathia capital lease obligations with maturities of approximately four

years or less were revalued using QTS weighted average interest rate on its unsecured revolving credit facility at the time of the acquisition, which was approximately 1.85%. Carpathia capital lease obligations with longer maturities were revalued using the current market interest rate applicable to the credit standing of QTS at the time of the acquisition, which was approximately 5.0%.

Reflects the increase in QTS Class A common shares due to the equity issuance discussed in note (CC). The total (HH) shares outstanding are then accounted for as if they were outstanding as of January 1, 2014 and for the periods thereafter.

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**QTS Realty Trust, Inc.**  
**QualityTech, LP**  
**Notes to Unaudited Pro Forma Condensed**  
**Consolidated Financial Information**

**2. Pro Forma Condensed Consolidated Statements of**  
**Operations (continued)**

(II) Reflects adjustments to historical Carpathia property operating costs, depreciation and amortization expense, and general and administrative expense in order to conform to QTS presentation. The adjustments are comprised of the following transactions described below (in thousands, negative amounts indicate decreases in expense, with positive amounts indicating increases in expense):

	December 31, 2014	March 31, 2015
Property Operating Costs:		
Eliminate historical payroll expense	\$(12,338)	\$(3,375 )
Management fee allocation	3,285	878
Pro forma adjustment to property operating costs	\$(9,053 )	\$(2,497 )
Depreciation and Amortization Expense:		
Contract-based commissions expense adjusted to conform to QTS	\$1,231	\$352
Pro forma adjustment to depreciation and amortization expense	\$1,231	\$352
General and Administrative Expense:		
Property operating costs adjustment	\$9,053	\$2,497
Eliminate historical contract-based commissions expense	(1,278 )	(300 )
Pro forma adjustment to property operating costs	\$7,775	\$2,197

QTS records all payroll expense related to cloud and managed service personnel to general and administrative expense, and offsets this expense through a management fee allocation to property operating costs based on 4% of revenues for each facility in order to allocate internal charges to cover back-office and service-related costs associated with the day-to-day operations of its data center facilities. Carpathia historically has recorded its payroll expense related to cloud and managed service personnel within operating costs.

In addition, QTS amortizes its contract-based prepaid commissions as incurred and records the expense to amortization expense over the life of the contract. Carpathia historically has amortized its contract-based commissions on a monthly basis for 12 months, and records the expense in general and administrative expense.

The above adjustments conform Carpathia's historical results for these three line items to QTS accounting methodology.

- (JJ) Reflects the increase in revenues, property operating costs, real estate taxes and insurance, and depreciation and amortization expense that would have been incurred if the Princeton facility had been acquired at January 1, 2014.
- (KK) Reflects the elimination of the write off of deferred finance costs related to the modifications to the credit agreements for the unsecured credit facility and the Richmond credit facility discussed in note (CC) as they were non-recurring in nature and deemed to have occurred at January 1, 2014 for purposes of the pro forma statements.

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**QTS Realty Trust, Inc.  
QualityTech, LP  
Notes to Unaudited Pro Forma Condensed  
Consolidated Financial Information**

**2. Pro Forma Condensed Consolidated Statements of  
Operations (continued)**

As discussed in note (D) above, the Company expects to use a portion of the proceeds from the sale of 5,750,000 shares of Class A common stock to pay down its indebtedness as of March 31, 2015 under the revolving portion (LL) of its unsecured credit facility. For the respective periods ended December 31, 2014 and March 31, 2015, interest expense is then reduced to reflect the effect such net proceeds would have had on indebtedness outstanding for those respective periods.

(MM) Reflects the change in the share of net income attributable to the noncontrolling interest of QTS Realty Trust, Inc. resulting from the issuance of 5,750,000 shares of Class A common stock as discussed in note (CC).

(NN) Reflects the change in the share of net income attributable to the noncontrolling interest of QTS Realty Trust, Inc. resulting from the issuance of 5,750,000 shares of Class A common stock as discussed in note (D).

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**PROSPECTUS**

**\$1,000,000,000**

**Class A Common Stock, Preferred Stock, Depositary Shares, Warrants, Rights**

We may offer, from time to time, in one or more series or classes, separately or together, and in amounts, at prices and on terms to be set forth in one or more supplements to this prospectus, the following securities:

Shares of our Class A common stock, par value \$0.01 per share;

Shares of our preferred stock, par value \$0.01 per share;

Depositary shares representing our preferred stock;

Warrants to purchase our Class A common stock, preferred stock or depositary shares representing preferred stock;  
and

Rights to purchase our common stock.

We refer to our Class A common stock, preferred stock, depositary shares, warrants, and rights collectively as the securities. This prospectus describes some of the general terms that may apply to these securities and the general manner in which they may be offered. The prices and terms of any securities to be offered, the net proceeds that we expect to receive from the sale of such securities and the specific manner in which such securities may be offered will be set forth in one or more supplements to this prospectus.

We will deliver this prospectus together with a prospectus supplement setting forth the specific terms of the securities we are offering. The applicable prospectus supplement also will contain information, where applicable, about U.S. federal income tax considerations relating to, and any listing on a securities exchange of, the securities covered by the prospectus supplement.

We may offer the securities directly to investors, through agents designated from time to time by them or us, or to or through underwriters or dealers. If any agents, underwriters, or dealers are involved in the sale of any of the securities, their names, and any applicable purchase price, fee, commission or discount arrangement with, between or among them, will be set forth, or will be calculable from the information set forth, in an accompanying prospectus supplement. For more detailed information, see Plan of Distribution beginning on page 57. No securities may be sold without delivery of a prospectus supplement describing the method and terms of the offering of those securities.

Our Class A common stock is listed on the New York Stock Exchange (the NYSE ) under the symbol QTS. On November 3, 2014, the last reported sale price of our Class A common stock on the NYSE was \$35.51 per share. Our principal executive offices are located at 12851 Foster Street, Overland Park, KS 66213 and our telephone number is (913) 814-9988.

**You should carefully read this entire prospectus, the documents that are incorporated by reference in this prospectus and any**



**prospectus supplement before you invest in our securities.**

**Investing in our securities involves risks. You should carefully consider the risks described under Risk Factors on page 4 of this prospectus, as well as the other information contained or incorporated by reference in this prospectus and any prospectus supplement, before making a decision to invest in our securities.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

This prospectus is dated November 25, 2014.

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## **ABOUT THIS PROSPECTUS**

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission (the SEC) utilizing a shelf registration process. Under this shelf registration process, we may, from time to time, sell any combination of the securities described in this prospectus, in one or more offerings, up to a maximum of \$1,000,000,000. This prospectus provides you with a general description of the securities we may offer and is not meant to provide a complete description of each security. As a result, each time we offer securities, we will provide a prospectus supplement that contains specific information about the terms of those securities, which we will attach to this prospectus. The prospectus supplement also may add, update or change information contained in this prospectus.

You should rely only on the information contained in this prospectus and any applicable prospectus supplement. To the extent there are any inconsistencies between the information in this prospectus and any prospectus supplement, you should rely on the information in the applicable prospectus supplement. You should rely only on the information provided or information to which we have referred you, including any information incorporated by reference in this prospectus or any applicable prospectus supplement. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where the offer or sale of these securities is not permitted. You should assume that the information appearing in this prospectus, any free writing prospectus and any applicable prospectus supplement prepared by us or the other documents incorporated by reference herein or therein is accurate only as of their respective dates or on the date or dates that are specified in these documents. Our business, financial condition, liquidity, results of operations and prospects may have changed since those dates.

You should read carefully the entire prospectus and any applicable prospectus supplement, as well as the documents incorporated by reference in the prospectus and any applicable prospectus supplement, which we have referred you to in Incorporation of Certain Information by Reference below, before making an investment decision. Information incorporated by reference after the date of this prospectus may add, update or change information contained in this prospectus. Statements contained or deemed to be incorporated by reference in this prospectus or any applicable prospectus supplement as to the content of any contract or other document are not necessarily complete, and in each instance we refer you to the copy of the contract or other document filed as an exhibit to a document incorporated or deemed to be incorporated by reference in this prospectus or such prospectus supplement, each such statement being qualified in all respects by such reference. Any information in such subsequent filings and any applicable prospectus supplement that is inconsistent with this prospectus will supersede the information in this prospectus or any earlier prospectus supplement.

Unless the context requires otherwise, references in this prospectus to we, our, us and our company refer to QTS Realty Trust, Inc., a Maryland corporation, together with its consolidated subsidiaries, including QualityTech, LP, a Delaware limited partnership, which we refer to as the Operating Partnership.

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## **FORWARD-LOOKING STATEMENTS**

Some of the statements contained in, or incorporated by reference into, this prospectus constitute forward-looking statements within the meaning of the federal securities laws. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In particular, statements pertaining to our capital resources, portfolio performance and results of operations contain forward-looking statements. Likewise, and all of our statements regarding anticipated growth in our funds from operations and anticipated market conditions are forward-looking statements. In some cases, you can identify forward-looking statements by the use of forward-looking terminology such as may, will, should, expects, intends, plans, anticipates, believes, pro forma, estimates, predicts, or potential or the negative and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. You also can identify forward-looking statements by discussions of strategy, plans or intentions.

The forward-looking statements contained in, or incorporated by reference into, this prospectus reflect our current views about future events and are subject to numerous known and unknown risks, uncertainties, assumptions and changes in circumstances that may cause our actual results to differ significantly from those expressed in any forward-looking statement. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all). The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

- adverse economic or real estate developments in our markets or the technology industry;
  - national and local economic conditions;
  - difficulties in identifying properties to acquire and completing acquisitions;
  - our failure to develop, redevelop and operate acquired properties successfully;
  - significant increases in construction and development costs;
  - the increasingly competitive environment in which we operate;
  - defaults on or non-renewal of leases by customers;
  - increased interest rates and operating costs, including increased energy costs;
  - financing risks, including our failure to obtain necessary outside financing;
  - decreased rental rates or increased vacancy rates;
- dependence on third parties to provide Internet, telecommunications and network connectivity to our data centers;
  - our failure to qualify and maintain our qualification as a real estate investment trust;
  - environmental uncertainties and risks related to natural disasters;
  - financial market fluctuations; and
- changes in real estate and zoning laws and increases in real property tax rates.

While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. Any forward-looking statements speak only as of the date on which they are made. We disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, of new information, data or methods, future events or other changes. For a further discussion of these and other factors that could cause our future results to differ materially from any forward-looking statements, see the section of this prospectus entitled **Risk Factors** and the risk factors incorporated by reference from our Annual Report on Form 10-K for the year ended December 31, 2013.

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## OUR COMPANY

We are a leading owner, developer and operator of state-of-the-art, carrier-neutral, multi-tenant data centers. Our data centers are facilities that house the network and computer equipment of multiple customers and provide access to a range of communications carriers. We have a fully integrated platform through which we own and operate our data centers and provide a broad range of IT infrastructure solutions. We refer to our spectrum of core data center products as our 3Cs, which consists of Custom Data Center, Colocation and Cloud and Managed Services. We believe that we own and operate one of the largest portfolios of multi-tenant data centers in the United States, as measured by gross square footage, and have the capacity to more than double our leased raised floor without constructing or acquiring any new buildings.

As of September 30, 2014, we operated a portfolio of 12 data centers across seven states, located in some of the top U.S. data center markets plus other high-growth markets. Our data centers are highly specialized, full-service, mission-critical facilities used by our customers to house, power and cool the networking equipment and computer systems that support their most critical business processes. We believe that our data centers are best-in-class and engineered to among the highest specifications commercially available to customers, providing fully redundant, high-density power and cooling sufficient to meet the needs of major national and international companies and organizations. This is in part reflected by our operating track record of five-nines (99.999%) reliability and by our diverse customer base of more than 850 customers, including financial institutions, healthcare companies, government agencies, communications service providers, software companies and global Internet companies.

We are a Maryland corporation formed on May 17, 2013. On October 15, 2013, we completed our initial public offering ( IPO ) of Class A common stock, \$0.01 par value per share. Our Class A common stock trades on the New York Stock Exchange ( NYSE ) under the ticker symbol QTS. Concurrently with the completion of the IPO, we consummated a series of transactions pursuant to which we became the sole general partner and majority owner of Quality Tech, LP (the Operating Partnership ). We contributed the net proceeds of the IPO to the Operating Partnership in exchange for units of limited partnership interest. As of September 30, 2014, we owned an approximate 78.8% ownership interest in the Operating Partnership. Substantially all of our assets are held by, and our operations are conducted through, the Operating Partnership.

We believe that we have operated and are organized in conformity with the requirements for qualification and taxation as a real estate investment trust ( REIT ) commencing with our taxable year ended December 31, 2013. Our qualification as a REIT, and maintenance of such qualification, depends upon our ability to meet, on a continuing basis, various complex requirements under the Internal Revenue Code of 1986, as amended (the Code ) relating to, among other things, the sources of our gross income, the composition and values of our assets, our distributions to our stockholders and the concentration of ownership of our equity shares.

Our principal executive office is located at 12851 Foster Street, Overland Park, Kansas 66213. Our telephone number is (913) 814-9988. Our web address is [www.qtsdatacenters.com](http://www.qtsdatacenters.com). The information on or accessible through our website does not constitute a part of this prospectus or any applicable prospectus supplement.

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## **RISK FACTORS**

Investment in any securities offered pursuant to this prospectus involves risks. You should carefully consider the risk factors contained in our Annual Report on Form 10-K for the year ended December 31, 2013 and incorporated by reference herein, together with all other information contained in or incorporated by reference into this prospectus, as updated by our subsequent filings under the Securities and Exchange Act of 1934, as amended (the Exchange Act ), and the risk factors and other information contained in any applicable prospectus supplement before acquiring any of such securities. The occurrence of any of the events described could materially and adversely affect our business, prospects, financial condition, results of operations and our ability to make cash distributions to our stockholders, which could cause you to lose all or a significant part of your investment in our securities. Some statements in this prospectus constitute forward-looking statements. Please refer to the section entitled Forward-Looking Statements.

## **USE OF PROCEEDS**

Unless otherwise described in the applicable prospectus supplement to this prospectus used to offer specific securities, we intend to contribute the net proceeds from any sale of the securities pursuant to this prospectus to the Operating Partnership in exchange for operating partnership units. The Operating Partnership will use the net proceeds from the sale of securities under this prospectus for general corporate purposes, which may include the repayment of outstanding indebtedness, the acquisition of additional properties, capital expenditures, the redevelopment of properties in our portfolio, working capital and other general purposes.

Pending application of cash proceeds, we will invest the net proceeds in interest-bearing accounts and short-term, interest-bearing securities that are consistent with our intention to continue to qualify as a REIT for federal income tax purposes.

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## RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

The following table sets forth our ratio of earnings to combined fixed charges and preferred stock dividends for each of the periods presented. For purposes of determining the ratio of earnings to fixed charges, earnings consist of net income before income taxes before adjustment for noncontrolling interests in the Operating Partnership, fixed charges and distributed income of equity investees, less capitalized interest and noncontrolling interest in pre-tax earnings of consolidated subsidiaries with no fixed charges. Fixed charges consist of interest costs, whether expensed or capitalized, amortization of debt issuance costs and the portion of rent expense deemed to be the equivalent of interest.

	Nine Months Ended September 30, 2014	Year Ended December 31, 2013 <sup>(1)</sup>	Year Ended December 31, 2012 <sup>(2)</sup>	Year Ended December 31, 2011 <sup>(2)</sup>
Ratio of earnings to combined fixed charges and preferred stock dividends <sup>(3)</sup>	1.59			
Deficiency of earnings to fixed charges (in thousands)		\$ (285 )	\$ (11,960 )	\$ (3,466 )

Due to the timing of our IPO, which was completed on October 15, 2013, the ratio of earnings to fixed charges and (1) preferred dividends for the year ended December 31, 2013 reflects the ratio of earnings to combined fixed charges and preferred dividends for our company together with our historical predecessor, QualityTech, LP.

(2) Reflects the ratio of earnings to combined fixed charges and preferred dividends for our historical predecessor.

(3) No shares of preferred stock were issued and outstanding for any of the periods presented.

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## **DESCRIPTION OF CAPITAL STOCK**

Our articles of amendment and restatement ( our charter ) provides that we may issue up to 450,000,000 shares of Class A common stock, \$0.01 par value per share ( Class A common stock ), up to 133,000 shares of Class B common stock, \$0.01 par value per share ( Class B common stock, and together with our Class A common stock, the common stock ), and 49,867,000 shares of preferred stock, \$0.01 par value per share. Our charter authorizes our board of directors to amend our charter to increase or decrease the 500,000,000 aggregate number of authorized shares of common stock or preferred stock or the number of shares of stock of any class or series without stockholder approval; except that our board of directors may not increase the number of shares of Class B common stock that we have authority to issue or reclassify any shares of our capital stock as Class B common stock without stockholder approval.

As of November 3, 2014, 28,989,678 shares of Class A common stock, 133,000 shares of Class B common stock and no shares of preferred stock were outstanding.

Under Maryland law, stockholders generally are not personally liable for our debts or obligations solely as a result of their status as stockholders.



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## **DESCRIPTION OF COMMON STOCK**

### **Authorization and Issuance**

All shares of Class A common stock offered by this prospectus will be duly authorized, validly issued, fully paid and nonassessable. No shares of Class B common stock are being offered by this prospectus.

### **Voting Rights**

Subject to the provisions of our charter regarding the restrictions on transfer and ownership of shares of our common stock and except as may otherwise be specified in the terms of any class or series of common stock, each outstanding share of Class A common stock entitles the holder to one vote and each outstanding share of Class B common stock entitles the holder to 50 votes on all matters submitted to a vote of stockholders, including the election of directors, and, except as provided with respect to any other class or series of capital stock, the holders of shares of Class A common stock and Class B common stock vote together as a single class and possess exclusive voting power. Directors are elected by a plurality of the votes cast by stockholders and there is no cumulative voting in the election of our directors. A majority of the votes cast by stockholders is sufficient to approve any other matter, unless a different vote is required by our bylaws, rule, regulation or statute, or by our charter.

Under the Maryland General Corporation Law (the "MGCL") a Maryland corporation generally cannot dissolve, amend its charter, merge, sell all or substantially all of its assets, engage in a statutory share exchange or engage in similar transactions outside the ordinary course of business unless declared advisable by a majority of its board of directors and approved by the affirmative vote of stockholders holding at least two-thirds of the shares entitled to vote on the matter unless a lesser percentage (but not less than a majority of all the votes entitled to be cast on the matter) is set forth in the corporation's charter. Our charter provides that these actions may be taken if declared advisable by a majority of our board of directors and approved by the vote of stockholders holding at least a majority of the votes entitled to be cast on the matter (other than certain amendments to the provisions of our charter related to the removal of directors and the restrictions on ownership and transfer of our shares of stock, which require a vote of at least two-thirds of the votes entitled to be cast on the matter). However, Maryland law permits a corporation to transfer all or substantially all of its assets without the approval of the stockholders of the corporation to one or more persons if all of the equity interests of the person or persons are owned, directly or indirectly, by the corporation. In addition, because operating assets may be held by a corporation's subsidiaries, as in our situation, these subsidiaries may be able to transfer all or substantially all of such assets without a vote of our stockholders.

### **Dividends, Distributions, Liquidation and Other Rights**

Subject to the preferential rights of any other class or series of our stock and to the provisions of our charter regarding the restrictions on transfer of shares of stock, holders of shares of common stock are entitled to receive dividends on such shares of common stock if, as and when authorized by our board of directors and declared by us out of assets legally available therefor. Such holders also are entitled to share ratably in the assets of our company legally available for distribution to our stockholders in the event of our liquidation, dissolution or winding up after payment or establishment of reserves for all of our debts and liabilities and any shares with preferential rights thereto.

Holders of shares of common stock have no preference, conversion (other than as described below with respect to the Class B common stock), exchange, sinking fund or redemption rights, have no preemptive rights to subscribe for any

securities of our company and have no appraisal rights. Subject to the preferential rights of any other class or series of our stock and to the provisions of our charter regarding the restrictions on transfer of shares of stock, shares of common stock have equal dividend, liquidation and other rights.

## **Power to Reclassify Our Unissued Shares of Stock**

Our charter authorizes our board of directors to classify and reclassify any unissued shares of common or preferred stock into other classes or series of shares of stock and to establish the number of shares in each class or series and to set the preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption for each such class or series; provided that our board may not increase the number of shares of Class B common stock that we

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have authority to issue or reclassify any shares of our capital stock as Class B common stock without stockholder approval. As a result, our board of directors could authorize the issuance of shares of preferred stock that have priority over the shares of common stock with respect to dividends, distributions and rights upon liquidation and with other terms and conditions that could have the effect of delaying, deterring or preventing a transaction or a change in control that might involve a premium price for holders of shares of our common stock or otherwise might be in their best interest. No shares of preferred stock are presently outstanding, and we do not have present plans to issue any shares of preferred stock.

## **Power to Increase or Decrease Authorized Shares of Common Stock and Issue Additional Shares of Common and Preferred Stock**

We believe that the power of our board of directors, without prior stockholder approval (subject to certain exceptions), to amend our charter to increase or decrease the number of authorized shares of stock, to issue additional authorized but unissued shares of common stock or preferred stock and to classify or reclassify unissued shares of common stock or preferred stock and thereafter to cause us to issue such classified or reclassified shares of stock will provide us with increased flexibility in structuring possible future financings and acquisitions and in meeting other needs that might arise. The additional classes or series will be available for issuance without further action by our stockholders, unless such action is required by applicable law or the rules of any stock exchange or automated quotation system on which our securities may be listed or traded. Although our board of directors does not currently intend to do so, it could authorize us to issue a class or series that could, depending upon the terms of the particular class or series, delay, defer or prevent a transaction or a change in control of our company that might involve a premium price for holders of our shares of stock or otherwise be in the best interest of our stockholders.

## **Class B Common Stock**

In connection with our IPO, we issued 133,000 shares of Class B common stock. Subject to the provisions of our charter regarding the restrictions on transfer and ownership of shares of our common stock and except as may otherwise be specified in the terms of any class or series of common stock, each outstanding share of Class B common stock entitles the holder to 50 votes on all matters submitted to a vote of stockholders, including the election of directors, and, except as provided with respect to any other class or series of capital stock, the holders of shares of Class B common stock vote together as a single class with the holders of Class A common stock. Each share of Class B common stock may be converted into one share of Class A common stock by the holder at any time and is subject to automatic conversion to shares of Class A common stock upon a direct or indirect transfer of beneficial ownership of a share of Class B common stock or of common units of limited partnership of the Operating Partnership ( OP units ) held by the beneficial owner of such Class B common stock. Our charter prohibits our board from increasing the number of shares of Class B common stock that we have authority to issue or reclassifying any shares of our capital stock as Class B common stock without stockholder approval.

In order to exercise the optional conversion right, the holder of Class B common stock shall deliver a written conversion notice stating the number of shares to be converted, the date on which the conversion shall occur (which date shall be a business day no be less than five business days nor more than twenty business days from the date of such conversion notice) to the transfer agent for the Class B common stock, together with the certificates, if any, representing the shares of Class B common stock to be converted, duly endorsed for transfer.

## Restrictions on Ownership and Transfer

With certain exceptions, our charter generally prohibits any person (other than a person who has been granted an exception) from beneficially or constructively owning more than 7.5% of the aggregate of the outstanding shares of our common stock by value or by number of shares, whichever is more restrictive, except for certain designated investment entities that may own up to 9.8% of the aggregate of the outstanding shares our common stock, subject to certain conditions. Chad L. Williams, our Chairman and Chief Executive Officer, his family members and certain entities controlled by them are excepted holders under our charter, and none of them are permitted to beneficially or constructively own more than 19.8% of the aggregate of the outstanding shares of our common stock by value or by number of shares, whichever is more restrictive, after application of the relevant attribution rules. Our charter permits exceptions to be made for stockholders provided our

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board of directors determines such exceptions will not jeopardize our qualification as a REIT. For more information regarding these ownership restrictions and certain other restrictions intended to protect our qualification as a REIT, see Restrictions on Ownership and Transfer.

## **Certain Provisions of Maryland Law and Our Charter and Bylaws**

For a description of certain provision of Maryland law and our charter and bylaws that may affect the rights and restrictions related to our Class A common stock, see Certain Provisions of Maryland Law and Our Charter and Bylaws.

## **Exchange Listing**

Our Class A common stock is listed on the NYSE under the symbol QTS.

## **Transfer Agent and Registrar**

The transfer agent and registrar for our shares of common stock is Computershare Trust Company, N.A.

## **Registration Rights**

In connection with our IPO, we entered into amended and restated registration rights agreements with each of General Atlantic and Chad L. Williams, our Chairman and Chief Executive Officer. Pursuant to the terms of the registration rights agreements, beginning 180 days after the completion of our IPO, General Atlantic and Mr. Williams have demand rights to require us to file a new registration statement and prospectus providing for the sale by such holders of some or all of their shares, provided that (i) unless the holder is registering all of its shares, the shares to be registered in any registration must have an aggregate offering price of at least \$5 million, (ii) the holders may make only four such demands, and (iii) we are not required to affect more than two such demands in any 12 month period. The holders may require us to use our reasonable best efforts to cause any such demand registration to be in the form of an underwritten offering. We may satisfy this obligation by causing the requested shares to be included as part of an existing shelf registration statement that we then have on file with (and that has been declared effective by) the SEC.

In addition to the foregoing, if we file a registration statement with respect to an offering for our own account or on behalf of a holder of our common stock, each of General Atlantic and Mr. Williams will have the right, subject to certain limitations, to register such number of registrable shares held by it or him as each such holder requests. With respect to underwritten offerings, we will not be required to include any shares of a holder in the offering unless the holder accepts the terms of the offering as agreed between us and the underwriter, and then only in such amount as the underwriter believes will not jeopardize the success of the offering.

We also have agreed to indemnify General Atlantic and Mr. Williams against specified liabilities, including certain potential liabilities arising under the Securities Act or the Exchange Act, or to contribute to the expenses incurred or the payments such persons may be required to make in respect thereof. We have agreed to pay all of the expenses relating to the registration and any underwritten offerings of such securities, including, without limitation, all registration, listing, filing and stock exchange or FINRA fees, all fees and expenses of complying with securities or blue sky laws, all printing expenses, all fees of counsel and independent public accountants retained by us and the cost of any liability insurance or other premiums for insurance obtained in connection with any shelf registration statement pursuant to the registration rights agreement. General Atlantic and Mr. Williams will be responsible for underwriting

discounts and commissions, any out-of-pocket expenses (including disbursements of their respective holder's counsel, accountants and other advisors) and any transfer taxes related to the sale or disposition of the shares.

The registration rights agreement with Mr. Williams also provides that, subject to certain limitations, we will use commercially reasonable efforts to file, during the period beginning 15 days prior to November 1, 2014 and ending 15 days thereafter, a registration statement registering the issuance of shares of our Class A common stock to him upon redemption of his OP units and Class B common stock ( Williams registrable shares ). We have agreed to use our reasonable best efforts to cause the shelf registration statement to be declared and remain effective as soon as practicable after it is filed and to use commercially reasonable efforts to keep the shelf registration statement continuously effective until such time as Mr. Williams no longer holds any Williams registrable shares.

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## **DESCRIPTION OF PREFERRED STOCK**

### **General**

Subject to the limitations prescribed by Maryland law and our charter and bylaws, our charter authorizes our board of directors to classify or reclassify and issue one or more classes or series of preferred stock without stockholder approval. Our board of directors may determine the relative preferences, conversion and other rights, voting powers, restrictions and limitations as to dividends or other distributions, qualifications or terms or conditions of redemption of each class or series of preferred stock so issued, which may be more beneficial than the rights, preferences and privileges attributable to our common stock. The issuance of preferred stock could have the effect of delaying, deterring or preventing a transaction or a change in control that might involve a premium price for holders of shares of our common stock or otherwise might be in their best interest. The preferred stock will, when issued, be fully paid and nonassessable and will not have, or be subject to, any preemptive or similar rights.

Any prospectus supplement relating to a series of preferred stock will describe the specific terms of such securities, which may include:

- the title and stated value of such preferred stock;
- the number of shares of such preferred stock offered, the liquidation preference per share and the offering price of such shares;
- the dividend rate(s), period(s) and/or payment date(s) or method(s) of calculation thereof applicable to such preferred stock;
- whether dividends shall be cumulative or non-cumulative and, if cumulative, the date from which dividends on such preferred stock shall accumulate;
  - the procedures for any auction and remarketing, if any, for such preferred stock;
  - the provisions for a sinking fund, if any, for such preferred stock;
  - the provisions for redemption, if applicable, of such preferred stock;
  - any listing of such preferred stock on any securities exchange;
- the terms and conditions, if applicable, upon which shares of such preferred stock will be convertible into shares of our common stock, including the conversion price (or manner of calculation thereof) and conversion period;
  - a discussion of additional material U.S. federal income tax considerations;
- any limitations on issuance of any series of preferred stock ranking senior to or on a parity with such series of preferred stock as to dividend rights and rights upon liquidation, dissolution or winding up of our affairs; in addition to those limitations described below, any other limitations on actual or constructive ownership and restrictions on transfer, in each case as may be appropriate to preserve our status as a REIT; and
  - any other specific terms, preferences, rights, limitations or restrictions of such preferred stock.

### **Restrictions on Ownership and Transfer**

With certain exceptions, our charter generally prohibits any person (other than a person who has been granted an exception) from beneficially or constructively owning more than 7.5% of the aggregate of the outstanding shares of our preferred stock by value or by number of shares, whichever is more restrictive, except for certain designated investment entities that may own up to 9.8% of the aggregate of the outstanding shares of our preferred stock, subject to certain conditions. Our charter permits exceptions to be made for stockholders provided our board of directors determines such exceptions will not jeopardize our qualification as a REIT. For more information regarding these ownership restrictions and certain other restrictions intended to protect our qualification as a REIT, see [Restrictions on Ownership and Transfer](#).





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**Certain Provisions of Maryland Law and Our Charter and Bylaws**

See Certain Provisions of Maryland Law and Our Charter and Bylaws.

**Transfer Agent and Registrar**

The registrar and transfer agent for the shares of preferred stock will be set forth in the applicable prospectus supplement.

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## **DESCRIPTION OF DEPOSITARY SHARES**

### **General**

We may issue receipts for depositary shares, each of which will represent a fractional interest of a share of a particular series of preferred stock, as specified in the applicable prospectus supplement. Preferred stock of each series represented by depositary shares will be deposited under a separate deposit agreement among us, the depositary named therein and the holders from time to time of the depositary receipts. Subject to the terms of the applicable deposit agreement, each owner of a depositary receipt will be entitled, in proportion to the fractional interest of a share of a particular series of preferred stock represented by the depositary shares evidenced by such depositary receipt, to all the rights and preferences of the preferred stock represented by such depositary shares (including dividend, voting, conversion, redemption and liquidation rights).

The depositary shares will be evidenced by depositary receipts issued pursuant to the applicable deposit agreement.

Immediately following the issuance and delivery of the shares of preferred stock by us to a preferred shares depositary, we will cause such preferred shares depositary to issue, on our behalf, the depositary receipts. Copies of the applicable form of deposit agreement and depositary receipt may be obtained from us upon request, and the statements made herein relating to the deposit agreement and the depositary receipts to be issued thereunder are summaries of certain provisions thereof and do not purport to be complete and are subject to, and qualified in their entirety by reference to, all of the provisions of the applicable deposit agreement and related depositary receipts.

### **Dividends and Other Distributions**

The preferred shares depositary will distribute all cash dividends or other cash distributions received in respect of the shares of preferred stock to the record holders of depositary receipts evidencing the related depositary shares in proportion to the number of such depositary receipts owned by such holders, subject to certain obligations of holders to file proofs, certificates and other information and to pay certain charges and expenses to the preferred shares depositary.

In the event of a distribution other than in cash, the preferred shares depositary will distribute property received by it to the record holders of depositary receipts entitled thereto, subject to certain obligations of holders to file proofs, certificates and other information and to pay certain charges and expenses to the preferred shares depositary, unless the preferred shares depositary determines that it is not feasible to make such distribution, in which case the preferred shares depositary may, with our approval, sell such property and distribute the net proceeds from such sale to such holders.

No distribution will be made in respect of any depositary share to the extent that it represents any shares of preferred stock converted into other securities.

### **Withdrawal of Shares**

Upon surrender of the depositary receipts at the corporate trust office of the applicable preferred shares depositary (unless the related depositary shares have previously been called for redemption or converted into other securities), the holders thereof will be entitled to delivery at such office, to or upon such holder's order, of the number of whole or fractional shares of preferred stock and any money or other property represented by the depositary shares evidenced

by such depositary receipts. Holders of depositary receipts will be entitled to receive whole or fractional shares of preferred stock on the basis of the proportion of preferred stock represented by each depositary share as specified in the applicable prospectus supplement, but holders of such preferred stock will not thereafter be entitled to receive depositary shares therefor. If the depositary receipts delivered by the holder evidence a number of depositary shares in excess of the number of depositary shares representing the number of shares of preferred stock to be withdrawn, the preferred shares depositary will deliver to such holder at the same time a new depositary receipt evidencing such excess number of depositary shares.

## **Redemption of Depositary Shares**

Whenever we redeem shares of preferred stock held by the preferred shares depositary, the preferred shares depositary will redeem as of the same redemption date the number of depositary shares representing shares of preferred stock so redeemed, provided we shall have paid in full to the preferred shares depositary the

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redemption price of the preferred stock to be redeemed plus an amount equal to any accrued and unpaid dividends thereon to the date fixed for redemption. The redemption price per depositary share will be equal to the corresponding proportion of the redemption price and any other amounts per share payable with respect to the preferred stock. If fewer than all the depositary shares are to be redeemed, the depositary shares to be redeemed will be selected pro rata (as nearly as may be practicable without creating fractional depositary shares) or by any other equitable method determined by us that will not result in a violation of the ownership restrictions in our charter.

From and after the date fixed for redemption, all dividends in respect of the preferred stock so called for redemption will cease to accrue, the depositary shares so called for redemption will no longer be deemed to be outstanding and all rights of the holders of the depositary receipts evidencing the depositary shares so called for redemption will cease, except the right to receive any moneys payable upon such redemption and any money or other property to which the holders of such depositary receipts were entitled upon such redemption and surrender thereof to the preferred shares depositary. See Restrictions on Ownership and Transfer.

## **Voting of the Shares of Preferred Stock**

Upon receipt of notice of any meeting at which the holders of the applicable shares of preferred stock are entitled to vote, the preferred shares depositary will mail the information contained in such notice of meeting to the record holders of the depositary receipts evidencing the depositary shares which represent such shares of preferred stock. Each record holder of depositary receipts evidencing depositary shares on the record date (which will be the same date as the record date for the preferred stock) will be entitled to instruct the preferred shares depositary as to the exercise of the voting rights pertaining to the amount of preferred stock represented by such holder's depositary shares. The preferred shares depositary will vote the amount of preferred stock represented by such depositary shares in accordance with such instructions, and we will agree to take all reasonable action which may be deemed necessary by the preferred shares depositary in order to enable the preferred shares depositary to do so. The preferred shares depositary will abstain from voting the amount of preferred stock represented by such depositary shares to the extent it does not receive specific instructions from the holders of depositary receipts evidencing such depositary shares. The preferred shares depositary shall not be responsible for any failure to carry out any instruction to vote, or for the manner or effect of any such vote made, as long as any such action or non-action is in good faith and does not result from negligence or willful misconduct of the preferred shares depositary.

## **Liquidation Preference**

In the event of our liquidation, dissolution or winding up, whether voluntary or involuntary, the holders of each depositary receipt will be entitled to a fraction of the liquidation preference accorded each share of preferred stock represented by the depositary shares evidenced by such depositary receipt, as set forth in the applicable prospectus supplement.

## **Conversion of Shares of Preferred Stock**

The depositary shares, as such, are not convertible into common stock or any of our other securities or property. Nevertheless, if so specified in the applicable prospectus supplement relating to an offering of depositary shares, the depositary receipts may be surrendered by holders thereof to the preferred shares depositary with written instructions to the preferred shares depositary to instruct us to cause conversion of the shares of preferred stock represented by the depositary shares evidenced by such depositary receipts into whole shares of common stock, other shares of preferred stock, and we agree that upon receipt of such instructions and any amounts payable in respect thereof, we will cause

the conversion thereof utilizing the same procedures as those provided for delivery of shares of preferred stock to effect such conversion. If the depositary shares evidenced by a depositary receipt are to be converted in part only, a new depositary receipt or receipts will be issued for any depositary shares not to be converted. No fractional shares of common stock will be issued upon conversion, and if such conversion would result in a fractional share being issued, an amount will be paid in cash by us equal to the value of the fractional interest based upon the closing price of the common stock on the last business day prior to the conversion.

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## **Amendment and Termination of Deposit Agreement**

The form of depositary receipt evidencing the depositary shares which represent the preferred stock and any provision of the deposit agreement may at any time be amended by agreement between us and the preferred shares depositary. However, any amendment that materially and adversely alters the rights of the holders of depositary receipts or that would be materially and adversely inconsistent with the rights granted to the holders of the related preferred stock will not be effective unless such amendment has been approved by the existing holders of at least two-thirds of the applicable depositary shares evidenced by the applicable depositary receipts then outstanding. No amendment shall impair the right, subject to certain exceptions in the deposit agreement, of any holder of depositary receipts to surrender any depositary receipt with instructions to deliver to the holder the related preferred stock and all money and other property, if any, represented thereby, except in order to comply with law. Every holder of an outstanding depositary receipt at the time any such amendment becomes effective shall be deemed, by continuing to hold such receipt, to consent and agree to such amendment and to be bound by the deposit agreement as amended thereby.

The deposit agreement may be terminated by us upon not less than 30 days prior written notice to the preferred shares depositary if (i) such termination is necessary to preserve our status as a REIT or (ii) a majority of each series of preferred stock affected by such termination consents to such termination, whereupon the preferred shares depositary shall deliver or make available to each holder of depositary receipts, upon surrender of the depositary receipts held by such holder, such number of whole or fractional shares of preferred stock as are represented by the depositary shares evidenced by such depositary receipts together with any other property held by the preferred shares depositary with respect to such depositary receipts. We have agreed that if the deposit agreement is terminated to preserve our status as a REIT, then we will use our best efforts to list the preferred stock issued upon surrender of the related depositary shares on a national securities exchange. In addition, the deposit agreement will automatically terminate if (i) all outstanding depositary shares shall have been redeemed, (ii) there shall have been a final distribution in respect of the related preferred stock in connection with our liquidation, dissolution or winding up and such distribution shall have been distributed to the holders of depositary receipts evidencing the depositary shares representing such preferred stock or (iii) each related share of preferred stock shall have been converted into our securities not so represented by depositary shares.

## **Charges of Preferred Shares Depositary**

We will pay all transfer and other taxes and governmental charges arising solely from the existence of the deposit agreement. In addition, we will pay the fees and expenses of the preferred shares depositary in connection with the performance of its duties under the deposit agreement. However, holders of depositary receipts will pay the fees and expenses of the preferred shares depositary for any duties requested by such holders to be performed which are outside of those expressly provided for in the deposit agreement.

## **Resignation and Removal of Depositary**

The preferred shares depositary may resign at any time by delivering to us notice of its election to do so, and we may at any time remove the preferred shares depositary, any such resignation or removal to take effect upon the appointment of a successor preferred shares depositary. A successor preferred shares depositary must be appointed within 60 days after delivery of the notice of resignation or removal and must be a bank or trust company having its principal office in the United States and that meets certain combined capital and surplus requirements.

## Miscellaneous

The preferred shares depositary will forward to holders of depositary receipts any reports and communications from us which are received by the preferred shares depositary with respect to the related preferred stock.

Neither we nor the preferred shares depositary will be liable if we or it is prevented from or delayed in, by law or any circumstances beyond our or its control, performing our or its obligations under the deposit agreement. The obligations of us and the preferred shares depositary under the deposit agreement will be limited to performing their duties thereunder in good faith and without negligence (in the case of any action or inaction in the voting of shares of preferred stock represented by the depositary shares), gross negligence or willful misconduct, and we and the preferred shares depositary will not be obligated to prosecute or defend

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any legal proceeding in respect of any depositary receipts, depositary shares or shares of preferred stock represented thereby unless satisfactory indemnity is furnished. We and the preferred shares depositary may rely on written advice of counsel or accountants, or information provided by persons presenting shares of preferred stock represented thereby for deposit, holders of depositary receipts or other persons believed in good faith to be competent to give such information, and on documents believed in good faith to be genuine and signed by a proper party.

In the event the preferred shares depositary shall receive conflicting claims, requests or instructions from any holders of depositary receipts, on the one hand, and us, on the other hand, the preferred shares depositary shall be entitled to act on such claims, requests or instructions received from us.

## **Restrictions on Ownership**

With certain exceptions, our charter generally prohibits any person (other than a person who has been granted an exception) from beneficially or constructively owning more than 7.5% of the aggregate of the outstanding shares of our preferred stock by value or by number of shares, whichever is more restrictive, except for certain designated investment entities that may own up to 9.8% of the aggregate of the outstanding shares of our preferred stock, subject to certain conditions. Our charter permits exceptions to be made for stockholders provided our board of directors determines such exceptions will not jeopardize our qualification as a REIT. For more information regarding these ownership restrictions and certain other restrictions intended to protect our qualification as a REIT, see [Restrictions on Ownership and Transfer](#).



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## DESCRIPTION OF WARRANTS

We may offer by means of this prospectus warrants for the purchase of any of the types of securities offered by this prospectus. We may issue warrants separately or together with any other securities offered by means of this prospectus, and the warrants may be attached to or separate from such securities. Each series of warrants will be issued under a separate warrant agreement to be entered into between us and a warrant agent specified therein or the applicable prospectus supplement. The warrant agent will act solely as our agent in connection with the warrants of such series and will not assume any obligation or relationship of agency or trust for or with any holders or beneficial owners of warrants.

Any prospectus supplement relating to warrants will describe, the specific terms of such securities, which may include:

- the title of such warrants;
- the aggregate number of such warrants;
- the price or prices at which such warrants will be issued;
- the currencies in which the price or prices of such warrants may be payable;
- the price or prices at which and currency or currencies in which the securities purchasable upon exercise of such warrants may be purchased;
- the designation, amount and terms of the securities purchasable upon exercise of such warrants;
- the designation and terms of the other securities with which such warrants are issued and the number of such warrants issued with each such security;
- if applicable, the date on and after which such warrants and the securities purchasable upon exercise of such warrants will be separately transferable;
- the date on which the right to exercise such warrants shall commence and the date on which such right shall expire;
- the minimum or maximum amount of such warrants which may be exercised at any one time;
- information with respect to book-entry procedures, if any;
- a discussion of material U.S. federal income tax considerations; and

any other material terms of such warrants, including terms, procedures and limitations relating to the exchange and exercise of such warrants.

## Restrictions on Ownership

With certain exceptions, our charter generally prohibits any person (other than a person who has been granted an exception) from beneficially or constructively owning more than 7.5% of the aggregate of the outstanding shares of our common stock or our preferred stock, by value or by number of shares, whichever is more restrictive, except for certain designated investment entities that may own up to 9.8% of the aggregate of the outstanding shares our common stock or of our preferred stock, subject to certain conditions. Chad L. Williams, our Chairman and Chief Executive Officer, his family members and certain entities controlled by them are excepted holders under our charter, and none of them are permitted to beneficially or constructively own more than 19.8% of the aggregate of the outstanding shares of our common stock by value or by number of shares, whichever is more restrictive, after application of the relevant attribution rules. Our charter permits exceptions to be made for stockholders provided our board of directors determines such exceptions will not jeopardize our qualification as a REIT. For more information regarding these ownership restrictions and certain other restrictions intended to protect our qualification as a REIT, see Restrictions on Ownership and Transfer.



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## DESCRIPTION OF RIGHTS

We may issue rights to our stockholders for the purchase of shares of common stock. Each series of rights will be issued under a separate rights agreement to be entered into between us and a bank or trust company, as rights agent, all as set forth in the prospectus supplement relating to the particular issue of rights. The rights agent will act solely as our agent in connection with the certificates relating to the rights of such series and will not assume any obligation or relationship of agency or trust for or with any holders of rights certificates or beneficial owners of rights. The rights agreement and the rights certificates relating to each series of rights will be filed with the SEC and incorporated by reference as an exhibit to the registration statement of which this prospectus is a part.

Any prospectus supplement relating to a series of rights will describe the specific terms of such securities, which may include:

- the date for determining the stockholders entitled to the rights distribution;
- the aggregate number of shares common stock purchasable upon exercise of such rights and the exercise price;
- the aggregate number of rights being issued;
- the date, if any, on and after which such rights may be transferable separately;
- the date on which the right to exercise such rights shall commence and the date on which such right shall expire;
- a discussion of material U.S. federal income tax considerations; and

any other terms of such rights, including terms, procedures and limitations relating to the distribution, exchange and exercise of such rights.

### Restrictions on Ownership

With certain exceptions, our charter generally prohibits any person (other than a person who has been granted an exception) from beneficially or constructively owning more than 7.5% of the aggregate of the outstanding shares of our common stock by value or by number of shares, whichever is more restrictive, except for certain designated investment entities that may own up to 9.8% of the aggregate of the outstanding shares our common stock, subject to certain conditions. Chad L. Williams, our Chairman and Chief Executive Officer, his family members and certain entities controlled by them are excepted holders under our charter, and none of them are permitted to beneficially or constructively own more than 19.8% of the aggregate of the outstanding shares of our common stock by value or by number of shares, whichever is more restrictive, after application of the relevant attribution rules. Our charter permits exceptions to be made for stockholders provided our board of directors determines such exceptions will not jeopardize our qualification as a REIT. For more information regarding these ownership restrictions and certain other restrictions intended to protect our qualification as a REIT, see [Restrictions on Ownership and Transfer](#).

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# **CERTAIN PROVISIONS OF MARYLAND LAW AND OUR CHARTER AND BYLAWS**

The following is a summary of certain provisions of Maryland law and our charter and bylaws.

## **Our Board of Directors**

Our charter and bylaws provide that the number of directors of our company may be established by our board of directors, but may not be fewer than the minimum number required under Maryland law nor more than 15 directors.

Our charter and bylaws provide that any vacancy, including a vacancy created by an increase in the number of directors, may be filled only by a majority of the remaining directors, even if the remaining directors do not constitute a quorum. Any individual elected to fill such vacancy will serve for the remainder of the full term and until a successor is duly elected and qualified.

Pursuant to our bylaws, each of our directors is elected by our stockholders to serve until the next annual meeting of stockholders and until his or her successor is duly elected and qualifies under Maryland law. Holders of shares of our common stock will have no right to cumulative voting in the election of directors. Directors are elected by a plurality of the votes cast.

Our bylaws provide that at least a majority of our directors will be independent, with independence being defined in the manner established by our board of directors and in a manner consistent with listing standards established by the NYSE.

## **Removal of Directors**

Our charter provides that, subject to the rights of holders of one or more classes or series of preferred stock to elect or remove one or more directors, a director may be removed only for cause (as defined in our charter) and only by the affirmative vote of at least two-thirds of the votes entitled to be cast generally in the election of directors and that our board of directors has the exclusive power to fill vacant directorships. These provisions may preclude stockholders from removing incumbent directors and filling the vacancies created by such removal with their own nominees.

## **Business Combinations**

Under the MGCL, certain business combinations (including a merger, consolidation, share exchange or, in certain circumstances specified under the statute, an asset transfer or issuance or reclassification of equity securities) between a Maryland corporation and any interested stockholder, or an affiliate of such an interested stockholder, are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder.

Maryland law defines an interested stockholder as:

any person who beneficially owns, directly or indirectly, 10% or more of the voting power of the corporation's voting stock; or

an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then outstanding voting stock of the corporation.

A person is not an interested stockholder under the statute if the board of directors approves in advance the transaction

by which the person otherwise would have become an interested stockholder. In approving a transaction, however, the board of directors may provide that its approval is subject to compliance at or after the time of the approval, with any terms and conditions determined by the board of directors.

After the five-year prohibition, any business combination between us and an interested stockholder generally must be recommended by the board of directors and approved by the affirmative vote of at least:

80% of the votes entitled to be cast by holders of outstanding voting shares of stock of the corporation; and two-thirds of the votes entitled to be cast by holders of voting shares of stock of the corporation other than shares held by the interested stockholder with whom (or with whose affiliate) the business combination is to be effected or shares held by an affiliate or associate of the interested stockholder,

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unless, among other conditions, the corporation's common stockholders receive a minimum price (as described under Maryland law) for their shares and the consideration is received in cash or in the same form as previously paid by the interested stockholder for its shares.

These provisions of the MGCL do not apply, however, to business combinations that are approved or exempted by a corporation's board of directors prior to the time that the interested stockholder becomes an interested stockholder. Pursuant to the statute, our board of directors has by resolution opted out of the business combination provisions of the MGCL and, consequently, the five-year prohibition and the supermajority vote requirements will not apply to business combinations between us and an interested stockholder, unless our board of directors in the future alters or repeals this resolution.

We cannot assure you that our board of directors will not determine to become subject to such business combination provisions in the future. However, an alteration or repeal of this resolution will not have any effect on any business combinations that have been consummated or upon any agreements existing at the time of such modification or repeal.

## **Control Share Acquisitions**

The MGCL provides that control shares of a Maryland corporation acquired in a control share acquisition have no voting rights except to the extent approved at a special meeting of stockholders by the affirmative vote of two-thirds of the votes entitled to be cast on the matter, excluding shares of stock in a corporation in respect of which any of the following persons are entitled to exercise or direct the exercise of the voting power of such shares in the election of directors: (1) a person who makes or proposes to make a control share acquisition, (2) an officer of the corporation or (3) an employee of the corporation who is also a director of the corporation. Control shares are voting shares of stock that, if aggregated with all other such shares of stock previously acquired by the acquirer or in respect of which the acquirer is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquirer to exercise voting power in electing directors within one of the following ranges of voting power:

one-tenth or more but less than one-third;  
one-third or more but less than a majority; or  
a majority or more of all voting power.

Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A control share acquisition means the acquisition, directly or indirectly, of ownership of, or the power to direct the exercise of voting power with respect to, issued and outstanding control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition, upon satisfaction of certain conditions (including an undertaking to pay expenses and making an acquiring person statement as described in the MGCL), may compel our board of directors to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the control shares. If no request for a special meeting is made, we may present the question at any stockholders meeting.

If voting rights of control shares are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by Maryland law, then, subject to certain conditions and limitations, the corporation may redeem any or all of the control shares (except those for which voting rights have previously been approved) for fair value. Fair value is determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquirer or of any meeting of stockholders at which the voting rights of such shares are considered and not approved. If voting rights for control shares are approved at a stockholders meeting and the acquirer becomes entitled to vote a majority of the shares entitled to vote, all other

stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of such appraisal rights may not be less than the highest price per share paid by the acquirer in the control share acquisition. The control share acquisition statute does not apply (1) to shares acquired in a merger, consolidation or share exchange if we are a party to the transaction or (2) to acquisitions approved or exempted by the charter or bylaws of the corporation.

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Our bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of our common stock. There is no assurance, however, that our board of directors will not amend or eliminate this provision at any time in the future.

### **Subtitle 8**

Subtitle 8 of Title 3 of the MGCL permits a Maryland corporation with a class of equity securities registered under the Exchange Act and at least three independent directors to elect to be subject, by provision in its charter or bylaws or a resolution of its board of directors and notwithstanding any contrary provision in the charter or bylaws, to any or all of the following five provisions:

a classified board;

a two-thirds stockholder vote requirement for removing a director;

a requirement that the number of directors be fixed only by vote of the directors;

a requirement that a vacancy on the board be filled only by the remaining directors and for the remainder of the full term of the class of directors in which the vacancy occurred; and

a requirement that requires the request of the holders of at least a majority of all votes entitled to be cast to call a special meeting of stockholders.

Through provisions in our charter and bylaws unrelated to Subtitle 8, we already (1) require the affirmative vote of the holders of not less than two-thirds of all of the votes entitled to be cast on the matter for the removal of any director from the board, which removal is allowed only for cause, (2) vest in the board the exclusive power to fix the number of directorships, subject to limitations set forth in our charter and bylaws, and fill vacancies and (3) require, unless called by the chairman of our board of directors, our president or chief executive officer or our board of directors, the written request of stockholders entitled to cast not less than a majority of all votes entitled to be cast at such meeting to call a special meeting. We have not elected to create a classified board. In the future, our board of directors may elect, without stockholder approval, to create a classified board or adopt one or more of the other provisions of Subtitle 8.

### **Amendment of Our Charter and Bylaws and Approval of Extraordinary Transactions**

Under the MGCL, a Maryland corporation generally cannot dissolve, amend its charter, merge, sell all or substantially all of its assets, engage in a statutory share exchange or engage in similar transactions outside the ordinary course of business unless declared advisable by a majority of the board of directors and approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter unless a lesser percentage, but not less than a majority of all of the votes entitled to be cast on the matter, is set forth in the corporation's charter. Our charter provides that these actions may be taken if declared advisable by a majority of our board of directors and approved by the vote of stockholders holding at least a majority of the votes entitled to be cast on the matter (other than certain amendments to the provisions of our charter related to the removal of directors and the restrictions on ownership and transfer of our shares of stock, which require a vote of at least two-thirds of the votes entitled to be cast on the matter).

Our board of directors has the exclusive power to adopt, alter or repeal any provision of our bylaws and to make new bylaws.



## Meetings of Stockholders

Under our bylaws, annual meetings of stockholders are to be held each year at a date and time as determined by our board of directors. Special meetings of stockholders may be called only by a majority of the directors then in office, by the chairman of our board of directors, our president or our chief executive officer. Additionally, subject to the provisions of our bylaws, special meetings of the stockholders shall be called by our secretary upon the written request of stockholders entitled to cast at least a majority of the votes entitled to be cast at such meeting. Only matters set forth in the notice of the special meeting may be considered and acted upon at such a meeting. Maryland law and our bylaws provide that any action required or permitted to be taken at a meeting of stockholders may be taken without a meeting by unanimous written consent, if that consent sets forth that action and is signed by each stockholder entitled to vote on the matter.

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## **Advance Notice of Director Nominations and New Business**

Our bylaws provide that, with respect to an annual meeting of stockholders, nominations of persons for election to our board of directors and the proposal of business to be considered by stockholders at the annual meeting may be made only:

pursuant to our notice of the meeting;

by or at the direction of our board of directors; or

by a stockholder who was a stockholder of record both at the time of giving of the notice of the meeting and at the time of the annual meeting, who is entitled to vote at the meeting and who has complied with the advance notice procedures set forth in our bylaws.

With respect to special meetings of stockholders, only the business specified in our notice of meeting may be brought before the meeting of stockholders. Nominations of persons for election to our board of directors may be made only:

pursuant to our notice of the meeting;

by or at the direction of our board of directors; or

provided that our board of directors has determined that directors shall be elected at such meeting, by a stockholder who is a stockholder of record both at the time of giving of the notice required by our bylaws and at the time of the meeting, who is entitled to vote at the meeting and who has complied with the advance notice provisions set forth in our bylaws.

The purpose of requiring stockholders to give advance notice of nominations and other proposals is to afford our board of directors the opportunity to consider the qualifications of the proposed nominees or the advisability of the other proposals and, to the extent considered necessary by our board of directors, to inform stockholders and make recommendations regarding the nominations or other proposals. The advance notice procedures also permit a more orderly procedure for conducting our stockholder meetings. Although our bylaws do not give our board of directors the power to disapprove timely stockholder nominations and proposals, our bylaws may have the effect of precluding a contest for the election of directors or proposals for other action if the proper procedures are not followed, and of discouraging or deterring a third party from conducting a solicitation of proxies to elect its own slate of directors to our board of directors or to approve its own proposal.

## **Anti-takeover Effect of Certain Provisions of Maryland Law and Our Charter and Bylaws**

The provisions of our charter on removal of directors and the advance notice provisions of the bylaws could delay, defer or prevent a transaction or a change in control of our company that might involve a premium price for holders of our common stock or otherwise be in the best interests of our stockholders. Likewise, if our board of directors were to opt in to the business combination provisions of the MGCL or certain of the provisions of Subtitle 8 of Title 3 of the MGCL, to the extent we have not already done so, or if the provision in the bylaws opting out of the control share acquisition provisions of the MGCL were amended or rescinded, these provisions of the MGCL could have similar anti-takeover effects.

## **Indemnification and Limitation of Directors and Officers Liability**

The MGCL permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from actual receipt of an improper benefit or profit in money, property or services or active and deliberate dishonesty established

by a final judgment as being material to the cause of action. Our charter contains such a provision that eliminates such liability to the maximum extent permitted by Maryland law.

The MGCL requires a corporation (unless its charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made or threatened to be made a party by reason of his or her service in that capacity. The MGCL permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in

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connection with any proceeding to which they may be made or are threatened to be made a party by reason of their service in those or other capacities unless it is established that:

the act or omission of the director or officer was material to the matter giving rise to the proceeding and (1) was committed in bad faith or (2) was the result of active and deliberate dishonesty;

the director or officer actually received an improper personal benefit in money, property or services; or  
the act or omission was unlawful.

However, under the MGCL, a Maryland corporation may not indemnify a director or officer for an adverse judgment in a suit by or in the right of the corporation or if the director or officer was adjudged liable on the basis that personal benefit was improperly received, unless in either case a court orders indemnification and then only for expenses.

In addition, the MGCL permits a corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of:

a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation; and

a written undertaking by the director or on the director's behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the director did not meet the standard of conduct.

Our charter and bylaws obligate us, to the maximum extent permitted by Maryland law in effect from time to time, to indemnify and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding to:

any present or former director or officer who is made or threatened to be made a party to the proceeding by reason of his or her service in that capacity; or

any individual who, while serving as a director or officer of our company and at our request, serves or has served another corporation, REIT, partnership, joint venture, trust, employee benefit plan or any other enterprise as a director, officer, partner or trustee of such corporation, REIT, partnership, joint venture, trust, employee benefit plan or other enterprise and who is made or threatened to be made a party to the proceeding by reason of his or her service in that capacity.

Our charter and bylaws also permit us, with the approval of our board of directors, to indemnify and advance expenses to any person who served a predecessor of ours in any of the capacities described above and to any employee or agent of our company or a predecessor of our company. With respect to our directors, we are the indemnitor of first resort to the extent that any directors simultaneously are entitled to indemnification from GA QTS Interholdco, LLC with respect to any of the same matters for which we are obligated to provide indemnification pursuant to our charter and bylaws.

In addition, upon completion of our IPO, we entered into indemnification agreements with each of our directors and executive officers that provide for indemnification to the maximum extent permitted by Maryland law.

Insofar as the foregoing provisions permit indemnification of directors, officers or persons controlling us for liability arising under the Securities Act of 1933, as amended (the Securities Act), we have been informed that, in the opinion of the SEC, this indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

## **Ownership Limits**

In order to assist us in complying with the limitations on the concentration of ownership of REIT stock imposed by the Code and for strategic reasons, our charter generally prohibits any person (other than a person who has been

granted an exception) from beneficially or constructively owning more than 7.5% of the aggregate of the outstanding shares of our common stock or our preferred stock, by value or by number of shares, whichever is more restrictive, except for certain designated investment entities that may own up to

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9.8% of the aggregate of the outstanding shares our common stock or our preferred stock, subject to certain conditions. Chad L. Williams, his family members and certain entities controlled by them are excepted holders under our charter and none of them are permitted to own more than 19.8% of the aggregate of the outstanding shares of our common stock by value or by number of shares, whichever is more restrictive, after application of the relevant attribution rules. Our charter permits exceptions to be made for stockholders provided our board determines such exceptions will not jeopardize our qualification as a REIT. See Restrictions on Ownership and Transfer.

**REIT Qualification**

Our charter provides that our board of directors may revoke or otherwise terminate our REIT election, without approval of our stockholders, if it determines that it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT.

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## **RESTRICTIONS ON OWNERSHIP AND TRANSFER**

In order for us to qualify as a REIT under the Code, shares of our stock must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months (other than the first year for which an election to be a REIT has been made) or during a proportionate part of a shorter taxable year. Also, not more than 50% of the value of the outstanding shares of stock (after taking into account options to acquire shares of common stock) may be owned, directly, indirectly or through attribution, by five or fewer individuals (as defined in the Code to include certain entities) at any time during the last half of a taxable year (other than the first year for which an election to be a REIT has been made).

In order to assist us in complying with the limitations on the concentration of ownership of REIT stock imposed by the Code, and for strategic reasons, our charter generally prohibits:

any person (other than a person who has been granted an exception) from beneficially or constructively owning more than 7.5% of the aggregate of the outstanding shares of our common stock by value or by number of shares, whichever is more restrictive;

any person (other than a person who has been granted an exception) from beneficially or constructively owning more than 7.5% of the aggregate of the outstanding shares of such class or series of our preferred stock by value or by number of shares, whichever is more restrictive; and

as excepted holders, any of Chad L. Williams, his family members and certain entities controlled by them, and any person who is or would be a beneficial owner or constructive owner of shares of our common stock as a result of the beneficial ownership or constructive ownership of shares of our common stock by Chad L. Williams, his family members and certain entities controlled by them, from beneficially or constructively owning more than 19.8% of the aggregate of the outstanding shares of our common stock by value or by number of shares, whichever is more restrictive, after application of the relevant attribution rules.

However, certain entities that are defined as designated investment entities in our charter, which generally includes pension funds, mutual funds, and certain investment management companies, are permitted to own up to 9.8% of the aggregate of our outstanding shares of common stock or preferred stock, so long as each beneficial owner of the shares owned by such designated investment entity would satisfy the 7.5% ownership limit if those beneficial owners owned directly their proportionate share of the common stock owned by the designated investment entity. Our board may, in its sole discretion, grant an exemption to the stock ownership limits, subject to such conditions and the receipt by our board of certain representations and undertakings. Our charter permits exceptions to be made for stockholders if our board of directors determines such exceptions will not jeopardize our qualification as a REIT.

Our charter provides an excepted holder limit that allows Chad L. Williams, his family members and entities owned by or for the benefit of them, and any person who is or would be a beneficial owner or constructive owner of shares of our common stock as a result of the beneficial ownership or constructive ownership of shares of our common stock by Chad L. Williams, his family members and certain entities controlled by them, as a group, to own more than 7.5% of the aggregate of the outstanding shares of our common stock, so long as, under the applicable tax attribution rules, no one such excepted holder treated as an individual would hold more than 19.8% of the aggregate of the outstanding shares of our common stock, no two such excepted holders treated as individuals would own more than 27.3% of the aggregate of the outstanding shares of our common stock, no three such excepted holders treated as individuals would own more than 34.8% of the aggregate of the outstanding shares of our common stock, no four such excepted holders treated as individuals would own more than 42.3% of the aggregate of the outstanding shares of our common stock, and no five such excepted holders treated as individuals would own more than 49.8% of the aggregate of the outstanding shares of our common stock. Currently, Chad L. Williams would be attributed all of the shares of common stock owned by each such other excepted holder and, accordingly, the Williams excepted holders as a group

would not be allowed to own in excess of 19.8% of the aggregate of the outstanding shares of our common stock. If at a later time, there were not one excepted holder that would be attributed all of the shares owned by such excepted holders as a group, the excepted holder limit as applied to the Williams group would not permit each such excepted holder to own 19.8% of the aggregate of the outstanding shares of our common stock. Rather, the excepted holder limit as applied to the Williams group would prevent two or more such



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excepted holders who are treated as individuals under the applicable tax attribution rules from owning a higher percentage of our common stock than the maximum amount of shares that could be owned by any one such excepted holder (19.8%), plus the maximum amount of shares that could be owned by any one or more other individual stockholders who are not excepted holders (7.5%).

Our charter also prohibits any person from (1) beneficially or constructively owning shares of our capital stock that would result in our being closely held under Section 856(h) of the Code, (2) transferring shares of our capital stock if such transfer would result in our being beneficially owned by fewer than 100 persons (determined without reference to any rules of attribution), (3) beneficially or constructively owning shares of our capital stock that would result in us owning (directly or indirectly) an interest in a tenant if the income derived by us from that tenant for our taxable year during which such determination is being made would reasonably be expected to equal or exceed the lesser of one percent of our gross income or an amount that would cause us to fail to satisfy any of the REIT gross income requirements and (4) beneficially or constructively owning shares of our capital stock that would cause us otherwise to fail to qualify as a REIT. Any person who acquires or attempts or intends to acquire beneficial ownership of shares of our capital stock that will or may violate any of the foregoing restrictions on transferability and ownership is required to give notice immediately to us and provide us with such other information as we may request in order to determine the effect of such transfers on our qualification as a REIT. The foregoing restrictions on transferability and ownership will not apply if our board of directors determines that it is no longer in our best interest to attempt to qualify, or to qualify, or to continue to qualify, as a REIT. In addition, our board of directors may determine that compliance with the foregoing restrictions is no longer required for our qualification as a REIT.

Our board of directors, in its sole discretion, may exempt a person from the above ownership limits and any of the restrictions described above. However, our board of directors may not grant an exemption to any person unless our board of directors obtains such representation, covenant and understandings as our board of directors may deem appropriate in order to determine that granting the exemption would not result in our losing our qualification as a REIT. As a condition of granting the exemption, our board of directors may require a ruling from the IRS or an opinion of counsel in either case in form and substance satisfactory to our board of directors, in its sole discretion in order to determine or ensure our qualification as a REIT.

In addition, our board of directors from time to time may increase the ownership limits. However, the ownership limits may not be increased if, after giving effect to such increase, five or fewer individuals could own or constructively own in the aggregate, more than 49.9% in value of the shares then outstanding. Our board of directors, in its sole discretion, may from time to time decrease the ownership limits, provided that no decreased limit will apply to any person whose ownership percentage exceeds such decreased limit until that person's ownership percentage equals or falls below such decreased ownership limit.

However, if any transfer of our shares of stock occurs which, if effective, would result in any person beneficially or constructively owning shares of stock in excess, or in violation, of the above transfer or ownership limitations, known as a prohibited owner, then that number of shares of stock, the beneficial or constructive ownership of which otherwise would cause such person to violate the transfer or ownership limitations (rounded up to the nearest whole share), will be automatically transferred to a charitable trust for the exclusive benefit of a charitable beneficiary, and the prohibited owner will not acquire any rights in such shares. This automatic transfer will be considered effective as of the close of business on the business day before the violative transfer. If the transfer to the charitable trust would not be effective for any reason to prevent the violation of the above transfer or ownership limitations, then the transfer of that number of shares of stock that otherwise would cause any person to violate the above limitations will be void. Shares of stock held in the charitable trust will continue to constitute issued and outstanding shares of our stock. The prohibited owner will not benefit economically from ownership of any shares of stock held in the charitable trust, will have no rights to dividends or other distributions and will not possess any rights to vote or other rights attributable to

the shares of stock held in the charitable trust. The trustee of the charitable trust will be designated by us and must be unaffiliated with us or any prohibited owner and will have all voting rights and rights to dividends or other distributions with respect to shares of stock held in the charitable trust, and these rights will be exercised for the exclusive benefit of the trust's charitable beneficiary. Any dividend or other distribution paid before our discovery that shares of stock have been transferred to the trustee will be paid by the recipient of such dividend or distribution to the trustee upon demand, and any dividend or other

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distribution authorized but unpaid will be paid when due to the trustee. Any dividend or distribution so paid to the trustee will be held in trust for the trust's charitable beneficiary. Subject to Maryland law, effective as of the date that such shares of stock have been transferred to the charitable trust, the trustee, in its sole discretion, will have the authority to:

rescind as void any vote cast by a prohibited owner prior to our discovery that such shares have been transferred to the charitable trust; and

recast such vote in accordance with the desires of the trustee acting for the benefit of the trust's charitable beneficiary. However, if we have already taken irreversible corporate action, then the trustee will not have the authority to rescind and recast such vote.

Within 20 days of receiving notice from us that shares of stock have been transferred to the charitable trust, and unless we buy the shares first as described below, the trustee will sell the shares of stock held in the charitable trust to a person, designated by the trustee, whose ownership of the shares will not violate the ownership limitations in our charter. Upon the sale, the interest of the charitable beneficiary in the shares sold will terminate and the trustee will distribute the net proceeds of the sale to the prohibited owner and to the charitable beneficiary. The prohibited owner will receive the lesser of:

the price paid by the prohibited owner for the shares or, if the prohibited owner did not give value for the shares in connection with the event causing the shares to be held in the charitable trust (for example, in the case of a gift or devise), the market price of the shares on the day of the event causing the shares to be held in the charitable trust; and the price per share received by the trustee from the sale or other disposition of the shares held in the charitable trust (less any commission and other expenses of a sale).

The trustee may reduce the amount payable to the prohibited owner by the amount of dividends and distributions paid to the prohibited owner and owed by the prohibited owner to the trustee. Any net sale proceeds in excess of the amount payable to the prohibited owner will be paid immediately to the charitable beneficiary. If, before our discovery that shares of stock have been transferred to the charitable trust, such shares are sold by a prohibited owner, then:

such shares will be deemed to have been sold on behalf of the charitable trust; and to the extent that the prohibited owner received an amount for such shares that exceeds the amount that the prohibited owner was entitled to receive as described above, the excess must be paid to the trustee upon demand.

In addition, shares of stock held in the charitable trust will be deemed to have been offered for sale to us, or our designee, at a price per share equal to the lesser of:

the price per share in the transaction that resulted in such transfer to the charitable trust (or, in the case of a gift or devise, the market price at the time of the gift or devise); and

the market price on the date we, or our designee, accept such offer.

We may reduce the amount payable to the prohibited owner by the amount of dividends and distributions paid to the prohibited owner and owed by the prohibited owner to the trustee. We may pay the amount of such reduction to the trustee for the benefit of the charitable beneficiary. We will have the right to accept the offer until the trustee has sold the shares of stock held in the charitable trust. Upon such a sale to us, the interest of the charitable beneficiary in the shares sold will terminate and the trustee will distribute the net proceeds of the sale to the prohibited owner and any dividends or other distributions held by the trustee will be paid to the charitable beneficiary.

All certificates representing shares of our capital stock bear a legend referring to the restrictions described above.



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Every owner of more than 5% (or such lower percentage as required by the Code or the regulations promulgated thereunder) in value of the outstanding shares of our capital stock within 30 days after the end of each taxable year, will be required to give written notice to us stating the name and address of such owner, the number of shares of each class and series of shares of our stock that the owner beneficially owns and a description of the manner in which the shares are held. Each such owner shall provide to us such additional information as we may request in order to determine the effect, if any, of the owner's beneficial ownership on our qualification as a REIT and to ensure compliance with our ownership limitations. In addition, each stockholder shall upon demand be required to provide to us such information as we may request, in good faith, in order to determine our qualification as a REIT and to comply with the requirements of any taxing authority or governmental authority or to determine such compliance.

Our ownership limitations could delay, defer or prevent a transaction or a change in control of us that might involve a premium price for holders of our common stock or might otherwise be in the best interest of our stockholders.

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## **CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS**

The following is a summary of certain U.S. federal income tax consequences relating to our qualification and taxation as a REIT and the acquisition, holding, and disposition of our common stock, preferred stock, and depositary shares (together with our common stock and preferred stock, the **Stock** ), as well as our warrants and rights. For purposes of this section under the heading **Certain U.S. Federal Income Tax Considerations**, references to **QTS Realty Trust, Inc.**

**we**, **our**, and **us** mean only **QTS Realty Trust, Inc.** and not its subsidiaries, except as otherwise indicated, and references to **tenants** are to persons who are treated as lessees of real property for purposes of the REIT requirements including, in general, persons who are referred to as **customers** elsewhere in this prospectus. This summary is based upon the Code, the regulations promulgated by the U.S. Treasury Department ( **Treasury regulations** ), rulings and other administrative pronouncements issued by the IRS, and judicial decisions, all as currently in effect, and all of which are subject to differing interpretations or to change, possibly with retroactive effect. No assurance can be given to you that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax consequences described below. This summary is also based upon the assumption that we and our subsidiaries and affiliated entities will operate in accordance with our and their applicable organizational documents. This summary is for your general information only and is not tax advice. It does discuss any state, local or non-U.S. tax consequences relevant to us or an investment in our **Stock**, and it does not discuss all aspects of federal income taxation that may be important to a particular investor in light of its investment or tax circumstances, or to investors subject to special tax rules, such as:

an insurance company;

a financial institution, broker, or dealer;

a regulated investment company or a REIT;

a holder who received our stock through the exercise of employee stock options or otherwise as compensation;

a person holding our stock as part of a **straddle**, **hedge**, **conversion transaction**, **synthetic security**, or other integrated investment;

a person holding our stock indirectly through other vehicles, such as partnerships, trusts, or other pass-through entities; and

except as discussed below, a tax-exempt organization or a foreign investor.

This summary assumes that investors will hold our **Stock** as a capital asset, which generally means property held for investment. The federal income tax treatment of holders of our stock depends in some instances on determinations of fact and interpretations of complex provisions of federal income tax law for which no clear precedent or authority may be available. In addition, the tax consequences to any particular stockholder of holding our **Stock** will depend on the stockholder's particular tax circumstances.

You are urged to consult your tax advisor regarding the federal, state, local, and foreign income and other tax consequences to you in light of your particular investment or tax circumstances of acquiring, holding, exchanging, or otherwise disposing of our stock.

### **Taxation of QTS Realty Trust, Inc.**

We were formed as a Maryland corporation on May 17, 2013, and, with effect as of such date, we elected to be treated as an S corporation for federal income tax purposes. We revoked our tax status as an S corporation effective October 8, 2013. We elected to be treated as a REIT for federal income tax purposes effective for our taxable year ended December 31, 2013 with our federal income tax return on IRS Form 1120-REIT for such year.

We elected to be taxed as a REIT under Sections 856 through 860 of the Code, commencing with our taxable year ended December 31, 2013, upon the filing of our federal income tax return for such year. We believe that we are organized and that we have operated in such a manner as to qualify for taxation as a REIT under the Code and we intend to continue to operate in such a manner. We have not sought and will not seek a private

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letter ruling from the IRS regarding any matter discussed in this section, except for a ruling on certain activities not currently being conducted through the REIT, as described below.

The law firm of Hogan Lovells US LLP ( Hogan Lovells ) has acted as our tax counsel in connection with the registration statement of which this discussion is a part. We have received an opinion of Hogan Lovells to the effect that we have been organized and operated in conformity with the requirements for qualification and taxation as a REIT for each of our taxable years beginning with our taxable year ended December 31, 2013, and that our current and proposed method of operation (as described in this prospectus and a letter that we have provided to Hogan Lovells) will enable us to meet the requirements for qualification and taxation as a REIT under the Code for our taxable year ending December 31, 2014 and thereafter. The opinion of Hogan Lovells is based on various assumptions relating to our organization and operation, and is conditioned upon fact-based representations and covenants made by our management regarding our organization, assets, and income, and the present and future conduct of our business operations. While we intend to continue to operate so that we will qualify as a REIT, given the highly complex nature of the rules governing REITs, the ongoing importance of factual determinations, and the possibility of future changes in our circumstances, no assurance can be given by Hogan Lovells or by us that we will qualify as a REIT for any particular year. The opinion is expressed as of the date issued. Hogan Lovells will have no obligation to advise us or our stockholders of any subsequent change in the matters stated, represented or assumed, or of any subsequent change in the applicable law. You should be aware that opinions of counsel are not binding on the IRS, and no assurance can be given that the IRS will not challenge the conclusions set forth in such opinions. Hogan Lovells' opinion does not foreclose the possibility that we may have to utilize one or more of the REIT savings provisions discussed below, which could require us to pay an excise or penalty tax (which tax could be significant in amount) in order for us to maintain our REIT qualification.

## **Taxation of REITs in General**

Qualification and taxation as a REIT depends upon our ability to meet, on a continuing basis, various qualification requirements imposed upon REITs by the Code. The material qualification requirements are summarized below under Requirements for Qualification General. Given the complex nature of the REIT qualification requirements, the ongoing importance of factual determinations and the possibility of future changes in our circumstances, we cannot assure you that we have been or will be organized or operated in a manner so as to satisfy the requirements for qualification and taxation as a REIT under the Code, or that we will meet in the future the requirements for qualification and taxation as a REIT. See Failure to Qualify.

Provided that we qualify as a REIT, generally we will be entitled to a deduction for dividends that we pay and therefore will not be subject to federal corporate income tax on our REIT taxable income (determined before the deduction for dividends paid and excluding net capital gains) that is currently distributed to our stockholders. This treatment substantially eliminates the double taxation at both the corporate and stockholder levels that generally results from an investment in a C corporation. A C corporation is a corporation that generally is required to pay tax at the corporate level. Double taxation means taxation once at the corporate level when income is earned and once again at the stockholder level when the income is distributed. In general, the income that we generate is taxed only at the stockholder level upon the distribution of that income. Dividends paid by corporations to U.S. individuals are taxed at a reduced rate of 20%. With limited exceptions, however, dividends received by stockholders from us, or from other entities that are taxed as REITs, other than dividends designated as capital gain dividends or qualified dividend income, are generally taxed at ordinary income rates, which is currently taxed at a maximum rate of 39.6%. See Taxation of Holders of Stock Taxation of Taxable U.S. Stockholders Distributions Generally.



Any net operating losses, foreign tax credits and other tax attributes generally do not pass through to our stockholders of the REIT, subject to special rules for certain items such as the capital gains that we recognize. See Taxation of Holders of Stock.

If we qualify as a REIT, we will nonetheless be subject to federal tax in the following circumstances:

We will be taxed at regular corporate rates on any undistributed REIT taxable income, including undistributed net capital gains, for any taxable year. A REIT's REIT taxable income is the otherwise taxable income of the REIT subject to certain adjustments, including a deduction for dividends paid.

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We may be subject to the alternative minimum tax on our undistributed items of tax preference, if any. If we earn net income from prohibited transactions, which generally are sales or other dispositions of property, other than foreclosure property, that is included in our inventory or held by us primarily for sale to tenants in the ordinary course of business, we will be subject to a tax at the rate of 100% of such net income. See [Income Tests Prohibited Transactions Tax](#) and [Income Tests Income from Foreclosure Property](#) below.

If we have net income from the sale or other disposition of foreclosure property which is held primarily for sale to customers in the ordinary course of business or other non-qualifying income from foreclosure property, we will be subject to tax at the highest corporate rate on such income. In general, foreclosure property is property acquired by us as a result of having bid in a foreclosure or through other legal means subsequent to a default on a lease of such property or on an indebtedness secured by such property. See [Income Tests Income from Foreclosure Property](#) below.

We may elect to retain and pay federal income tax on our net long-term capital gain. To the extent we make a timely designation of such gain to our stockholders, a U.S. stockholder would (a) include its proportionate share of our undistributed long-term capital gain in its income, (b) be deemed to have paid the tax that we paid on such gain, (c) be allowed a credit for its proportionate share of the tax it was deemed to have paid, and (d) increase its basis in our common stock. See [Taxation of Holders of Stock Taxation of Taxable U.S. Stockholders Capital Gain Dividends; Retained Net Capital Gain](#).

If we fail to satisfy either the 75% gross income test or the 95% gross income test, as discussed below, but nonetheless maintain our qualification as a REIT because we satisfy other requirements and our failure to satisfy such test or tests is due to reasonable cause and not due to willful neglect, we will be subject to a tax equal to the product of (a) the gross income attributable to the greater of the amount by which we fail either of the 75% or 95% gross income tests, multiplied by (b) a fraction intended to reflect our profitability.

If we fail to satisfy any of the asset tests because we own assets the total value of which exceeds a statutory de minimis standard but the failure is due to reasonable cause and not due to willful neglect and we nonetheless maintain our qualification as a REIT because other requirements are met, we will be subject to a tax equal to the greater of \$50,000 or the amount determined by multiplying the net income generated by the non-qualifying assets by the highest corporate tax rate applicable to corporations during the periods when such assets would have caused us to fail the relevant asset test.

If we fail to distribute during each calendar year at least the sum of (a) 85% of our REIT ordinary income for such year, (b) 95% of our REIT capital gain net income for such year, and (c) any undistributed taxable income from prior periods less excess distributions from prior periods, we will be subject to a nondeductible 4% excise tax on the excess of such required distribution over the sum of the amounts actually distributed and retained amounts on which income tax was paid at the corporate level.

If we fail to satisfy a requirement under the Code which would result in the loss of our REIT status, other than a failure to satisfy a gross income or an asset test, but nonetheless maintain our qualification as a REIT because the requirements of certain relief provisions are satisfied, we will be required to pay a penalty of \$50,000 for each such failure.

We may be required to pay monetary penalties to the IRS in certain circumstances, including if we fail to meet record keeping requirements intended to monitor our compliance with rules relating to the composition of a REIT's stockholders, as described below in [Requirements for Qualification General](#).

A 100% tax may be imposed with respect to items of income and expense if arrangements among us, our taxable REIT subsidiary and our tenants are not based on market rates.

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If we acquire any assets from a non-REIT C corporation in a transaction in which the basis of the assets in our hands is determined by reference to the basis of the asset in the hands of the C corporation, we would be liable for corporate income tax, at the highest applicable corporate rate, for the built-in gain with respect to those assets if we dispose of those assets during the 10-year period beginning on the day the asset was transferred to us by the non-REIT C corporation. To the extent that assets are transferred to us in a carry-over basis transaction by a partnership in which a corporation owns an interest, we will be subject to this tax in proportion to the non-REIT C corporation's interest in the partnership. Built-in gain is the amount by which an asset's fair market value exceeds its adjusted tax basis at the time we acquire the asset. The results described in this paragraph assume that the non-REIT corporation will not elect, in lieu of this treatment, to be subject to an immediate tax when the asset is acquired by us. The IRS has issued proposed Treasury regulations which would exclude from the application of this built-in gains tax any gain from the sale of property acquired by us in an exchange under Section 1031 (a like kind exchange) or 1033 (an involuntary conversion) of the Code. The proposed Treasury regulations described above will not be effective unless they are issued in their final form, and as of the date of this prospectus it is not possible to determine whether the proposed Treasury regulations will be finalized in their current form or at all.

The earnings of any subsidiaries that are subchapter C corporations, including any taxable REIT subsidiary, are subject to U.S. federal corporate income tax.

In addition, notwithstanding our qualification as a REIT, we and our subsidiaries may be subject to a variety of taxes, including payroll taxes and state, local, and foreign income, property, and other taxes on their assets and operations.

We could also be subject to tax in situations and on transactions not presently contemplated.

***Requirements for Qualification General***

The Code defines a REIT as a corporation, trust or association:

- (1) that is managed by one or more trustees or directors;
- (2) the beneficial ownership of which is evidenced by transferable shares, or by transferable certificates of beneficial interest;
  - (3) that would be taxable as a domestic corporation but for the special Code provisions applicable to REITs;
  - (4) that is neither a financial institution nor an insurance company subject to specific provisions of the Code;
- (5) the beneficial ownership of which is held by 100 or more persons;
  - (6) in which, during the last half of each taxable year, not more than 50% in value of the outstanding stock is owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include specified tax-exempt entities and as determined by applying certain attribution rules);
    - (7) that makes an election to be taxable as a REIT, or has made this election for a previous taxable year which has not been revoked or terminated, and satisfies all relevant filing and other administrative requirements established by the IRS that must be met to elect and maintain REIT status;
    - (8) that uses a calendar year for federal income tax purposes; and
  - (9) that meets other applicable tests, described below, including with respect to the nature of its income and assets and the amount of its distributions.

The Code provides that conditions (1) through (4) must be met during the entire taxable year, and that condition (5) must be met during at least 335 days of a taxable year of 12 months, or during a proportionate part of a shorter taxable year. Conditions (5) and (6) need not be satisfied during a corporation's initial tax year as a REIT (which, in our case, was 2013). Our charter provides restrictions regarding the ownership and transfers of our stock, which are intended to assist us in satisfying the stock ownership requirements described in conditions (5) and (6) above. For purposes of determining stock ownership under condition (6) above, a



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supplemental unemployment compensation benefit plan, a private foundation or a portion of a trust permanently set aside or used exclusively for charitable purposes generally is considered an individual. However, a trust that is a qualified trust under Code Section 401(a) generally is not considered an individual, and beneficiaries of a qualified trust are treated as holding stock of a REIT in proportion to their actuarial interests in the trust for purposes of condition (6) above.

To monitor compliance with the stock ownership requirements, we generally are required to maintain records regarding the actual ownership of our Stock. To do so, we must demand written statements each year from the record holders of significant percentages of our stock in which the record holders are to disclose the actual owners of the Stock, i.e., the persons required to include in gross income the dividends paid by us. A list of those persons failing or refusing to comply with this demand must be maintained as part of our records. Failure to comply with these record keeping requirements could subject us to monetary penalties. A stockholder that fails or refuses to comply with the demand is required by Treasury regulations to submit a statement with its tax return disclosing the actual ownership of the Stock and other information.

In addition, a corporation generally may not elect to become a REIT unless its taxable year is the calendar year. We adopted December 31 as our year-end and thereby satisfy this requirement.

If we fail to satisfy any of the various REIT requirements and could not avail ourselves of any statutory relief provisions, we would not qualify as a REIT. See Failure to Qualify.

## **Effect of Subsidiary Entities**

***Ownership of Partnership Interests.*** A REIT that is a partner in a partnership or other entity taxable as a partnership for federal income tax purposes, such as the Operating Partnership, Treasury regulations provide that the REIT is deemed to own its proportionate share of the partnership's assets (subject to special rules relating to the 10% asset test described below) and to earn its proportionate share of the partnership's income for purposes of the asset and gross income tests applicable to REITs, as described below. Similarly, the assets and gross income of the partnership are deemed to retain the same character in the hands of the REIT. Thus, our proportionate share of the assets, liabilities, and items of income in the Operating Partnership will be treated as our assets, liabilities, and items of income for purposes of applying the REIT requirements described below. A summary of certain rules governing the federal income taxation of partnerships and their partners is provided below in Tax Aspects of Investments in the Operating Partnership.

We generally have control of the Operating Partnership and the subsidiary partnerships and limited liability companies, and intend to operate them in a manner consistent with the requirements for our qualification as a REIT. If we become a limited partner or non-managing member in any partnership or limited liability company and such entity takes or expects to take actions that could jeopardize our status as a REIT or require us to pay tax, we may be forced to dispose of our interest in such entity. In addition, it is possible that a partnership or limited liability company could take an action that could cause us to fail a gross income or asset test, and that we would not become aware of such action in time for us to dispose of our interest in the partnership or limited liability company or take other corrective action on a timely basis. In that case, we could fail to qualify as a REIT unless we were entitled to relief as described below in Failure to Qualify.

***Qualified REIT Subsidiaries.*** If a REIT owns a qualified REIT subsidiary, the separate existence of that subsidiary will be disregarded for federal income tax purposes and all assets, liabilities and items of income, deduction and credit of the subsidiary will be treated as assets, liabilities and tax items of the REIT itself. Generally, a corporation will

qualify as a qualified REIT subsidiary if we own 100% of its shares and it is not a taxable REIT subsidiary. For this reason, references in this discussion to our income and assets should be understood to include the income and assets of any qualified REIT subsidiary we own. Income of a qualified REIT subsidiary will not be subject to federal income tax, although it may be subject to state and local taxation in some states. Our ownership of the voting shares of a qualified REIT subsidiary will not violate the asset test restrictions against ownership of securities of any one issuer which constitute more than 10% of the voting power or value of such issuer's securities or more than 5% of the value of our total assets. See [Asset Tests](#) and [Income Tests](#).

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**Taxable REIT Subsidiaries.** A taxable REIT subsidiary is a corporation other than a REIT in which we directly or indirectly hold stock, and which has made a joint election with us to be treated as a taxable REIT subsidiary under Section 856(l) of the Code. A taxable REIT subsidiary also includes any corporation other than a REIT in which a taxable REIT subsidiary of ours owns, directly or indirectly, securities (other than certain straight debt securities) which represent more than 35% of the total voting power or value of the outstanding securities of such corporation.

Other than some activities relating to lodging and health care facilities, a taxable REIT subsidiary generally may engage in any business, including the provision of customary or non-customary services to our tenants without causing us to receive impermissible tenant service income under the REIT gross income tests. A taxable REIT subsidiary is required to pay regular federal income tax, and state and local income tax where applicable, as a non-REIT C corporation. If dividends are paid to us by our taxable REIT subsidiary, then a portion of the dividends we distribute to stockholders who are taxed at individual rates generally will be eligible for taxation at lower capital gains rates, rather than at ordinary income rates. See Taxation of Holders of Stock Taxation of Taxable U.S.

Stockholders Qualified Dividend Income. We currently have two taxable REIT subsidiaries: QTS Finance Corporation and Quality Technology Services Holding, LLC. QTS Finance Corporation is a co-issuer of debt of the Operating Partnership and has nominal capital. Quality Technology Services Holding, LLC provides our Cloud and Managed Services, or C3, product, which is a virtual hosting solution offering a private, highly secure, regulatory compliant and scalable IT infrastructure and services to support varied business applications and requirements. Services provided in connection with our C3 product includes a managed network, security, systems and back-up, as well as application monitoring and testing.

Generally, a taxable REIT subsidiary can perform impermissible tenant services without causing us to receive impermissible tenant services income under the REIT income tests. However, several provisions applicable to the arrangements between us and our taxable REIT subsidiary ensure that a taxable REIT subsidiary will be subject to an appropriate level of federal income taxation. For example, a taxable REIT subsidiary is limited in its ability to deduct interest payments in excess of a certain amount made directly or indirectly to us. In addition, we will be obligated to pay a 100% penalty tax on some payments we receive or on certain expenses deducted by the taxable REIT subsidiary if the economic arrangements between us, our tenants, and the taxable REIT subsidiary are not comparable to similar arrangements among unrelated parties. Our taxable REIT subsidiary, and any future taxable REIT subsidiaries, may make interest and other payments to us and to third parties in connection with activities related to our data centers. There can be no assurance that our taxable REIT subsidiary will not be limited in its ability to deduct certain interest payments made to us. In addition, there can be no assurance that the IRS might not seek to impose the 100% excise tax on a portion of payments received by us from, or expenses deducted by, our taxable REIT subsidiary.

**Income Tests**

In order to qualify as a REIT, we must satisfy two gross income requirements on an annual basis.

At least 75% of our gross income for each taxable year must be derived directly or indirectly from investments relating to real property or mortgages on real property, including:

- (1) rents from real property ;
- (2) interest on obligations secured by mortgages on real property or on interests in real property; gain from the sale or other disposition of real property (including interests in real property and interests in
- (3) mortgages on real property) which is not treated as inventory property or property held for sale to customers in the ordinary course of business;
- (4) dividends or other distributions on, and gain from the sale or other disposition of, transferable shares (or transferable certificates of beneficial interest) in other REITs;

(5) abatements and refunds of taxes on real property;

(6) income and gain derived from foreclosure property;

(7) amounts (other than amounts determined in whole or in part on the income or profits of any person) received or accrued as consideration for entering into agreements (i) to make loans secured by

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mortgages on real property or on interests in real property or (ii) to purchase or lease real property (including interests in real property an interests in real property);

(8) gain from the sale or disposition of a real estate asset which is not a prohibited transaction, see Prohibited Transactions Tax; and

(9) certain income derived from the temporary investment of new capital.

At least 95% of our gross income for each taxable year must be derived from any combination of income qualifying under the 75% test, dividends, interest, and gain from the sale or disposition of stock or securities, in either case, not held for sale to customers.

The following items of income and gain are excluded from the computation of these gross income tests: (1) gross income from prohibited transactions; (2) income from, and gain from the sale or disposition of, certain hedging transactions (as discussed below); and (iii) certain foreign currency income.

The IRS has regulatory authority to determine whether any item of income, which is not otherwise described as qualifying income under the 95% and 75% gross income tests, may be treated as qualifying income for purposes of such tests or be excluded therefrom.

**Rents from Real Property.** Rents received by us will qualify as rents from real property in satisfying the gross income requirements described above only if several conditions are met. These conditions relate to the identity of the tenant, the computation of the rent payable, and the nature of the property lease.

First, the amount of rent must not be based in whole or in part on the income or profits of any person. However, an amount received or accrued generally will not be excluded from the term rents from real property solely by reason of being based on a fixed percentage or percentages of receipts or sales.

Second, we, or an actual or constructive owner of 10% or more of the value of our stock, must not actually or constructively own 10% or more of the assets or net profits of the tenant, or, if the tenant is a corporation, 10% or more of the voting power or value of all classes of stock of the tenant. Rents received from such tenant that is a taxable REIT subsidiary, however, will not be excluded from the definition of rents from real property as a result of this condition if either (i) at least 90% of the space at the property to which the rents relate is leased to third parties, and the rents paid by the taxable REIT subsidiary are comparable to rents paid by our other tenants for comparable space, or (ii) the property is a qualified lodging or qualified health facility and such property is operated on behalf of the taxable REIT subsidiary by a person who is an eligible independent contractor (as described below) and certain other requirements are met.

Third, rent attributable to personal property, leased in connection with a lease of real property, must not be greater than 15% of the total rent received under the lease. If this requirement is not met, then the portion of rent attributable to such personal property will not qualify as rents from real property.

Fourth, for rents to qualify as rents from real property for purposes of satisfying the gross income tests, we generally must not operate or manage a property or furnish or render services to the tenants at the property, other than through an independent contractor who is adequately compensated and from whom we derive no revenue or through a taxable REIT subsidiary. To the extent that impermissible services are provided by an independent contractor, the cost of the services generally must be borne by the independent contractor. We may provide a minimal amount of non-customary services to tenants of our data centers, other than through an independent contractor or taxable REIT subsidiary, but we intend that our income from these services will not exceed 1% of our total gross income from the facility. If the impermissible tenant services income exceeds 1% of our total gross income from a data center, then all of the income from that data center will fail to qualify as rents from real property. If the total amount of impermissible tenant services income does not exceed 1% of our total gross income from the data center, the services will not taint the other income from the data center (that is, it will not cause the rent paid by tenants



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of that data center to fail to qualify as rents from real property), but the impermissible tenant services income will not qualify as rents from real property. We are deemed to have received income from the provision of impermissible services in an amount equal to at least 150% of our direct cost of providing the services.

A significant portion of the value of our data centers is attributable to structural components related to the provision of electricity, heating ventilation and air conditioning, regulation of humidity, security and fire protection, and telecommunications infrastructure. We believe that our structural components are treated as real property for purposes of the REIT gross income tests, and we structure the provision of services in a manner that we believe does not prevent our rental income from qualifying as rents from real property. However, we cannot provide any assurance that the IRS would agree with these positions.

We currently monitor and we intend to continue to the activities provided at our data centers, and the income that is non-qualifying under the REIT income tests arising from our data centers, and we will not provide services that will cause us to fail to meet the income tests. As discussed above, we, through our taxable REIT subsidiary, provide our C3 product. We also provide some managed services and access to third-party service providers at some or all of our data centers. Managed Services include managed network, security, systems and back-up, as well as application monitoring and testing. The following ordinary, necessary, usual and customary services typically are provided in connection with the operation and maintenance of our data center properties. We do not believe that these services constitute personal services rendered to a particular tenant. Our services include:

- utilities, including heat, light, gas, electricity, water, air conditioning, ventilation and other utility services;
- humidity through the air supply ducts to maintain the tenant's spaces at all times within a specified humidity range;
- security, including a controlled single point of access to the building that is manned twenty-four hours a day, seven days a week by employees, locked cabinets, cages, or suites accessible as specified by each tenant;
- fire protection services through fire alarms and sprinklers;
- common area maintenance including cleaning and maintenance of public and common areas, landscaping, and pest control;
- management, operation, maintenance, and repair of the major building systems and components of the data center buildings;
- acceptance of tenant deliveries to a common receiving area when a tenant representative is not present (we do not provide move-in or move-out services with respect to the tenants' equipment, except to supervise the set-up and installation to ensure compliance with building codes and uninterrupted operation of the data center);
- parking for tenants and their visitors, including reserved and unreserved parking without the use of attendants;
- telecommunications infrastructure to allow tenants to connect with third-party telecommunications providers; and
- Internet access bandwidth for those tenants that do not prefer to engage a telecommunications carrier separately in connection with their lease of space in the data center.

Based upon our experience in the markets where the data centers are located, we believe that all access to service providers and services provided to tenants by us (other than through a qualified independent contractor or a taxable REIT subsidiary) either are usually or customarily rendered in connection with the rental of real property and not otherwise considered rendered to the occupant, or, if considered impermissible services, will not result in an amount of impermissible tenant service income that will cause us to fail to meet the income test requirements. However, we cannot provide any assurance that the IRS would agree with these positions.

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We are in the process of requesting a private letter ruling from the IRS in order to determine whether or not certain revenue derived from the operation of our data centers will qualify as rents from real property under Section 856(d). Specifically, we are requesting rulings on the following:

Providing interconnection and cross connect capabilities and the receipt of revenues with respect to those services (1) will not cause any amounts received from tenants of the data center properties to be treated as other than rents from real property under Section 856(d) for purposes of Sections 856(c)(2)(C) and 856(c)(3)(A).

Revenues from tenants for the right to store their data at the data center properties on our servers (which we refer to (2) as cloud storage) constitutes rents from real property for the purposes of Sections 856(c)(2)(C) and 856(c)(3)(A), subject to Section 856(d)(1)(C).

No assurance can be given that the IRS will conclude that revenues with respect to any of our interconnection or cross connect capabilities or cloud storage should be treated as rents from real property under the Code. If the IRS does not conclude that these revenues should be treated as rents from real property under the Code, then we will continue to conduct these operations through our taxable REIT subsidiary, and income earned by the taxable REIT subsidiary in connection with these operations will continue to be subject to federal, state and local income tax.

We may receive distributions from taxable REIT subsidiaries or other corporations that are not REITs or qualified REIT subsidiaries. These distributions will be classified as dividend income to the extent of the earnings and profits of the distributing corporation. Such distributions will generally constitute qualifying income for purposes of the 95% gross income test, but not under the 75% gross income test. We do not anticipate that we will receive sufficient dividends from our taxable REIT subsidiary or other such corporations to cause us to exceed the limit on non-qualifying income under the 75% gross income test. Any dividends received by us from a REIT will be qualifying income for purposes of both the 95% and 75% income tests.

If we fail to satisfy one or both of the 75% or 95% gross income tests for any taxable year, we may nevertheless qualify as a REIT for the year if we are entitled to relief under certain provisions of the Code. Generally, we may avail ourselves of the relief provisions if:

our failure to meet these tests was due to reasonable cause and not due to willful neglect; and  
we attach a schedule of the sources of our income to our federal income tax return.

It is not possible, however, to state whether in all circumstances we would be entitled to the benefit of these relief provisions. For example, if we fail to satisfy the gross income tests because we intentionally accrue or receive income that is non-qualifying for purposes of the REIT income tests and that exceeds the limits on non-qualifying income, the IRS could conclude that our failure to satisfy the tests was not due to reasonable cause. If these relief provisions do not apply to a particular set of circumstances, we will not qualify as a REIT. As discussed above under Taxation of REITs in General, even where these relief provisions apply and we retain our REIT status, a tax would be imposed based upon the amount by which we fail to satisfy the particular gross income test. We intend to take advantage of any and all relief provisions that are available to us to cure any violation of the income tests applicable to REITs.

***Income from Foreclosure Property.*** If a REIT acquires real property and personal property incident to such real property through a foreclosure or similar process following a default on a lease of such property or a default on indebtedness owed to the REIT that is secured by the property, and if the REIT makes a timely election to treat such property as foreclosure property under applicable provisions of the Code, net income (including any foreign currency gain) the REIT realizes from such property generally will be subject to tax at the maximum federal corporate income tax rate, regardless of whether the REIT distributes such income to its stockholders currently. However, such income will nonetheless qualify for purposes of the 75% and 95% gross income tests even if it would not otherwise be qualifying income for such purposes in the absence of the foreclosure property election.

**Interest.** Interest generally will be non-qualifying income for purposes of the 75% and 95% gross income tests if it depends in whole or in part on the income or profits of any person. However, interest based upon a

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fixed percentage or percentages of receipts or sales may still qualify under the 75% and 95% gross income tests. We may receive interest payments from our taxable REIT subsidiary. These amounts of interest are qualifying income for purposes of the 95% gross income test but not necessarily the 75% gross income test. We do not anticipate that the amounts of interest derived from our taxable REIT subsidiary would affect our ability to continue to satisfy the 75% gross income test.

**Dividends.** We may receive dividends from our taxable REIT subsidiary, and we could realize capital gain with respect to our investments in our taxable REIT subsidiary (either due to distributions received from the taxable REIT subsidiary or upon a disposition of part or all of our interest in a taxable REIT subsidiary). Our share of any dividends received from our taxable REIT subsidiary or capital gain recognized with respect thereto should qualify for purposes of the 95% gross income test but not for purposes of the 75% gross income test. We do not anticipate that the amounts of dividends from our taxable REIT subsidiary and/or capital gain with respect to our taxable REIT subsidiary will affect our ability to continue to satisfy the 75% gross income test.

**Hedging Transactions.** From time-to-time, we may enter into transactions to hedge against interest rate risks or value fluctuations associated with one or more of our assets or liabilities. These hedging activities may include entering into interest rate swaps, caps, and floors, options to purchase these items, futures and forward contracts and other financial instruments. To the extent that a REIT enters into a transaction in the normal course of its business primarily to manage the risk of interest rate changes, price changes or currency fluctuations with respect to indebtedness incurred or to be incurred by the REIT to acquire or carry real estate assets, any income or gain from the hedging transaction will be excluded from gross income for purposes of the 75% and 95% gross income tests provided that the REIT clearly and timely identifies such hedging transaction in the manner required under the Code and the Treasury Regulations promulgated thereunder (a qualifying hedging transaction). Income of a REIT arising from hedging transactions that are entered into to manage the risk of currency fluctuations will not be treated as qualifying income for purposes of the 75% or 95% gross income test, provided the REIT clearly identifies the transaction as such before the close of the day on which it was acquired, originated, or entered into (or such other time as set forth in Treasury Regulations) (a qualifying foreign currency transaction). We currently intend to structure any hedging transactions in a manner that does not jeopardize our REIT status, although this determination depends on an analysis of the facts and circumstances concerning each hedging transaction.

**Foreign Currency Gains.** Real estate foreign exchange gain is excluded from the calculation of the 75% and 95% gross income tests and other passive foreign exchange gain is excluded from the calculation of the 95% gross income test. Real estate foreign exchange gain means (i) foreign currency gain attributable (without duplication) to (A) an item of income or gain to which the 75% gross income test applies, (B) the acquisition or ownership of obligations secured by mortgages on real property or on interests in real property, or (C) becoming or being the obligor under obligations secured by mortgages on real property or interests in real property, or (ii) foreign currency gain attributable to a qualified business unit or QBU of the REIT under Code Section 987, provided the QBU itself satisfies both the 75% gross income test and the 75% asset test described below under Asset Tests. Passive foreign exchange gain is (without duplication) real estate foreign exchange gain, foreign currency gain attributable to an item of income or gain to which the 95% gross income test applies, foreign currency gain attributable to the acquisition or ownership of obligations, or foreign currency gain attributable to becoming or being the obligor under obligations.

**Temporary Investment Income.** For purposes of the 75% gross income test, temporary investment income generally constitutes qualifying income if such income is earned as a result of investing new capital raised through the issuance of our common stock or certain long-term debt obligations in stock and debt obligations, but only during the one-year period beginning on the date we receive the new capital.

***Failure to Satisfy the Income Tests.*** We expect to have gross income from various sources, including the sources described in the preceding paragraphs, that will not constitute qualifying income for purposes of one or both of the gross income tests. Taking into account our sources of non-qualifying income, however, we expect that our aggregate gross income will satisfy the 75% and 95% gross income tests applicable to REITs for each taxable year commencing with our first taxable year as a REIT.

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If we were to fail to satisfy one or both of the 75% or 95% gross income tests for any taxable year, we may nevertheless qualify as a REIT for such year if we were entitled to relief under certain provisions of the Code. These relief provisions generally would be available if our failure to meet such tests were due to reasonable cause and not due to willful neglect, and, following identification of the failure, we filed with the IRS a schedule describing each item of its gross income qualifying under one or more of the gross income tests. It is not possible, however, to state whether in all circumstances we would be entitled to the benefit of these relief provisions. If these relief provisions were inapplicable to a particular set of circumstances involving us we would not qualify as a REIT. As discussed above under Taxation of REITs in General, even if these relief provisions were to apply, a tax based on the amount of the relevant REIT's non-qualifying income would be imposed.

**Prohibited Transactions Tax.** Any gain realized by us on the sale of any property held as inventory or other property held primarily for sale to customers in the ordinary course of business, including our share of any such gain realized by the Operating Partnership or any other subsidiary partnership and taking into account any related foreign currency gains or losses, will be treated as income from a prohibited transaction that is subject to a 100% penalty tax. Whether property is held as inventory or primarily for sale to customers in the ordinary course of a trade or business is a question of fact that depends upon all the facts and circumstances with respect to the particular transaction. However, we will not be treated as a dealer in real property for the purpose of the 100% penalty tax if: (i) we have held the property for at least two years and for the production of rental income (unless such property was acquired through foreclosure or deed in lieu of foreclosure or lease termination); (ii) capitalized expenditures on the property in the two years preceding the year of sale are less than 30% of the net selling price of the property; (iii) we either (a) have seven or fewer sales of property (excluding sales of foreclosure property or in connection with an involuntary conversion (excluded sales)) for the year of sale or (b) the aggregate tax basis of property sold (other than excluded sales) during the year of sale is 10% or less of the aggregate tax basis of all of our assets as of the beginning of the taxable year, or (c) the fair market value of property sold (other than excluded sales) during the year of sale is less than 10% of the fair market value of all of our assets as of the beginning of the taxable year; and (iv) if the requirement described in clause (iii)(a) of this paragraph is not satisfied, substantially all of the marketing and development expenditures with respect to the property sold are made through an independent contractor from whom we derive no income. The sale of more than one property to one buyer as part of one transaction constitutes one sale.

We hold data centers for investment with a view to long-term appreciation, we engage in the business of acquiring and owning data centers, and we currently intend to make sales of data centers with our investment objectives. However, some of our sales may not satisfy the safe harbor requirements described above and there can be no assurance that the IRS might not contend that one or more of these sales is subject to the 100% penalty tax.

## **Asset Tests**

At the close of each calendar quarter, we must satisfy six tests relating to the nature of our assets.

- At least 75% of the value of our total assets must be represented by real estate assets, cash, cash items, foreign currency that meets certain requirements under the Code, and government securities. Real estate assets include
- (1) interests in real property, mortgages secured by real estate assets, shares of other REITs, and stock or debt instruments held for less than one year purchased with the proceeds of an offering of shares or certain long-term debt obligations.
  - (2) Not more than 25% of our total assets may be represented by securities, other than those described in (1) above.
  - (3) Except for securities described in (1) above and securities of taxable REIT subsidiaries or qualified REIT subsidiaries, the value of any one issuer's securities owned by us may not exceed 5% of the value of our total assets.
  - (4) Except for securities described in (1) above and securities of taxable REIT subsidiaries or qualified REIT



subsidiaries, we may not own more than 10% of any one issuer's outstanding voting securities.

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Except for securities described in (1) above, securities of taxable REIT subsidiaries or qualified REIT subsidiaries, (5) and certain types of indebtedness that are not treated as securities for purposes of this test, as discussed below, we may not own more than 10% of the total value of the outstanding securities of any one issuer.

(6) Not more than 25% of the value of our total assets may be represented by the securities of one or more taxable REIT subsidiaries.

Each of our assets for purposes of these tests includes our allocable share of all assets held by the entities in which we own an interest that are partnerships or disregarded entities for federal income tax purposes, and the subsidiaries of these entities that are partnerships or disregarded entities for federal income tax purposes, and generally do not include the equity interests in these entities. For purposes of the asset tests other than the 10% value test, an allocable share of the assets of an entity that is treated as a partnership for federal income tax purposes is determined in accordance with the capital interests in that entity. For purposes of the 10% value test, an allocable share of the assets of an entity that is treated as a partnership for federal income tax purposes is determined in accordance with our proportionate ownership of the equity interests and the other securities issued by that entity, other than certain securities specified in the Code.

Securities, for purposes of the asset tests, may include debt a REIT holds from other issuers. However, the Code specifically provides that the following types of debt will not be taken into account as securities for purposes of the 10% value test: (1) securities that meet the straight debt safe harbor, as discussed in the next paragraph; (2) loans to individuals or estates; (3) obligations to pay rents from real property; (4) rental agreements described in Section 467 of the Code (other than such agreements with related party tenants); (5) securities issued by other REITs; (6) debt issued by partnerships (other than straight debt or other excluded securities) that derive at least 75% of their gross income from sources that constitute qualifying income for purposes of the 75% gross income test; (7) any debt not otherwise described in this paragraph that is issued by a partnership, but only to the extent of the REIT's interest as a partner in the partnership; (8) certain securities issued by a state, the District of Columbia, a foreign government, or a political subdivision of any of the foregoing, or the Commonwealth of Puerto Rico; and (9) any other arrangement determined by the IRS.

Debt will meet the straight debt safe harbor if (1) neither the REIT nor any of its controlled taxable REIT subsidiaries (i.e., taxable REIT subsidiaries in which the REIT directly or indirectly owns more than 50% of the vote or value of the outstanding stock) owns any securities not described in the preceding paragraph that have an aggregate value greater than one percent of the issuer's outstanding securities, as calculated under the Code, (2) the debt is a written unconditional promise to pay on demand or on a specified date a sum certain in money, (3) the debt is not convertible, directly or indirectly, into stock, and (4) the interest rate and the interest payment dates of the debt are not contingent on the profits, the borrower's discretion or similar factors other than certain contingencies relating to the timing and amount of principal and interest payments, as described in the Code. Specifically, contingencies regarding time of payment and interest are permissible for purposes of qualifying as a straight debt security if either (1) such contingency does not have the effect of changing the effective yield to maturity, as determined under the Code, other than a change in the annual yield to maturity that does not exceed the greater of (i) 5% of the annual yield to maturity or (ii) 0.25%, or (2) neither the aggregate issue price nor the aggregate face amount of the issuer's debt instruments held by the REIT exceeds \$1,000,000 and not more than 12 months of unaccrued interest can be required to be prepaid thereunder. In addition, debt will not be disqualified from being treated as straight debt solely because the time or amount of payment is subject to a contingency upon a default or the exercise of a prepayment right by the issuer of the debt, provided that such contingency is consistent with customary commercial practice.

We believe that the assets that we hold and intend to hold will satisfy the foregoing asset tests and securities limitations for each relevant calendar quarter. There can be no assurance, however, that the IRS might not contend that the value of any of the securities owned by us on a relevant testing date has resulted in a violation of one or more of the value limitations.

The Operating Partnership owns 100% of the interests of each of QTS Finance Corporation and Quality Technology Services Holding, LLC. We are considered to own our pro rata share (based on our ownership in the Operating Partnership) of the interests in each of QTS Finance Corporation and Quality Technology Services Holding, LLC equal to our pro-rata ownership of the Operating Partnership because we own interests

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in the Operating Partnership. Each of QTS Finance Corporation and Quality Technology Services Holding, LLC has elected, together with us, to be treated as our taxable REIT subsidiary. So long as each of QTS Finance Corporation and Quality Technology Services Holding, LLC qualifies as a taxable REIT subsidiary, we will not be subject to the 5% asset test, 10% voting securities limitation or 10% value limitation with respect to our ownership interest. We may acquire securities in other taxable REIT subsidiaries in the future. We believe that the aggregate value of our interest in our taxable REIT subsidiaries has not exceeded and will not exceed 25% of the aggregate value of our gross assets.

We intend to limit our ownership of any securities in an issuer that does not qualify as a qualified REIT subsidiary, REIT or a taxable REIT subsidiary so that our ownership of any such securities complies with the 10% voting securities limitation and 10% value limitation. However, we cannot assure you that the IRS will not contend that our assets or our interests in any securities violate the REIT asset requirements.

After initially meeting the asset tests at the close of any quarter, a REIT will not lose its qualification as a REIT for failure to satisfy the asset tests at the end of a later quarter solely by reason of changes in the relative values of its assets (including a change caused solely by the change in the foreign currency exchange rate used to value a foreign asset). If the failure to satisfy the asset tests results from an acquisition of securities or other property during a quarter, the failure can be cured by the disposition of sufficient non-qualifying assets within 30 days after the close of that quarter. An example of such an acquisition would be an increase in our interest in the Operating Partnership as a result of the exercise of OP units or an additional capital contribution of proceeds from an offering of capital stock by us.

Furthermore, the failure to satisfy the asset tests can be remedied even after the 30-day cure period. If the total value of the assets that caused a failure of the 5% test, the 10% voting securities test or the 10% value test does not exceed the lesser of 1% of the REIT's assets at the end of the relevant quarter and \$10,000,000, a REIT can cure such a failure by disposing of sufficient assets to cure such a violation within six months following the last day of the quarter in which the REIT first identifies the failure of the asset test. For a violation of any of the asset tests attributable to the ownership of assets the total value of which exceeds the amount described in the preceding sentence, a REIT can avoid disqualification as a REIT if the violation is due to reasonable cause and the REIT disposes of an amount of assets sufficient to cure such violation within the six-month period described in the preceding sentence, pays a tax equal to the greater of \$50,000 or the highest corporate income tax rate multiplied by the net income generated by the non-qualifying assets during the period of time that the assets were held as non-qualifying assets, and files a schedule with the IRS that describes the assets that caused us to tax the asset. The applicable Treasury Regulations have yet to be issued. Thus, it is not possible to state with precision under what circumstances we would be entitled to the benefit of these provisions.

We monitor our compliance with the asset tests and intend to take such actions within 30 days after the close of any quarter, to the extent reasonably practicable, as may be required to cure any noncompliance. If we fail to cure noncompliance with the asset tests within such time period, we would cease to qualify as a REIT unless we could avail ourselves of available relief provisions. In certain circumstances, utilization of such provisions could result in us being required to pay an excise or penalty tax, which tax could be significant in amount.

## **Annual Distribution Requirements**

In order to qualify as a REIT, we are required to distribute dividends, other than capital gain dividends, to our stockholders in an amount at least equal to:

the sum of: (a) 90% of our REIT taxable income, computed without regard to the dividends paid deduction and the REIT's net capital gain, and (b) 90% of our after tax net income, if any, from foreclosure property; minus the sum of certain items of non-cash income.

For purposes of this test, non-cash income means income attributable to leveled stepped rents, original issue discount included in our taxable income without the receipt of a corresponding payment, cancellation of indebtedness or a like-kind exchange that is later determined to be taxable.

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Dividend distributions generally must be paid in the taxable year to which they relate. Dividends may be paid in the following taxable year in two circumstances. First, dividends may be paid in the following taxable year if declared before we timely file our tax return for such year and if paid on or before the first regular dividend payment date after such declaration. Second, if we declare a dividend in October, November or December of any year with a record date in one of those months and pay the dividend on or before January 31 of the following year, we will be treated as having paid the dividend on December 31 of the year in which the dividend was declared. We currently intend to make timely distributions sufficient to satisfy these annual distribution requirements. In this regard, the Operating Partnership's partnership agreement authorizes us, as general partner, to take such steps as may be necessary to cause the Operating Partnership to distribute to its partners an amount sufficient to permit us to meet these distribution requirements.

In order for distributions to be counted toward satisfying the annual distribution requirement for REITs, and to provide us with a REIT-level tax deduction, the distributions must not be preferential dividends. A dividend is not a preferential dividend if the distribution is (1) pro rata among all outstanding shares within a particular class, and (2) in accordance with the preferences among different classes of stock as set forth in our organizational documents.

To the extent that we distribute at least 90%, but less than 100%, of our REIT taxable income, as adjusted, we will be subject to tax at ordinary corporate tax rates on the retained portion. We may elect to retain, rather than distribute, our net long-term capital gains and pay tax on such gains. In this case, we could elect to have our stockholders include their proportionate share of such undistributed long-term capital gains in income, and to receive a corresponding credit for their share of the tax paid by us. Stockholders of ours would then increase the adjusted basis of their common stock by the difference between the designated amounts included in their long-term capital gains and the tax deemed paid with respect to their shares. To the extent that a REIT has available net operating losses carried forward from prior tax years, such losses may reduce the amount of distributions that it must make in order to comply with the REIT distribution requirements. Such losses, however, will generally not affect the character, in the hands of stockholders, of any distributions that are actually made by the REIT, which are generally taxable to stockholders to the extent that the REIT has current or accumulated earnings and profits.

If we should fail to distribute during each calendar year at least the sum of (1) 85% of our REIT ordinary income for such year, (2) 95% of our REIT capital gain net income for such year, and (3) any undistributed taxable income from prior periods, we would be subject to a 4% excise tax on the excess of such required distribution over the sum of (a) the amounts actually distributed and (b) the amounts of income retained on which we have paid corporate income tax. We have made and intend to continue to make timely distributions so that we are not subject to the 4% excise tax.

It is possible that we, from time to time, may not have sufficient cash to meet the distribution requirements due to timing differences between (1) the actual receipt of cash, including receipt of distributions from our subsidiaries, and (2) our inclusion of items in income for federal income tax purposes. In the event that such timing differences occur, in order to meet the distribution requirements, it might be necessary to arrange for short-term, or possibly long-term, borrowings, or to pay taxable dividends in the form of stock or in-kind distributions of property.

In certain circumstances, we may be able to rectify a failure to meet the distribution requirements for a year by paying deficiency dividends to stockholders in a later year, which may be included in our deduction for dividends paid for the earlier year. In we do pay deficiency dividends, we may be able to avoid losing our REIT status or being taxed on amounts distributed as deficiency dividends. However, we will be required to pay interest and a penalty based on the amount of any deduction taken for deficiency dividends. We currently do not have any plans, however, to pay a portion of our dividends in stock.

If we were to recognize built-in-gain (as defined below) on the disposition of any assets acquired from a C corporation in a transaction in which our basis in the assets was determined by reference to the C corporation's basis (for instance, if the assets were acquired in a tax-free reorganization), we would be required to distribute at least 90% of the built-in-gain net of the tax it would pay on such gain. Built-in-gain is the excess of (a) the fair market value of the asset (measured at the time of acquisition) over (b) the basis of the asset (measured at the time of acquisition).

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## **Record-Keeping Requirements**

We are required to comply with applicable record-keeping requirements. Failure to comply could result in monetary fines.

## **Failure to Qualify**

Specified cure provisions may be available to us in the event we discover a violation of a provision of the Code that would result in our failure to qualify as a REIT. Except with respect to violations of the REIT income tests and asset tests (for which the cure provisions are described above), and provided the violation is due to reasonable cause and not due to willful neglect, these cure provisions generally impose a \$50,000 penalty for each violation in lieu of a loss of REIT status. If we fail to qualify for taxation as a REIT in any taxable year, and the relief provisions of the Code do not apply, we would be subject to tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates. Distributions to stockholders in any year in which we are not a REIT would not be deductible by us, nor would they be required to be made. In this situation, to the extent of current and accumulated earnings and profits, all distributions to stockholders that are individuals will generally be taxable at a rate of 20%, and, subject to limitations of the Code, corporate stockholders may be eligible for the dividends received deduction. Unless we are entitled to relief under specific statutory provisions, we would also be disqualified from re-electing to be taxed as a REIT for the four taxable years following the year during which qualification was lost. It is not possible to state whether, in all circumstances, we would be entitled to this statutory relief. We intend to take advantage of any and all relief provisions that are available to us to cure any violation of the requirements applicable to REITs.

## **Tax Aspects of Investments in the Operating Partnership**

### **General**

We hold substantially all of our real estate assets through a single operating partnership that holds pass-through subsidiaries. In general, an entity classified as a partnership (or a disregarded entity) for federal income tax purposes is a pass-through entity that is not subject to federal income tax. Rather, partners or members are allocated their proportionate shares of the items of income, gain, loss, deduction, and credit of the entity, and are potentially subject to tax on these items, without regard to whether the partners or members receive a distribution from the entity. Thus, we include in our income our proportionate share of these income items for purposes of the various REIT income tests and in the computation of our REIT taxable income. Moreover, for purposes of the REIT asset tests, we include our proportionate share of the assets held by the Operating Partnership. Consequently, to the extent that we hold an equity interest in the Operating Partnership, the Operating Partnership's assets and operations may affect our ability to qualify as a REIT.

### **Entity Classification**

Our investment in the Operating Partnership involves special tax considerations, including the possibility of a challenge by the IRS of the tax status of such partnership. If the IRS were to successfully treat the Operating Partnership as an association or publicly traded partnership taxable as a corporation for federal income tax purposes, the Operating Partnership would be subject to an entity-level tax on its income. In such a situation, the character of our assets and items of our gross income would change and could preclude us from satisfying the REIT asset tests or the gross income tests as discussed in *Taxation of QTS Realty Trust, Inc. Taxation of REITs in General Asset Tests and Taxation of QTS Realty Trust, Inc. Taxation of REITs in General Income Tests*, and in turn could prevent us



from qualifying as a REIT unless we are eligible for relief from the violation pursuant to relief provisions described above. See Taxation of QTS Realty Trust, Inc. Failure to Qualify, above, for a discussion of the effect of our failure to meet these tests for a taxable year, and of the relief provisions. In addition, any change in the status of the Operating Partnership for tax purposes could be treated as a taxable event, in which case we could have taxable income that is subject to the REIT distribution requirements without receiving any cash.

A partnership is a publicly-traded partnership under Section 7704 of the Code is:

- (1) interests in the partnership are traded on an established securities market; or
- (2) interests in the partnership are readily tradable on a secondary market or the substantial equivalent of a secondary market.

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We and the Operating Partnership take the reporting position for federal income tax purposes that the Operating Partnership is not a publicly-traded partnership. There is a risk, however, that the right of a holder of OP units to redeem the units for shares of common stock could cause OP units to be considered readily tradable on the substantial equivalent of a secondary market. Under the relevant Treasury regulations, interests in a partnership will not be considered readily tradable on a secondary market, or on the substantial equivalent of a secondary market, if the partnership qualifies for specified safe harbors, which are based on the specific facts and circumstances relating to the partnership. We believe that the Operating Partnership will qualify for at least one of these safe harbors at all times in the foreseeable future. The Operating Partnership cannot provide any assurance that it will continue to qualify for one of the safe harbors mentioned above.

If the Operating Partnership is a publicly-traded partnership, it will be taxed as a corporation unless at least 90% of its gross income consists of qualifying income under Section 7704 of the Code. Qualifying income is generally real property rents and other types of passive income. We believe that the Operating Partnership will have sufficient qualifying income so that it would be taxed as a partnership, even if it were a publicly-traded partnership. The income requirements applicable to us in order to qualify as a REIT under the Code and the definition of qualifying income under the publicly-traded partnership rules are very similar. Although differences exist between these two income tests, we do not believe that these differences would cause the Operating Partnership not to satisfy the 90% gross income test applicable to publicly-traded partnerships.

### **Tax Allocations with Respect to the Properties**

In general, under the Code and the Treasury regulations, income, gain, loss, and deduction attributable to appreciated or depreciated property that is contributed to a partnership in exchange for an interest in that partnership must be allocated for tax purposes in a manner such that the contributing partner is charged with, or benefits from, the unrealized gain or unrealized loss associated with the property at the time of the contribution. The amount of the unrealized gain or unrealized loss is generally equal to the difference between the fair market value of the contributed property at the time of contribution, and the adjusted tax basis of such property at the time of contribution (a book-tax difference). Such allocations are solely made for federal income tax purposes and do not affect other economic or legal arrangements among the partners.

These general rules may apply to a contribution of property by us to the Operating Partnership. To the extent that the Operating Partnership acquires appreciated (or depreciated) properties by way of capital contributions from its partners, allocations would need to be made in a manner consistent with these requirements. Where a partner contributes cash to a partnership at a time at which the partnership holds appreciated (or depreciated) property, the Treasury regulations provide for a similar allocation of these items to the other (i.e. non-contributing) partners. These rules may also apply to the contribution by us to the Operating Partnership of the net cash proceeds received in offerings of our Stock. As a result, members, including us, could be allocated greater or lesser amounts of depreciation and taxable income in respect of the Operating Partnership's properties than would be the case if all of the Operating Partnership's assets (including any contributed assets) had a tax basis equal to their fair market values at the time of any contributions to the Operating Partnership. This could cause us to recognize taxable income in excess of cash flow from the Operating Partnership, which might adversely affect our ability to comply with the REIT distribution requirements discussed above.

While the Operating Partnership uses the remedial method under Section 704(c) of the Code with respect to the appreciation that existed with respect to the properties contributed to the Operating Partnership in 2009 (the 2009 Contribution) we use the traditional method under Section 704(c) of the Code with respect to all appreciation with respect to those properties (and all other properties) since the time of the 2009 Contribution. The Operating

Partnership uses the traditional method with respect to the properties contributed in connection with the formation transactions. As a result of the Operating Partnership's use of the traditional method with respect to appreciation since the 2009 Contribution, our tax depreciation deductions attributable to those properties may be lower, and gain on sale of such property may be higher, than they would have been if the Operating Partnership had acquired those properties

for cash (or were to use the remedial method with respect to appreciation in our properties since the 2009 Contribution). If we receive lower tax depreciation deductions from contributed properties, we would recognize increased taxable income, which could increase the annual distributions that we are required to make under the federal income tax rules applicable to REITs or cause a higher portion of our distributions to be treated as taxable dividend

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income, instead of a tax-free return of capital or a capital gain. See Certain U.S. Federal Income Tax Considerations Taxation of Holders of Stock.

## Taxation of Holders of Stock

### Taxation of Taxable U.S. Stockholders

As used in the remainder of this discussion, the term U.S. holder means a beneficial owner of ours that is for federal income tax purposes:

- (1) an individual who is a citizen or resident of the United States;
- (2) a corporation (or entity treated as a corporation or partnership for United States federal income tax purposes) created or organized in or under the laws of the United States, or any state thereof, or the District of Columbia;
- (3) an estate, the income of which is subject to United States federal income taxation regardless of its source; or a trust if (i) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have authority to control all substantial decisions of the trust, or (ii) it has a valid election in place to be treated as a U.S. person.

Generally, if an entity or arrangement treated as a partnership for federal income tax purposes holds our Stock, the treatment of its partners generally will depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our Stock, you should consult with your tax advisor regarding the tax consequences of the ownership and disposition of our Stock.

A non-U.S. holder is a holder, including any partner in a partnership that holds our Stock that is not a U.S. holder.

**Distributions Generally.** So long as we qualify as a REIT, distributions out of our current or accumulated earnings and profits that are not designated as capital gains dividends or qualified dividend income will be taxable to our taxable U.S. holders as ordinary income and will not be eligible for the dividends received deduction in the case of U.S. holders that are corporations. For purposes of determining whether distributions to holders of Stock are out of current or accumulated earnings and profits, our earnings and profits will be allocated first to any preferred stock and then to our common stock.

To the extent that we make distributions in excess of our current and accumulated earnings and profits, these distributions will be treated first as a tax-free return of capital to each U.S. holder. This treatment will reduce the adjusted tax basis that each U.S. holder has in its Stock for tax purposes by the amount of the distribution, but not below zero. Distributions in excess of a U.S. holder's adjusted tax basis in its Stock will be taxable as capital gains, provided that the Stock has been held as a capital asset, and will be taxable as long-term capital gain if the Stock has been held for more than one year. Dividends we declare in October, November, or December of any year and payable to a holder of record on a specified date in any of these months shall be treated as both paid by us and received by the holder on December 31 of that year, provided we actually pay the dividend on or before January 31 of the following calendar year.

**Capital Gain Dividends; Retained Net Capital Gain.** We may elect to designate distributions of our net capital gain as capital gain dividends. Distributions that we properly designate as capital gain dividends will be taxable to our taxable U.S. holders as gain from the sale or disposition of a capital asset to the extent that such gain does not exceed our actual net capital gain for the taxable year. Designations made by us will only be effective to the extent that they comply with Revenue Ruling 89-81, which requires that distributions made to different classes of shares be composed proportionately of dividends of a particular type. If we designate any portion of a dividend as a capital gain dividend,

a U.S. holder will receive an IRS Form 1099-DIV indicating the amount that will be taxable to the holder as capital gain. Corporate stockholders may be required to treat up to 20% of some capital gain dividends as ordinary income.

Instead of paying capital gain dividends, we may designate all or part of our net capital gain as undistributed capital gain. We will be subject to tax at regular corporate rates on any undistributed capital gain. A U.S. holder (a) will include in its income as long-term capital gains its proportionate share of such

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undistributed capital gain; and (b) will be deemed to have paid its proportionate share of the tax paid by us on such undistributed capital gain and receive a credit or a refund to the extent that the tax paid by us exceeds the U.S. holder's tax liability on the undistributed capital gain. A U.S. holder will increase the basis in its Stock by the difference between the amount of capital gain included in its income and the amount of tax it is deemed to have paid. A U.S. holder that is a corporation will appropriately adjust its earnings and profits for the retained capital gain in accordance with Treasury regulations to be prescribed by the IRS. Our earnings and profits will be adjusted appropriately. A U.S. holder will increase the basis in its Stock by the difference between the amount of capital gain included in its income and the amount of tax it is deemed to have paid. Our E&P will be adjusted appropriately.

We will classify portions of any designated capital gain dividend or undistributed capital gain as either:

- (1) a long-term capital gain distribution, which would be taxable to non-corporate U.S. stockholders at a maximum rate of 20%, and to U.S. holders that are corporations at a maximum rate of 35%; or
- (2) an unrecaptured Section 1250 gain distribution, which would be taxable to non-corporate U.S. stockholders at a maximum rate of 25%, to the extent of previously claimed depreciation deductions.

Designations made by us will be effective only to the extent that they comply with Revenue Ruling 89-81, which requires that distributions made to different classes of shares be composed proportionately of dividends of a particular type. If we designate any portion of our net capital gain as undistributed capital gain, a U.S. holder will receive an IRS Form 2439 indicating the total amount of undistributed capital gain, the amount of unrecaptured Section 1250 gain, if any, and the tax paid by us on the undistributed capital gain.

***Qualified Dividend Income.*** We may designate a portion of our distributions paid to U.S. holders as qualified dividend income. That portion of a distribution which is properly designated as qualified dividend income is taxable to non-corporate U.S. holders at long-term capital gain rates, provided that the U.S. holder has held the Stock with respect to which the distribution is made for more than 60 days during the 121-day period beginning on the date that is 60 days before the date on which such Stock became ex-dividend with respect to the relevant distribution. The maximum amount of our distributions eligible to be designated as qualified dividend income for a taxable year is equal to the sum of:

the qualified dividend income received by us during such taxable year from regular corporations (including our taxable REIT subsidiary);

the excess of any undistributed REIT taxable income recognized during the immediately preceding year over the federal income tax paid by us with respect to such undistributed REIT taxable income; and

the excess of any income recognized during the immediately preceding year attributable to the sale of a built-in-gain asset that was acquired in a carry-over basis transaction from a regular corporation over the federal income tax paid by us with respect to such built-in gain.

Generally, dividends that we receive will be treated as qualified dividend income for purposes of the first bullet above if (A) the dividends are received from (i) a U.S. corporation (other than a REIT or a regulated investment company), (ii) any of our taxable REIT subsidiaries, or (iii) a qualified foreign corporation, and (B) specified holding period requirements and other requirements are met. A foreign corporation (generally excluding a passive foreign investment company) will be a qualified foreign corporation if it is incorporated in a possession of the United States, the corporation is eligible for benefits of an income tax treaty with the United States that the Secretary of Treasury determines is satisfactory, or the shares of the foreign corporation on which the dividend is paid is readily tradable on an established securities market in the United States.

If we designate any portion of a dividend as a capital gain dividend or as qualified dividend income, the amount that will be taxable to the U.S. holder as capital gain or as qualified dividend income will be indicated to U.S. holders on IRS Form 1099-DIV.



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***Distributions to Holders of Depositary Shares.*** U.S. holders of depositary shares will be treated for federal income tax purposes as if they were owners of the underlying preferred stock represented by such depositary shares.

Accordingly, such U.S. holders will be entitled to take into account, for federal income tax purposes, income and deductions to which they would be entitled if they were direct holders of underlying preferred stock. In addition, (i) no gain or loss will be recognized for U.S. federal income tax purposes upon the withdrawal of certificates evidencing the underlying preferred stock in exchange for depositary receipts, (ii) the tax basis of each share of the underlying preferred stock to an exchanging owner of depositary shares will, upon such exchange, be the same as the aggregate tax basis of the depositary shares exchanged therefor, and (iii) the holding period for the underlying preferred stock in the hands of an exchanging owner of depositary shares will include the period during which such person owned such depositary shares.

***Dispositions of Stock.*** In general, a U.S. holder will realize gain or loss upon the sale, redemption, or other taxable disposition of our Stock in an amount equal to the difference between the sum of the fair market value of any property received and the amount of cash received in such disposition, and the U.S. holder's adjusted tax basis in the Stock at the time of the disposition. In general, a U.S. holder's tax basis will equal the U.S. holder's acquisition cost, increased by the excess of net capital gains deemed distributed to the U.S. holder (discussed above), less tax deemed paid on it, and reduced by returns of capital. In general, capital gains recognized by U.S. holders taxed at individual rates upon the sale or disposition of our Stock will be subject to a maximum federal income tax rate of 20% if the Stock is held for more than 12 months, and will be taxed at ordinary income rates of up to 39.6% if the Stock is held for 12 months or less. Gains recognized by U.S. holders that are corporations are subject to federal income tax at a maximum rate of 35%, whether or not classified as long-term capital gains. Capital losses recognized by a U.S. holder upon the disposition of Stock held for more than one year at the time of disposition will be considered long-term capital losses, and are generally available only to offset capital gain income of the U.S. holder but not ordinary income (except in the case of individuals, who may offset up to \$3,000 of ordinary income each year). In addition, any loss upon a sale or exchange of Stock by a U.S. holder who has held the Stock for six months or less, after applying holding period rules, will be treated as a long-term capital loss to the extent of distributions received from us that are required to be treated by the U.S. holder as long-term capital gain.

If a U.S. holder recognizes a loss upon a subsequent sale or other disposition of our Stock in an amount that exceeds a prescribed threshold, it is possible that the provisions of Treasury regulations involving reportable transactions could apply, with a resulting requirement to separately disclose the loss generating transaction to the IRS. While these regulations are directed towards tax shelters, they are written broadly and apply to transactions that would not typically be considered tax shelters. In addition significant penalties are imposed by the Code for failure to comply with these requirements. You should consult your tax advisor concerning any possible disclosure obligation with respect to the receipt or disposition of our Stock, or transactions that might be undertaken directly or indirectly by us.

Moreover, you should be aware that we and other participants in the transactions involving us (including their advisors) might be subject to disclosure or other requirements pursuant to these regulations.

***Passive Activity Losses and Investment Interest Limitations.*** Distributions made by us and gain arising from the sale or exchange by a U.S. holder of our Stock will not be treated as passive activity income. As a result, U.S. holders will not be able to apply any passive losses against income or gain relating to our Stock. Distributions made by us, to the extent they do not constitute return of capital, generally will be treated as investment income for purposes of computing the investment interest limitation.

***Medicare Tax.*** The Health Care and Reconciliation Act of 2010 requires that, in certain circumstances, certain U.S. holders that are individuals, estates, and trusts pay a 3.8% tax on net investment income, which includes, among other things, dividends on and gains from the sale or other disposition of Stock to the extent the U.S. holder's adjusted gross income exceeds certain thresholds. Prospective investors should consult their own tax advisors regarding this potential



impact of this tax on their individual circumstances.

***Legislation Relating To Foreign Accounts.*** The Foreign Account Tax Compliance Act ( FATCA ), which was enacted in 2010, imposes a 30% withholding tax on certain types of payments made to foreign financial institutions and certain other non-U.S. entities unless certain due diligence, reporting, withholding, and certification obligations requirements are satisfied. Prospective investors are advised to consult their own tax

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advisors regarding this legislation. See Information Reporting and Backup Withholding Tax Applicable to Holders U.S. Stockholders Legislation Relating To Foreign Accounts.

***Redemption of Preferred Stock and Depositary Shares.*** Whenever we redeem any preferred stock or depositary shares, the treatment accorded to any redemption by us for cash (as distinguished from a sale, exchange or other disposition) of our preferred stock or depositary shares to a holder of such shares can only be determined on the basis of the particular facts as to each holder at the time of redemption. In general, a holder of our preferred stock or depositary shares will recognize capital gain or loss measured by the difference between the amount received by the holder of such shares upon the redemption and such holder's adjusted tax basis in the shares redeemed (provided the preferred stock are held as a capital asset) if such redemption (i) is not essentially equivalent to a dividend with respect to the holder of the preferred stock under Section 302(b)(1) of the Code, (ii) is a substantially disproportionate redemption with respect to the stockholder under Section 302(b)(2) of the Code, or (iii) results in a complete termination of the holder's interest in all classes of our stock under Section 302(b)(3) of the Code. In applying these tests, there must be taken into account not only any series or class of the stock being redeemed, but also such holder's ownership of other classes of our stock and any options (including share purchase rights) to acquire any of the foregoing. The holder of our preferred stock or depositary shares also must take into account any such securities (including options) which are considered to be owned by such holder by reason of the constructive ownership rules set forth in Sections 318 and 302(c) of the Code.

If the holder of preferred stock or depositary shares owns (actually or constructively) none of our voting stock, or owns an insubstantial amount of our voting stock, based upon current law, it is probable that the redemption of preferred stock from such a holder would be considered to be not essentially equivalent to a dividend. However, whether a distribution is not essentially equivalent to a dividend depends on all of the facts and circumstances, and a holder of our preferred stock or depositary shares intending to rely on any of these tests at the time of redemption should consult its tax advisor to determine their application to its particular situation.

Satisfaction of the substantially disproportionate and complete termination exceptions are dependent upon compliance with the respective objective tests set forth in Section 302(b)(2) and Section 302(b)(3) of the Code. A distribution to a holder of preferred stock or depositary shares will be substantially disproportionate if the percentage of our outstanding voting stock actually and constructively owned by the stockholder immediately following the redemption of stock (treating preferred stock redeemed as not outstanding) is less than 80% of the percentage of our outstanding voting stock actually and constructively owned by the stockholder immediately before the redemption, and immediately following the redemption the stockholder actually and constructively owns less than 50% of our total combined voting power. Because the our preferred stock and depositary shares are nonvoting stock, a stockholder would have to reduce such holder's holdings (if any) in our classes of voting stock to satisfy this test.

If the redemption does not meet any of the tests under Section 302 of the Code, then the redemption proceeds received from our preferred stock or depositary shares will be treated as a distribution on our stock as described under Taxation of U.S. Stockholders Taxation of Taxable U.S. Stockholders Distributions Generally. If the redemption of a holder's preferred stock or depositary shares is taxed as a dividend, the adjusted basis of such holder's redeemed shares will be transferred to any other stock held by the holder. If the holder owns no other shares, under certain circumstances, such basis may be transferred to a related person, or it may be lost entirely.

With respect to a redemption of our preferred stock or depositary shares that is treated as a distribution with respect to our Stock, which is not otherwise taxable as a dividend, the IRS has proposed Treasury regulations that would require any basis reduction associated with such a redemption to be applied on a share-by-share basis which could result in taxable gain with respect to some shares, even though the holder's aggregate basis for the shares would be sufficient to absorb the entire amount of the redemption distribution (in excess of any amount of such distribution treated as a

dividend). Additionally, these proposed Treasury regulations would not permit the transfer of basis in the redeemed shares of the preferred stock or depositary shares to the remaining shares held (directly or indirectly) by the redeemed holder. Instead, the unrecovered basis in our preferred stock or depositary shares would be treated as a deferred loss to be recognized when certain

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conditions are satisfied. These proposed Treasury regulations would be effective for transactions that occur after the date the regulations are published as final Treasury regulations. There can, however, be no assurance as to whether, when, and in what particular form such proposed Treasury regulations will ultimately be finalized. If a redemption of shares is not treated as a distribution taxable as a dividend, it will be treated as a taxable sale or exchange in the manner described under Taxation of U.S. Stockholders Taxation of Taxable U.S. Stockholders Disposition of our Stock.

**Conversion of Preferred Stock into Common Stock.** Except as provided below, a U.S. Holder generally will not recognize gain or loss upon the conversion of our preferred stock into our common stock. Except as provided below, a U.S. Holder's basis and holding period in the common stock received upon conversion generally will be the same as those of the converted preferred stock (but the basis will be reduced by the portion of adjusted tax basis allocated to any fractional share of common stock exchanged for cash). Any common stock received in a conversion that is attributable to accumulated and unpaid dividends on the converted preferred stock will be treated as a distribution on our shares as described above in Taxation of U.S. Stockholders Taxation of Taxable U.S. Stockholders Distributions Generally. Cash received upon conversion in lieu of a fractional share of common stock generally will be treated as a payment in a taxable exchange for such fractional share of common stock, and gain or loss will be recognized on the receipt of cash in an amount equal to the difference between the amount of cash received and the adjusted tax basis allocable to the fractional share of common stock deemed exchanged. This gain or loss will be long-term capital gain or loss if the U.S. stockholder has held the preferred stock for more than one year. See Taxation of U.S. Stockholders Dispositions of Stock. U.S. holders should consult with their tax advisor regarding the U.S. federal income tax consequences of any transaction by which such holder exchanges common stock received on a conversion of preferred stock for cash or other property.

## **Taxation of Non-U.S. Stockholders**

The following is a summary of certain federal income and estate tax consequences of the ownership and disposition of our Stock applicable to non-U.S. holders of our Stock. The discussion is based on current law and is for general information only. It addresses only selected, and not all, aspects of federal income and estate taxation.

**Distributions Generally.** As described in the discussion below, distributions paid by us with respect to our Stock will be treated for federal income tax purposes as:

ordinary dividends;  
return of capital distributions; or  
long-term capital gain.

This discussion assumes that each class of Stock will be considered regularly traded on an established securities market for purposes of the Foreign Investment in Real Property Tax Act of 1980 ( FIRPTA ) provisions described below. If any class of Stock is not regularly traded on an established securities market, the tax considerations relevant to that class of Stock described below would materially differ.

**Ordinary Income Dividends.** Subject to the discussion below, distributions by us to a non-U.S. holder generally will be treated as ordinary dividends to the extent that they are made out of our current or accumulated earnings and profits and:

are not attributable to our net capital gain, or the distribution is attributable to our net capital gain from the sale of U.S. real property interests, or USRPIs, and the non-U.S. holder owns 5% or less of the value of the class of our stock in respect of which the distributions are made at

all times during the one-year period ending on the date of distribution.

We generally expect to withhold U.S. income tax at the rate of 30% on any distribution (including distributions that may later be determined to have been made in excess of current and accumulated E&P) made to a non-U.S. holder unless:

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a lower treaty rate applies and the non-U.S. holder files an Internal Revenue Service Form W-8BEN with us evidencing eligibility for that reduced rate is filed with us;  
the non-U.S. holder files an Internal Revenue Service Form W-8ECI with us claiming that the distribution is income effectively connected with the non-U.S. holder's trade or business; or  
the non-U.S. holder is a foreign sovereign or controlled entity of a foreign sovereign and also provides an IRS Form W-8EXP claiming an exemption from withholding under section 892 of the Code.

Distributions in excess of our current or accumulated earnings and profits that do not exceed the adjusted basis of the non-U.S. holder in its Stock will reduce the non-U.S. holder's adjusted basis in its Stock and will not be subject to federal income tax. Distributions in excess of current and accumulated earnings and profits that do exceed the adjusted basis of the non-U.S. holder in its Stock will be treated as gain from the sale of its Stock, the tax treatment of which is described below. See Dispositions of Stock.

We may be required to withhold at least 10% of any distribution in excess of our current and accumulated earnings and profits, even if a lower treaty rate applies or the non-U.S. holder is not liable for tax on the receipt of that distribution. However, a non-U.S. holder may seek a refund of these amounts from the Internal Revenue Service if the non-U.S. holder's U.S. tax liability with respect to the distribution is less than the amount withheld.

**Capital Gain Dividends.** A distribution paid by us to a non-U.S. holder will be treated as long-term capital gain if the distribution is paid out of our current or accumulated E&P and:

the distribution is attributable to our net capital gain (other than from the sale of USRPIs) and we timely designate the distribution as a capital gain dividend; or

the distribution is attributable to our net capital gain from the sale of USRPIs and the non-U.S. holder owns more than 5% of the value of the class of our stock in respect of which the distributions are made at any point during the one year period ending on the date of distribution.

Distributions to non-U.S. holders that are designated by us at the time of distribution as capital gain dividends generally should not be subject to federal income taxation, unless:

the investment in our Stock is effectively connected with the non-U.S. holder's U.S. trade or business, in which case the non-U.S. holder will be subject to tax on a net basis in a manner similar to the taxation of U.S. holders with respect to such gain, except that a holder that is a foreign corporation may also be subject to the additional 30% branch profits tax; or

the non-U.S. holder is a nonresident alien individual who is present in the United States for 183 days or more during the taxable year and either has a tax home in the United States or with respect to whom certain other conditions exist, in which case such nonresident alien individual will be subject to a 30% tax on the individual's capital gain.

Under FIRPTA, distributions that are attributable to net capital gain from the sale by us of USRPIs and paid to a non-U.S. holder that owns more than 5% of the value of the class of our stock in respect of which the distributions are made at any time during the taxable year during the one year period ending on the date on which the distribution is paid will be subject to tax as income effectively connected with a U.S. trade or business. The FIRPTA tax will apply to these distributions whether or not the distribution is designated as a capital gain dividend. Such distributions may be subject to a 30% branch profits tax.

With respect to a non-U.S. holder receiving a distribution that is treated as a capital gain dividend or could be treated as a capital gain dividend, we will withhold and remit to the IRS 35% of any distribution to that non-U.S. holders that is either designated as a capital gain dividend, or, if greater, 35% of a distribution that could have been designated as a capital gain dividend. Distributions can be designated as capital gain to the extent of our net capital gain for the taxable year of the distribution. The amount withheld is creditable against the non-U.S. holder's federal income tax liability or refundable when the non-U.S. holder properly and timely files a tax return with the IRS.



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It is not entirely clear whether distributions that are (i) otherwise treated as capital gain dividends, (ii) not attributable to the disposition of a U.S. real property interest, and (iii) paid to non-U.S. holders who own less than 5% of the value of the class of our stock in respect of which the distributions are made at all times during the relevant taxable year, will be treated as (a) long-term capital gain to such non-U.S. holders or as (b) ordinary dividends taxable in the manner described above. If we were to pay a capital gain dividend described in the prior sentence, non-U.S. holders should consult their tax advisers regarding the taxation of such distribution in their particular circumstances.

**Retention of Net Capital Gains.** Although the law is not clear on the matter, it appears that amounts designated by us as retained capital gains in respect of the Stock held by U.S. holders generally should be treated with respect to non-U.S. holders in the same manner as actual distributions by us of capital gain dividends. Under that approach, a non-U.S. holder would be able to offset as a credit against its United States federal income tax liability resulting therefrom, an amount equal to its proportionate share of the tax paid by us on such undistributed capital gains, and to receive from the IRS a refund to the extent its proportionate share of such tax paid by us were to exceed its actual United States federal income tax liability, and the non-U.S. holder timely files an appropriate claim for refunds.

**Dispositions of Stock.** Unless our Stock constitutes a USRPI, a sale of our Stock by a non-U.S. holder generally will not be subject to U.S. taxation under FIRPTA. Generally, with respect to any particular stockholder, our Stock will constitute a USRPI only if each of the following three statements is true:

50% or more of all of our assets throughout a prescribed testing period consist of interests in real property located within the United States, excluding, for this purpose, interests in real property solely in a capacity as a creditor; We are not a domestically controlled qualified investment entity. A domestically controlled qualified investment entity includes a REIT in which, at all times during a specified testing period, less than 50% in value of its shares is held directly or indirectly by non-U.S. holders. We believe that we are and will remain a domestically controlled qualified investment entity and, therefore, that the sale of our Stock by a non-U.S. holder would not be subject to taxation under FIRPTA. Because our Class A common stock is publicly traded, however, we cannot guarantee that we will continue to be a domestically controlled qualified investment entity; and Either (1) the class of our stock which is sold or exchanged is not regularly traded, as defined by applicable Treasury regulations, on an established securities market in the U.S., or (2) the class of our stock which is sold or exchanged is regularly traded on an established securities market in the U.S. and the selling non-U.S. holder has held over 5% of the value of that class of our stock at any time during the shorter of the period during which the non-U.S. holder held to that class of Stock or the five-year period ending on the date of the sale or exchange.

Specific wash sales rules applicable to sales of REIT stock could result in gain recognition, taxable under FIRPTA, upon the sale of our Stock even if we are a domestically controlled qualified investment entity. These rules would apply if a non-U.S. holder (1) disposes of our Stock within a 30 day period preceding the ex-dividend date of a distribution which distribution is to be made with respect to the Stock, any portion of which, but for the disposition, would have been taxable to such non-U.S. holder as gain from the sale or exchange of a USRPI, (2) acquires, or enters into a contract or option to acquire, substantially identical stock during the 61-day period that begins 30 days prior to the ex-dividend date described in (1) above, and (3) if the class of our stock which is sold or exchanged is regularly traded on an established securities market in the U.S. and such non-U.S. holder has owned more than 5% of that class of our stock at any time during the one year period ending on the date of the distribution described in (1) above.

If gain on the sale of our Stock were subject to taxation under FIRPTA, the non-U.S. holder would be subject to the same treatment as a U.S. holder with respect to such gain, subject to applicable alternative minimum tax and a special alternative minimum tax in the case of non-resident alien individuals, and the purchaser of the Stock could be required to withhold 10% of the purchase price and remit such amount to the IRS.



Gain from the sale of our Stock that would not otherwise be subject to FIRPTA will nonetheless be taxable in the United States to a non-U.S. holder if: (1) the non-U.S. holder's investment in our Stock is effectively

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connected with a U.S. trade or business conducted by such non-U.S. holder, in which case the non-U.S. holder will be subject to the same treatment as a U.S. holder with respect to such gain, or (2) the non-U.S. holder is a nonresident alien individual who was present in the United States for 183 days or more during the taxable year and has a tax home in the United States, in which case the nonresident alien individual will be subject to a 30% tax on the individual's capital gain.

### **Taxation of U.S. Tax-Exempt Stockholders**

U.S. tax-exempt entities, including qualified employee pension and profit sharing trusts and individual retirement accounts, generally are exempt from federal income taxation. However, they are subject to taxation on their unrelated business taxable income (UBTI). Provided that (1) a tax-exempt holder has not held our Stock as debt financed property within the meaning of the Code (i.e. where the acquisition or holding of the property is financed through a borrowing by the tax-exempt holder), and (2) our Stock is not otherwise used in an unrelated trade or business, distributions from us and income from the sale of our stock should not give rise to UBTI to a tax-exempt holder.

Tax-exempt holders that are social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts, and qualified group legal services plans exempt from federal income taxation under sections 501(c)(7), (c)(9), (c)(17) and (c)(20) of the Code, respectively, are subject to different UBTI rules, which generally will require them to characterize distributions from us as UBTI.

In certain circumstances, a pension trust that owns more than 10% (by value) of interests in us could be required to treat a percentage of the dividends from us as UBTI, if we are a pension-held REIT. We will not be a pension-held REIT unless either (1) one pension trust owns more than 25% (by value) of interests in us, or (2) a group of pension trusts, each individually holding more than 10% of the value of our stock, collectively owns more than 50% (by value) of interests in us. Certain restrictions on ownership and transfer of our stock should generally prevent a tax-exempt entity from owning more than 10% (by value) of interests in us, or our becoming a pension-held REIT.

U.S. tax-exempt holders are urged to consult their tax advisors regarding the federal, state, local and foreign tax consequences of owning our Stock.

### **Information Reporting and Backup Withholding Tax Applicable to Stockholders**

***U.S. Stockholders Generally.*** In general, information-reporting requirements will apply to payments of distributions on our Stock and payments of the proceeds of the sale of our Stock to some U.S. holders, unless an exception applies. Further, the payer will be required to withhold backup withholding tax on such payments (currently at the rate of 28%) if:

- (1) the payee fails to furnish a taxpayer identification number, or TIN, to the payer or to establish an exemption from backup withholding;
- (2) the IRS notifies the payer that the TIN furnished by the payee is incorrect;
- (3) there has been a notified payee under-reporting with respect to interest, dividends or original issue discount described in Section 3406(c) of the Code; or
- (4) there has been a failure of the payee to certify under the penalty of perjury that the payee is not subject to backup withholding under the Code.

Some holders of our Stock, including corporations, may be exempt from backup withholding. Any amounts withheld

under the backup withholding rules from a payment to a holder will be allowed as a credit against the holder's United States federal income tax liability and may entitle the holder to a refund, provided that the required information is furnished to the IRS.

***U.S. Stockholders Legislation Relating to Foreign Accounts.*** Under FATCA, certain future payments made to foreign financial institutions and non-financial foreign entities may be subject to withholding at a rate of 30%. U.S. stockholders should consult their tax advisors regarding the effect, if any, of this new legislation on their ownership and disposition of our Stock. See Non-U.S. Stockholders Withholding on Payments to Certain Foreign Entities below.

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***Non-U.S. Stockholders Generally.*** Generally, information reporting will apply to payments of distributions on our Stock, and backup withholding described above for a U.S. holder will apply, unless the payee certifies that it is not a United States person or otherwise establishes an exemption.

The payment of the proceeds from the disposition of our Stock to or through the United States office of a United States or foreign broker will not generally be subject to information reporting or backup withholding. However, if the broker is a U.S. person, a controlled foreign corporation for U.S. federal income tax purposes, or a foreign person 50% or more of whose gross income from all sources for specified periods is from activities that are effectively connected with a U.S. trade or business, a foreign partnership 50% or more of whose interests are held by partners who are U.S. persons, or a foreign partnership that is engaged in the conduct of a trade or business in the United States, then information reporting generally will apply as though the payment was made through a U.S. office of a U.S. or foreign broker unless the broker has documentary evidence as to the non-U.S. holder's foreign status or has no actual knowledge to the contrary.

Generally, non-U.S. holders will satisfy the information reporting requirements by providing a proper IRS withholding certificate (such as the Form W-8BEN). In the absence of a proper withholding certificate, applicable Treasury regulations provide presumptions regarding the status of stockholders when payments to the stockholders cannot be reliably associated with appropriate documentation provided to the payor. If a non-U.S. holder fails to comply with the information reporting requirement, payments to such person may be subject to the full withholding tax even if such person might have been eligible for a reduced rate of withholding or no withholding under an applicable income tax treaty. Any payment subject to a withholding tax will not be again subject to backup withholding. Because the application of these Treasury regulations varies depending on the non-U.S. holder's particular circumstances, non-U.S. holders are urged to consult their tax advisor regarding the information reporting requirements applicable to them.

Backup withholding is not an additional tax. Any amounts that we withhold under the backup withholding rules will be refunded or credited against the non-U.S. stockholder's federal income tax liability if certain required information is furnished to the IRS. Non-U.S. holders should consult their own tax advisors regarding application of backup withholding in their particular circumstances and the availability of and procedure for obtaining an exemption from backup withholding under current Treasury regulations.

***Non-U.S. Stockholders Withholding on Payments to Certain Foreign Entities.*** FATCA imposes a 30% withholding tax on certain types of payments made to foreign financial institutions and certain other non-U.S. entities unless certain due diligence, reporting, withholding, and certification obligations requirements are satisfied.

The Treasury Department and the IRS have issued final regulations under FATCA. As a general matter, FATCA imposes a 30% withholding tax on dividends on, and gross proceeds from the sale or other disposition of, our Stock if paid to a foreign entity unless either (i) the foreign entity is a foreign financial institution that undertakes certain due diligence, reporting, withholding, and certification obligations, or in the case of a foreign financial institution that is a resident in a jurisdiction that has entered into an intergovernmental agreement to implement FATCA, the entity complies with the diligence and reporting requirements of such agreement, (ii) the foreign entity is not a foreign financial institution and identifies certain of its U.S. investors, or (iii) the foreign entity otherwise is exempted under FATCA. Under delayed effective dates provided for in the regulations and subsequent guidance, the required withholding began July 1, 2014 with respect to dividends on our Stock, but will not begin until January 1, 2017 with respect to gross proceeds from a sale or other disposition of our Stock.

If withholding is required under FATCA on a payment related to our Stock, investors that otherwise would not be subject to withholding (or that otherwise would be entitled to a reduced rate of withholding) generally will be required

to seek a refund or credit from the IRS to obtain the benefit of such exemption or reduction (provided that such benefit is available). Prospective investors should consult their tax advisors regarding the effect of FATCA in their particular circumstances.

## **Taxation of Holders of Warrants and Rights**

Holders will not generally recognize gain or loss upon the exercise of a warrant. A holder's basis in the preferred stock, depositary shares representing preferred stock or common stock, as the case may be, received

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upon the exercise of the warrant will be equal to the sum of the holder's adjusted tax basis in the warrant and the exercise price paid. A holder's holding period in the preferred stock, depositary shares representing preferred stock or common stock, as the case may be, received upon the exercise of the warrant will not include the period during which the warrant was held by the holder. Upon the expiration of a warrant, a holder will recognize a capital loss in an amount equal to his or her adjusted tax basis in the warrant. Upon the sale or exchange of a warrant to a person other than us, a holder will recognize gain or loss in an amount equal to the difference between the amount realized on the sale or exchange and the holder's adjusted tax basis in the warrant. Such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the warrant was held for more than one year. Upon the sale of the warrant to us, the IRS may argue that a holder should recognize ordinary income on the sale. Prospective investors should consult your their tax advisors as to the consequences of a sale of a warrant to us.

In the event of a rights offering, the tax consequences of the receipt, expiration, and exercise of the rights we issue will be addressed in detail in a prospectus supplement. Prospective investors should review the applicable prospectus supplement in connection with the ownership of any rights, and consult their own tax advisors as to the consequences of investing in the rights.

## **Treatment of Depositary Shares**

Owners of depositary shares will be treated for U.S. federal income tax purposes as if they are owners of the preferred stock represented by such depositary shares. Accordingly, such owners will be entitled to take into account, for U.S. federal income tax purposes, income and deductions to which they would be entitled if they were holders of such preferred stock. In addition, (i) no gain or loss will be recognized for U.S. federal income tax purposes upon the withdrawal of preferred stock to an exchange owner of depositary shares, (ii) the tax basis of each share of preferred stock to an exchanging owner of depositary shares will, upon such exchange, be the same as the aggregate tax basis of the depositary shares exchanged therefor, and (iii) the holding period for preferred stock in the hands of an exchanging owner of depositary shares will include the period during which such person owned such depositary shares.

## **Other Tax Considerations**

### **Legislative or Other Actions Affecting REITs**

The rules dealing with federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department. We cannot give you any assurances as to whether, or in what form, any proposals affecting REITs or their stockholders will be enacted. Changes to the federal tax laws and interpretations thereof could adversely affect an investment in our Stock.

### **State, Local and Foreign Taxes**

We and our subsidiaries and the holders of our Stock may be subject to state, local or foreign taxation in various jurisdictions, including those in which it or they transact business, own property or reside. We own data centers located in a number of jurisdictions, and may be required to file tax returns in some or all of those jurisdictions. The state, local or foreign tax treatment of us and holders of our Stock may not conform to the federal income tax treatment discussed above. We will pay foreign property taxes, and dispositions of foreign property or operations involving, or investments in, foreign property may give rise to foreign income or other tax liability in amounts that could be substantial. Any foreign taxes incurred by us do not pass through to stockholders as a credit against their federal income tax liability. Prospective investors should consult their tax advisors regarding the application and effect

of state, local and foreign income and other tax laws on an investment in our Stock.

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**Tax Shelter Reporting**

If a holder recognizes a loss as a result of a transaction with respect to our shares of at least (i) for a holder that is an individual, S corporation, trust or a partnership with at least one non-corporate partner, \$2 million or more in a single taxable year or \$4 million or more in a combination of taxable years, or (ii) for a holder that is either a corporation or a partnership with only corporate partners, \$10 million or more in a single taxable year or \$20 million or more in a combination of taxable years, such holder may be required to file a disclosure statement with the IRS on Form 8886. Direct stockholders of portfolio securities are in many cases exempt from this reporting requirement, but stockholders of a REIT currently are not excepted. The fact that a loss is reportable under these regulations does not affect the legal determination of whether the taxpayer's treatment of the loss is proper. Stockholders should consult their tax advisors to determine the applicability of these regulations in light of their individual circumstances.



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## **BOOK-ENTRY SECURITIES**

We may issue the securities offered by means of this prospectus in whole or in part in book-entry form, meaning that beneficial owners of the securities will not receive certificates representing their ownership interests in the securities, except in the event the book-entry system for the securities is discontinued. If securities are issued in book entry form, they will be evidenced by one or more global securities that will be deposited with, or on behalf of, a depository identified in the applicable prospectus supplement relating to the securities. The Depository Trust Company is expected to serve as depository. Unless and until it is exchanged in whole or in part for the individual securities represented thereby, a global security may not be transferred except as a whole by the depository for the global security to a nominee of such depository or by a nominee of such depository to such depository or another nominee of such depository or by the depository or any nominee of such depository to a successor depository or a nominee of such successor. Global securities may be issued in either registered or bearer form and in either temporary or permanent form. The specific terms of the depository arrangement with respect to a class or series of securities that differ from the terms described here will be described in the applicable prospectus supplement.

Unless otherwise indicated in the applicable prospectus supplement, we anticipate that the following provisions will apply to depository arrangements.

Upon the issuance of a global security, the depository for the global security or its nominee will credit on its book-entry registration and transfer system the respective principal amounts of the individual securities represented by such global security to the accounts of persons that have accounts with such depository, who are called participants. Such accounts shall be designated by the underwriters, dealers or agents with respect to the securities or by us if the securities are offered and sold directly by us. Ownership of beneficial interests in a global security will be limited to the depository's participants or persons that may hold interests through such participants. Ownership of beneficial interests in the global security will be shown on, and the transfer of that ownership will be effected only through, records maintained by the applicable depository or its nominee (with respect to beneficial interests of participants) and records of the participants (with respect to beneficial interests of persons who hold through participants). The laws of some states require that certain purchasers of securities take physical delivery of such securities in definitive form.

Such limits and laws may impair the ability to own, pledge or transfer beneficial interest in a global security.

So long as the depository for a global security or its nominee is the registered owner of such global security, such depository or nominee, as the case may be, will be considered the sole owner or holder of the securities represented by such global security for all purposes under the applicable instrument defining the rights of a holder of the securities. Except as provided below or in the applicable prospectus supplement, owners of beneficial interest in a global security will not be entitled to have any of the individual securities of the series represented by such global security registered in their names, will not receive or be entitled to receive physical delivery of any such securities in definitive form and will not be considered the owners or holders thereof under the applicable instrument defining the rights of the holders of the securities.

Payments of amounts payable with respect to individual securities represented by a global security registered in the name of a depository or its nominee will be made to the depository or its nominee, as the case may be, as the registered owner of the global security representing such securities. None of us, our officers and board members or any trustee, paying agent or security registrar for an individual series of securities will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the global security for such securities or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

We expect that the depository for a series of securities offered by means of this prospectus or its nominee, upon receipt of any payment of principal, premium, interest, dividend or other amount in respect of a permanent global security representing any of such securities, will immediately credit its participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such global security for such securities as shown on the records of such depository or its nominee. We also expect that payments by participants to owners of beneficial interests in such global security held through such

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participants will be governed by standing instructions and customary practices, as is the case with securities held for the account of customers in bearer form or registered in street name. Such payments will be the responsibility of such participants.

If a depository for a series of securities is at any time unwilling, unable or ineligible to continue as depository and a successor depository is not appointed by us within 90 days, we will issue individual securities of such series in exchange for the global security representing such series of securities. In addition, we may, at any time and in our sole discretion, subject to any limitations described in the applicable prospectus supplement relating to such securities, determine not to have any securities of such series represented by one or more global securities and, in such event, will issue individual securities of such series in exchange for the global security or securities representing such series of securities.

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## **PLAN OF DISTRIBUTION**

Unless otherwise set forth in a prospectus supplement accompanying this prospectus, we may sell the securities offered pursuant to this prospectus to or through one or more underwriters or dealers, or we may sell the securities to investors directly or through agents. Any such underwriter, dealer or agent involved in the offer and sale of the securities will be named in the applicable prospectus supplement. We may sell securities directly to investors on our own behalf in those jurisdictions where we are authorized to do so.

Underwriters may offer and sell the securities at a fixed price or prices which may be changed, at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. We also may, from time to time, authorize dealers or agents to offer and sell the securities upon such terms and conditions as may be set forth in the applicable prospectus supplement. In connection with the sale of any of the securities, underwriters may receive compensation from us in the form of underwriting discounts or commissions and may also receive commissions from purchasers of the securities for whom they may act as agents. Underwriters may sell the securities to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters or commissions from the purchasers for whom they may act as agents.

Our securities, including Class A common stock, may also be sold in one or more of the following transactions: (i) block transactions (which may involve crosses) in which a broker-dealer may sell all or a portion of such shares as agent, but may position and resell all or a portion of the block as principal to facilitate the transaction; (ii) purchases by any such broker-dealer as principal, and resale by such broker-dealer for its own account pursuant to a prospectus supplement; (iii) a special offering, an exchange distribution or a secondary distribution in accordance with applicable NYSE or other stock exchange, quotation system or over-the-counter market rules; (iv) ordinary brokerage transactions and transactions in which any such broker-dealer solicits purchasers; (v) sales at the market to or through a market maker or into an existing trading market, on an exchange or otherwise, for such shares; and (vi) sales in other ways not involving market makers or established trading markets, including direct sales to purchasers.

Any underwriting compensation paid by us to underwriters or agents in connection with the offering of the securities, and any discounts or concessions or commissions allowed by underwriters to participating dealers, will be set forth in the applicable prospectus supplement. Dealers and agents participating in the distribution of the securities may be deemed to be underwriters, and any discounts and commissions received by them and any profit realized by them on resale of the securities may be deemed to be underwriting discounts and commissions.

Underwriters, dealers and agents may be entitled, under agreements entered into with us, to indemnification against and contribution toward certain civil liabilities, including liabilities under the Securities Act of 1933, as amended. Unless otherwise set forth in an accompanying prospectus supplement, the obligations of any underwriters to purchase any of the securities will be subject to certain conditions precedent, and the underwriters will be obligated to purchase all of such securities, if any are purchased.

Underwriters, dealers and agents may engage in transactions with, or perform services for, us and our affiliates in the ordinary course of business.

If indicated in the prospectus supplement, we may authorize underwriters or other agents to solicit offers by institutions to purchase securities from us pursuant to contracts providing for payment and delivery on a future date. Institutions with which we may make these delayed delivery contracts include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions and others. The obligations of any purchaser under any such delayed delivery contract will be subject to the condition that the

purchase of the securities shall not at the time of delivery be prohibited under the laws of the jurisdiction to which the purchaser is subject. The underwriters and other agents will not have any responsibility with regard to the validity or performance of these delayed delivery contracts.

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In connection with the offering of the securities hereby, certain underwriters, and selling group members and their respective affiliates may engage in transactions that stabilize, maintain or otherwise affect the market price of the applicable securities. Such transactions may include stabilization transactions effected in accordance with Rule 104 of Regulation M promulgated by the SEC pursuant to which such persons may bid for or purchase securities for the purpose of stabilizing their market price. The underwriters in an offering of securities may also create a short position for their account by selling more securities in connection with the offering than they are committed to purchase from us. In such case, the underwriters could cover all or a portion of such short position by either purchasing securities in the open market following completion of the offering of such securities or by exercising any over-allotment option granted to them by us. In addition, the managing underwriter may impose penalty bids under contractual arrangements with other underwriters, which means that they can reclaim from an underwriter (or any selling group member participating in the offering) for the account of the other underwriters, the selling concession with respect to securities that are distributed in the offering but subsequently purchased for the account of the underwriters in the open market. Any of the transactions described in this paragraph or comparable transactions that are described in any accompanying prospectus supplement may result in the maintenance of the price of the securities at a level above that which might otherwise prevail in the open market. None of such transactions described in this paragraph or in an accompanying prospectus supplement are required to be taken by any underwriters and, if they are undertaken, may be discontinued at any time.

We may sell the securities in exchange in whole or part for consideration other than cash. This consideration may consist of services or products, whether tangible or intangible, and including services or products we may use in our business; outstanding debt or equity securities of our company or one or more of its subsidiaries; debt or equity securities or assets of other companies, including in connection with investments, joint ventures or other strategic transactions, or acquisitions; release of claims or settlement of disputes; and satisfaction of obligations, including obligations to make payments to distributors or other suppliers and payment of interest on outstanding obligations. We may sell the securities as part of a transaction in which outstanding debt or equity securities of our company or one or more of our subsidiaries are surrendered, converted, exercised, canceled or transferred.

Our shares of Class A common stock are listed on the NYSE under the symbol QTS. Any securities that we issue, other than our Class A common stock, will be new issues of securities and, except with respect to our Class A common stock, will have no established trading market and may or may not be listed on a national securities exchange, quotation system or over-the-counter market. Any underwriters or agents to or through which securities are sold by us may make a market in such securities, but such underwriters or agents will not be obligated to do so and any of them may discontinue any market making at any time without notice. No assurance can be given as to the liquidity of or trading market for any securities sold by us.

In addition, selling stockholders with registration rights may use this prospectus in connection with resales of our Class A common stock. See Description of Common Stock Registration Rights in this prospectus. The applicable prospectus supplement will identify the selling stockholders, their beneficial ownership of our Class A common stock, the shares of Class A common stock that the selling stockholders intend to sell and any material relationships between us and the selling stockholders. Selling stockholders may be deemed to be underwriters under the Securities Act in connection with the Class A common stock they resell and any profits on the sales may be deemed to be underwriting discounts and commissions under the Securities Act. Unless otherwise set forth in a prospectus supplement, any such selling stockholders will receive all the proceeds from the resale of our Class A common stock. We will not receive any proceeds from the resale by the selling stockholders of Class A common stock. Unless otherwise set forth in a prospectus supplement, the selling stockholders will pay all underwriting discounts, commissions and agent's commissions, if any.



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## **LEGAL MATTERS**

The validity of the securities offered by means of this prospectus and certain U.S. federal income tax matters have been passed upon for us by Hogan Lovells US LLP.

## **EXPERTS**

The consolidated balance sheets of QTS Realty Trust, Inc. and subsidiaries as of December 31, 2013 and QualityTech, LP (as predecessor) as of December 31, 2012 and the related consolidated statements of comprehensive income, shareholders' equity, and cash flows for the period from May 17, 2013 to December 31, 2013 of QTS Realty Trust, Inc. and subsidiaries and the related consolidated statements of operations and comprehensive loss, partners' capital, and cash flows for the period from January 1, 2013 to October 14, 2013 and for the years ended December 31, 2012 and 2011 of QualityTech, LP (as predecessor) appearing in QTS Realty Trust, Inc.'s Annual Report (Form 10-K) have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon, included therein, and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

## **WHERE TO FIND ADDITIONAL INFORMATION**

Our website address is [www.qtsdatacenters.com](http://www.qtsdatacenters.com). We make our SEC filings available on our website, free of charge, as soon as reasonably practicable after such materials are filed with, or furnished to the SEC. Information contained on our website is not incorporated by reference into this prospectus, and you should not consider information contained on our website to be part of this prospectus or any applicable prospectus supplement.

We file annual, quarterly and current reports, proxy statements and other information with the SEC. This prospectus does not contain all of the information set forth in the registration statement. For further information with respect to our company and the securities to be registered, we refer you to the registration statement, including the exhibits, schedules and information incorporated by reference into the registration statement. Statements contained in this prospectus as to the contents of any contract or other document referred to in this prospectus are not necessarily complete and, where that contract or other document has been filed as an exhibit to or incorporated by reference into the registration statement, each statement in this prospectus is qualified in all respects by the exhibit to which the reference relates. Copies of the registration statement, and other documents that we file with the SEC, may be examined without charge at the public reference room of the SEC, 100 F Street, N.E., Washington, DC 20549. Information about the operation of the public reference room may be obtained by calling the SEC at 1-800-SEC-0300. Copies of all or a portion of the registration statement can be obtained from the public reference room of the SEC upon payment of prescribed fees. In addition, our SEC filings also are available electronically to the public on the SEC's website at [www.sec.gov](http://www.sec.gov).

## **INCORPORATION OF CERTAIN INFORMATION BY REFERENCE**

SEC rules allow us to incorporate information into this prospectus by reference, which means that we disclose important information to you by referring you to another document filed separately with the SEC. The information



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incorporated by reference is deemed to be part of this prospectus, except to the extent superseded by information contained herein or by information contained in documents filed with or furnished to the SEC after the date of this prospectus. This prospectus incorporates by reference the documents set forth below that have been previously filed with the SEC:

our Annual Report on Form 10-K for the year ended December 31, 2013;  
our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2014, June 30, 2014 and September 30, 2014;  
the portions of the Definitive Proxy Statement on Schedule 14A filed with the SEC on March 19, 2014 incorporated by reference in the Annual Report on Form 10-K for the year ended December 31, 2013;  
our Current Reports on Form 8-K filed with the SEC on April 15, 2014, May 9, 2014, July 3, 2014 and July 28, 2014;  
and  
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the description of our Class A common stock included in our Registration Statement on Form 8-A filed on October 1, 2013, and all reports filed for the purpose of updating such description.

We also incorporate by reference into this prospectus additional documents that we may file with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act from the date of this prospectus until we have sold all of the securities to which this prospectus relates or the offering is otherwise terminated. We are not, however, incorporating any information furnished under either Item 2.02 or Item 7.01 of any Current Report on Form 8-K. These documents may include, among others, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as proxy statements.

You may obtain copies of the documents we incorporate by reference by contacting us as described below, or through contacting the SEC or accessing its website as described above. Documents incorporated by reference are available without charge, excluding all exhibits unless an exhibit has been specifically incorporated by reference into those documents, by requesting them in writing or by telephone at:

QTS Realty Trust, Inc.  
12851 Foster Street  
Overland Park, KS 66213  
(913) 814-9988  
Attn: Investor Relations

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**7,000,000 Shares**

**QTS REALTY TRUST, INC.**

**Class A Common Stock**

**PROSPECTUS SUPPLEMENT**

**Deutsche Bank Securities**

**Jefferies**

**KeyBanc Capital Markets**

**BofA Merrill Lynch**

**Evercore ISI**

**Goldman, Sachs & Co.**

**J.P. Morgan**

**Morgan Stanley**

**Stifel**

**Baird**

**Credit Suisse**

**PNC Capital Markets LLC**

**SunTrust Robinson Humphrey**

**TD Securities**

June 2, 2015

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