WIMM BILL DANN FOODS OJSC
Form 6-K
June 26, 2009

FORM 6-K

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Issuer
June 19, 2009

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

Commission file number: 333-14278

WIMM-BILL-DANN FOODS OJSC

(Exact name of Registrant as specified in its charter)

Russian Federation

(Jurisdiction of incorporation or organization)

16, Yauzsky Boulevard

Moscow 109028

Russian Federation

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F x Form 40-F o

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes o No x

WIMM-BILL-DANN POSTS SUBSTANTIAL MARGIN IMPROVEMENT

AND INCREASES IN FREE CASH FLOW

IN Q1 2009

Moscow, Russia June 18, 2009 Wimm-Bill-Dann Foods OJSC [NYSE: WBD] today announced its financial results for the quarter ended March 31, 2009.

HIGHLIGHTS FOR FIRST QUARTER 2009

- Group gross margin improved substantially to 32.5% from 30.0%
- EBITDA(1) margin improved significantly to 14.1% from 12.4%
- On a constant currency basis (in rubles) Adjusted net income(2) grew 25.1%
- On a constant currency basis (in rubles) EBITDA increased 12.7%
- Operating cash flow rose 136.4% to US$102.6 million
- Group revenue decreased 29.4% year-on-year to US$516.8 million driven by unprecedented ruble devaluation offset by favorable mix
- Russian ruble devalued almost 45% year-on-year against US dollar in the first quarter
- Operating profit margin increased 110 basis points to 9.8%

The first quarter laid a solid foundation for the year, particularly in terms of substantial margin improvement and a balance sheet that is healthier than ever, said Tony Maher, Wimm-Bill-Dann s Chief Executive Officer. The company continues to perform very well in all business segments despite the challenges in the economic environment.

We are working to maximize the return from our marketing and advertising investments, with a focus on gaining share in higher margin categories. As of the end of the first quarter, our market share in juices increased 170 basis points in volume terms compared to the end of the first quarter 2008. Our market share in baby food improved 240 basis points in volume terms over the same period, while our market share in yogurts and desserts increased 140 basis points in volume terms over the same period of time.

Our gross margin for the first quarter of 2009 expanded to 32.5%, up 250 basis points on a year-on-year basis. EBITDA margin also improved in the quarter to 14.1%, up 170 basis points versus the prior year period.

We substantially enhanced our capital structure to ensure that we are operating from a position of financial strength in the near-term and have the flexibility to pursue growth initiatives over the long-term. Last quarter, we paid down our bond using internal funds and this quarter we reissued some of those bonds on more favourable terms. This secondary issue of 3 billion rubles was sold at the lowest yield to market of any major Russian issuance this year, a significant accomplishment for Wimm-Bill-Dann and a testament to the strength of our business. Our continued efforts to improve our working capital efficiency led to us generating over $85 million in free cash flow, which, among other things, allowed us to

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(1) Note: See Attachment A for definitions of EBITDA and EBITDA margin and reconciliations to net income.

(2) Adjusted net income here and after means net income excluding foreign currency remeasurement effect and adjusted for respective tax amount.

repurchase 3.6% of our outstanding share capital in the open market in the form of ordinary shares.

Looking ahead we understand that the current environment will continue to pose its challenges and we are working to manage the business through the near-term hurdles while improving our competitive position and our ability to execute on long-term opportunities. The soundness of our strategy and the strength of our balance sheet will help us navigate the issues of today and position the company optimally for sustainable growth as the economic environment improves.

Key Financial Indicators of 1Q 2009

	1Q2009 US$ mln	1Q2008 US$ mln	Change
Sales	**516.8**	**731.9**	**(29.4)%**
Dairy	*369.2*	*555.4*	*(33.5)%*
Beverages	*94.1*	*116.8*	*(19.5)%*
Baby Food	*53.5*	*59.7*	*(10.3)%*
Gross profit	**168.1**	**219.5**	**(23.4)%**
Gross margin, %	***32.5%***	***30.0%***	***250bp***
Selling and distribution expenses	84.4	110.0	(23.3)%
General and administrative expenses	29.5	42.1	(30.0)%
Operating income	**50.4**	**63.4**	**(20.5)%**
Operating margin,%	***9.8%***	***8.7%***	***110bp***
Financial income and expenses, net	33.8	3.4	899.9%
Net income	**12.6**	**41.9**	**(69.9)%**
EBITDA	**73.1**	**90.7**	**(19.4)%**
EBITDA margin, %	***14.1%***	***12.4%***	***170bp***
CAPEX excluding acquisitions	16.4	49.9	(67.1)%

Dairy

Sales in the Dairy Segment decreased 33.5% to US$369.2 million in the first quarter of 2009 from US$555.4 million in the first quarter of 2008. This was driven by the negative exchange rate effect and partially offset by the improved sales mix. The average selling price declined 22.6% to US$1.06 per 1 kg in the first quarter of 2009 from US$1.36 per 1 kg in the first quarter of 2008. The gross margin in the Dairy Segment increased to 29.1% from 26.4% in the first quarter 2008, driven by lower raw milk costs and improved sales mix.

Beverages

Sales in the Beverage Segment decreased 19.5% to US$94.1 million in the first quarter of 2009 compared to US$116.8 million in the first quarter of 2008. This was driven by the exchange rate effect and partially offset by good volume growth. Average selling price decreased 27.8% to US$0.74 per liter in the first quarter of 2009 from US$1.02 per liter in the first quarter of 2008. The gross margin in the Beverage Segment decreased to 36.9% from 38.0% year-on-year due to the negative exchange rate effect on imported raw materials.

Baby Food

Baby food sales continued to demonstrate solid growth. On a constant currency basis (in rubles) baby food sales grew 25.4% year-on-year in the first quarter 2009. Sales in the Baby Food Segment decreased 10.3% to US$53.5 million in the first quarter of 2009 from US$59.7 million in the first quarter of 2008 due only to an unfavorable exchange rate. Volume growth is offsetting most of the ruble devaluation, helped by a successful launch of our Dry Formula last year. We are very pleased to see this segment continuing to gain market share even in the current economic environment, growing in the high 20s in volume in the first quarter. The average selling price declined 29.6% to US$1.70 per 1 kg in the first

quarter of 2009 from US$2.42 per 1 kg in the first quarter of 2008. The gross margin in the Baby Food Segment increased to 48.3% from 47.5%.

Key Cost Elements

For the first quarter of 2009, selling and distribution expenses decreased 23.3% to US$84.4 million. Selling and distribution expenses, as a percentage of sales, grew to 16.3% in the first quarter of 2009 compared to 15.0% last year, driven by advertising and marketing expenses, which increased, as a percentage of sales, to 5.3% from 3.6%. General and administrative expenses decreased 30.0% to US$29.5 million in the first quarter of 2009. General and administrative expenses, as a percentage of sales, stayed flat at 5.7%.

Operating profit decreased 20.5% to US$50.4 million in the first quarter of 2009. Operating profit margin improved to 9.8% from 8.7% year-on-year. EBITDA declined 19.4% to US$73.1 million. EBITDA margin improved significantly to 14.1% in the first quarter of 2009 compared to 12.4% in the same period last year.

Net financial expenses in the first quarter of 2009 increased 899.9% to US$33.8 million compared to US$3.4 million in the same period of 2008. This was mainly due to currency remeasurement loss incurred in the first quarter of 2009 and impacting our US$250 million syndicated loan taken out in the second quarter of 2008. In the first quarter of 2009, currency remeasurement loss amounted to US$25.1 million compared to currency remeasurement gain of US$9.0 million in the first quarter of 2008. Currency remeasurement loss is not a cash item.

Our effective tax rate decreased to 24.0% in the first quarter of 2009 from 28.7% in the same period of 2008.

Net Income

Net income decreased 69.9% to US$12.6 million in the first quarter of 2009 from US$41.9 million in the first quarter of 2008 as a result of ruble devaluation.

Adjusted net income in rubles increased in the first quarter of 2009 by 25.1% year-on-year.

Debt and Cash Flows

As of the end of the first quarter of 2009, our net debt decreased by 44.9% year-on-year to US$304.2 million.

As a result of tight working capital management, our operating cash increased 136.4% to US$102.6 million in the first quarter of 2009 from US$43.4 million in the same period of 2008. Free cash flow grew to US$85.4 million in the first quarter of 2009 from US$1.4 million in the first quarter of 2008.

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Attachment A

Reconciliation of EBITDA and EBITDA margin to US GAAP Net Income

EBITDA is a non-U.S. GAAP financial measure. The following table presents reconciliation of EBITDA to net income (and EBITDA margin to net income as a percentage of sales), the most directly comparable U.S. GAAP financial measure.

	3 months ended March 31, 2009		**3 months ended March 31, 2008**	
	US$ mln	**% of sales**	**US$ mln**	**% of sales**
Net income	12.6	2.4%	41.9	5.7%
Add: Depreciation and amortization	22.7	4.4%	27.3	3.7%
Add: Income tax expense	4.0	0.8%	17.2	2.3%
Add: Interest expense	9.6	1.8%	12.6	1.7%
Less: Interest income	(2.4)	(0.5)%	(0.8)	(0.1)%
Less: Currency remeasurement loss (gain), net	25.1	4.9%	(9.0)	(1.2)%
Add: Bank charges	1.0	0.2%	0.8	0.1%
Add: Minority interest	0.03	0.0%	0.9	0.1%
Add: Other	0.5	0.1%	(0.2)	0.0%
EBITDA	**73.1**	**14.1%**	**90.7**	**12.4%**

EBITDA represents net income before interest, income taxes and depreciation and amortization, adjusted for interest income, currency remeasurement gains, bank charges and other financial expenses and minority interest. EBITDA margin is EBITDA expressed as a percentage of sales.

We present EBITDA because we consider it an important supplemental measure of our operating performance. In particular, we believe EBITDA provides useful information to securities analysts, investors and other interested parties because it is used in the   debt to EBITDA   debt incurrence financial measurement in certain of our financing arrangements.

EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as substitute for analysis of our operating results as reported under U.S. GAAP. Moreover, other companies in our industry may calculate EBITDA differently or may use it for different purposes than we do, limiting its usefulness as a comparative measure.

EBITDA also should not be considered as an alternative to cash flow from operating activities or as a measure of our liquidity. In particular, EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business.

Wimm-Bill-Dann Foods

Condensed Consolidated Balance Sheets

(Amounts in thousands of U.S. dollars)

	March 31, 2009 (unaudited)	December 31, 2008 (audited)
Assets		
Current assets:		
Cash and cash equivalents	$ 166,608	$ 277,252
Trade receivables, net	127,994	125,453
Inventory	166,819	225,950
Taxes receivable	46,629	64,916
Advances paid	23,130	14,834
Deferred tax asset	13,358	11,828
Other current assets	9,160	14,708
Total current assets	**553,698**	**734,941**
Non-current assets:		
Property, plant and equipment, net	591,687	692,277
Intangible assets, net	31,460	34,999
Goodwill	93,935	108,748
Deferred tax asset non-current portion	2,452	1,484
Other non-current assets	3,432	4,516
Total non-current assets	**722,966**	**842,024**
Total assets	**$ 1,276,664**	**$ 1,576,965**

Wimm-Bill-Dann Foods

Condensed Consolidated Balance Sheets (continued)

(Amounts in thousands of U.S. dollars, except share data)

		March 31, 2009 (unaudited)		December 31, 2008 (audited)
Liabilities and shareholders equity				
Current liabilities:				
Trade accounts payable	$	137,095	$	133,886
Advances received		4,296		8,342
Short-term loans		53,296		66,278
Long-term loans, current portion		20,471		8,632
Long-term notes payable, current portion				159,153
Taxes payable		16,969		18,984
Accrued liabilities		33,457		33,864
Other payables		31,364		43,073
Total current liabilities		**296,948**		**472,212**
Long-term liabilities:				
Long-term loans		302,363		327,157
Long-term notes payable		76,902		88,494
Other long-term payables		7,946		10,048
Deferred taxes long-term portion		19,446		22,754
Total long-term liabilities		**406,657**		**448,453**
Total liabilities		**703,605**		**920,665**
Shareholders equity:				
Common stock: 44,000,000 shares authorized and issued with a par value of 20 Russian rubles; 43,245,877 shares outstanding (December 31, 2008: 43,725,535)		29,908		29,908
Share premium account		164,132		164,132
Treasury stock, at cost		(9,263)		(3,014)
Accumulated other comprehensive income (loss):				
Currency translation adjustment		(105,214)		(17,214)
Retained earnings		483,224		470,625
Total shareholders equity		**562,787**		**644,437**
Noncontrolling interest		**10,272**		**11,863**
Total equity		**573,059**		**656,300**
Total liabilities and shareholders equity	**$**	**1,276,664**	**$**	**1,576,965**

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Wimm-Bill-Dann Foods

Condensed Consolidated Statements of Income and

Comprehensive Income (unaudited)

(Amounts in thousands of U.S. dollars, except share data)

	Three months ended March 31,	
	2009	**2008**
Sales	**$ 516,832**	**$ 731,930**
Cost of sales	**(348,739)**	**(512,402)**
Gross profit	**168,093**	**219,528**
Selling and distribution expenses	(84,388)	(110,029)
General and administrative expenses	(29,456)	(42,083)
Other operating expenses, net	(3,846)	(4,020)
Operating income	**50,403**	**63,396**
Financial income and expenses, net	(33,787)	(3,379)
Income before provision for income taxes	**16,616**	**60,017**
Provision for income taxes	(3,989)	(17,195)
Consolidated net income	**$ 12,627**	**$ 42,822**
Net income attributable to noncontrolling interest	(28)	(926)
Net income attributable to WBD Foods	**$ 12,599**	**$ 41,896**
Other comprehensive (loss) income		
Currency translation adjustment	(88,000)	30,717
Comprehensive (loss) income	**$ (75,401)**	**$ 72,613**
Earnings per share - basic and diluted	**$ 0.29**	**$ 0.95**
Weighted average number of shares outstanding, basic and diluted	43,490,031	44,000,000

Wimm-Bill-Dann Foods

Condensed Consolidated Statements of Cash Flows (unaudited)

(Amounts in thousands of U.S. dollars)

	Three months ended March 31,	
	2009	**2008**
Cash flows from operating activities:		
Net income	**$ 12,599**	**$ 41,896**
Adjustments to reconcile net income to net cash provided by operating activities	50,484	18,687
Changes in operating assets and liabilities	39,535	(17,181)
Net cash provided by operating activities	**102,618**	**43,402**
Cash flows from investing activities:		
Cash paid for property, plant and equipment	(19,288)	(43,357)
Proceeds from disposal of property, plant and equipment	650	1,665
Other investing activities	1,430	(293)
Net cash used in investing activities	**(17,208)**	**(41,985)**
Cash flows from financing activities:		
Proceeds from bonds and notes payable, net of debt issuance costs		166,188
Repayment of short-term loans and notes, net	(132,733)	(7,385)
Repayment of long-term loans and notes	(1,765)	(1,706)
Proceeds from long-term loans, net of debt issuance costs	138	10,458
Repayment of long-term payables	(3,241)	(3,260)
Cash paid for treasury stock acquisition	(12,143)	
Net cash (used in) provided by financing activities	**(149,744)**	**164,295**
Impact of exchange rate differences on cash and cash equivalents	(46,310)	5,185
Net (decrease) increase in cash and cash equivalents	**(110,644)**	**170,897**
Cash and cash equivalents, at beginning of period	**277,252**	**33,452**
Cash and cash equivalents, at the end of period	**$ 166,608**	**$ 204,349**

- Ends -

For further enquiries contact:

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e-mail: kagan@wbd.ru

Some of the information contained in this press release may contain projections or other forward-looking statements regarding future events or the future financial performance of Wimm-Bill-Dann Foods OJSC, as defined in the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. We wish to caution you that these statements are only predictions and that actual events or results may differ materially. We do not intend to update these statements to conform them to actual results. We refer you to the documents Wimm-Bill-Dann Foods OJSC files from time to time with the U.S. Securities and Exchange Commission, specifically, the Company s most recent Form 20-F. These documents contain and identify important factors, including those contained in the section captioned Risk Factors in our Form 20-F, that could cause the actual results to differ materially from those contained in our projections or forward-looking statements, including, among others, potential fluctuations in quarterly results, and risks associated with our competitive environment, acquisition strategy, ability to develop new products or maintain market share, brand and company image, operating in Russia, volatility of stock price, financial risk management, and future growth.

NOTES TO EDITORS

Wimm-Bill-Dann Foods OJSC was founded in 1992 and is the largest manufacturer of dairy products and a leading producer of juices and beverages in Russia and the CIS. The company produces dairy products (main brands include: Domik v Derevne, Neo, 2Bio, 33 Korovy, Chudo and more), juices (J7, Lubimy Sad, 100% Gold), Essentuki mineral water and Agusha baby food. The company has 37 manufacturing facilities in Russia, Ukraine, Kyrgyzstan, Uzbekistan and Georgia with over 18,000 employees. In 2005, Wimm-Bill-Dann became the first Russian dairy producer to receive approval from the European Commission to export its products into the European Union.

In 2008, Standard & Poor s Governance Services assigned on WBD its governance, accountability, management, metrics, and analysis (GAMMA) score GAMMA- 7+ . The score reflects the effective work of the Board of Directors and, in particular, the real influence of independent directors in the decision-making process and the adherence of the controlling shareholders to the highest standards of corporate governance.

SIGNATURES

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

WIMM-BILL-DANN FOODS OJSC

By:	/s/ Dmitry V. Ivanov
Name:	Dmitry V. Ivanov
Title:	Chief Financial Officer Wimm-Bill-Dann Foods OJSC

Date: June 19, 2009

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(21,889

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Net cash used in investing activities

(87,158

)

(145,067

)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from exercise of stock options	1,555	630
Offering costs	(24)	(27)
Proceeds from revolving credit facility	72,000	108,000
Payments on revolving credit facility	(41,000)	

Proceeds from senior unsecured term loan

100,000

Repayments of mortgage loans payable

(58,250

)

(1,125

)

Payments of loan fees and costs

(1,000

)

(2,621

)

Payments to net settle equity awards

(1,410

)

Dividends and distributions

(55,304

	)	(42,444)
Net cash provided by financing activities	16,567	62,413
Net change in cash and cash equivalents	3,955	(7,428)
Cash and cash equivalents, beginning of period	5,313	8,130
Cash and cash equivalents, end of period	$ 9,268	$ 702

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Cash paid for interest, net of capitalized amounts	$	2,958	$	1,250
NON-CASH INVESTING AND FINANCING ACTIVITY				
Construction costs payable capitalized to real estate	$	13,086	$	32,291

Accrual of dividends and distributions	$ 18,968	$ 15,051

See accompanying notes to condensed consolidated financial statements.

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CORESITE REALTY CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014

(unaudited)

1. Organization and Description of Business

CoreSite Realty Corporation (the Company, we, or our) was organized in the state of Maryland on February 17, 2010, and is a fully-integrated, self-administered, and self-managed real estate investment trust (REIT). Through our controlling interest in CoreSite, L.P. (our Operating Partnership), we are engaged in the business of owning, acquiring, constructing and managing data centers. As of September 30, 2014, the Company owns a 45.6% common interest in our Operating Partnership and affiliates of The Carlyle Group and others own a 54.4% interest in our Operating Partnership. See additional discussion in Note 8.

2. Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared by our management in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and in compliance with the rules and regulations of the United States Securities and Exchange Commission. Accordingly, these unaudited condensed consolidated financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of our management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. The results of operations for the nine months ended September 30, 2014, are not necessarily indicative of the expected results for the year ending December 31, 2014. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2013. Intercompany balances and transactions have been eliminated.

Use of Estimates

The preparation of these unaudited condensed consolidated financial statements in conformity with GAAP requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. We evaluate our estimates, including those related to assessing the carrying values of our real estate properties, goodwill, accrued liabilities and performance-based equity compensation plans. We base our estimates on historical experience, current market conditions, and various other assumptions that we believe to be reasonable under the circumstances. Actual results may vary from those estimates and those estimates could vary under different assumptions or conditions.

Adjustments and Reclassifications

Office, light industrial and other revenue, included within the condensed consolidated statements of operations for the three and nine months ended September 30, 2013, and accrued dividends and distributions, included with the condensed consolidated balance sheet as December 31, 2013, have been reclassified to conform to the 2014 financial statement presentation. In addition, certain other immaterial amounts included in the condensed consolidated financial statements for 2013 have been reclassified to conform to the 2014 financial statement presentation.

Investments in Real Estate

Real estate investments are carried at cost less accumulated depreciation and amortization. The cost of real estate includes the purchase price of property and leasehold improvements. Expenditures for maintenance and repairs are expensed as incurred. Significant renovations and betterments that extend the economic useful lives of assets are capitalized. During land development and construction periods, we capitalize construction costs, legal fees, financing costs, real estate taxes and insurance and internal costs of personnel performing development, if such costs are incremental and identifiable to a specific development project. Capitalization of costs begins upon commencement of development efforts and ceases when the property is ready for its intended use and held available for occupancy. Interest is capitalized during the period of development based upon applying the weighted-average borrowing rate to the actual development costs expended. Capitalized interest costs were $1.2 million and $1.1 million for the three months ended September 30, 2014, and 2013, respectively, and $3.4 million and $3.0 million for the nine months ended September 30, 2014, and 2013, respectively.

Depreciation and amortization are calculated using the straight-line method over the following useful lives of the assets:

Buildings	27 to 40 years
Building improvements	1 to 10 years
Leasehold improvements	The shorter of the lease term or useful life of the asset

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Depreciation expense was $16.8 million and $13.7 million for the three months ended September 30, 2014, and 2013, respectively, and $47.7 million and $38.9 million for the nine months ended September 30, 2014, and 2013, respectively.

Acquisition of Investment in Real Estate

Purchase accounting is applied to the assets and liabilities related to all real estate investments acquired. The fair value of the real estate acquired is allocated to the acquired tangible assets, consisting primarily of land, building and building improvements, and identified intangible assets and liabilities, consisting of the value of above-market and below-market leases, value of in-place leases and the value of customer relationships.

The fair value of the land and building of an acquired property is determined by valuing the property as if it were vacant, and the as-if-vacant fair value is then allocated to land and building based on management s determination of the fair values of these assets. Management determines the as-if-vacant fair value of a property using methods similar to those used by independent appraisers. Factors considered by management in performing these analyses include an estimate of carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases.

The fair value of intangibles related to in-place leases includes the value of lease intangibles for above-market and below-market leases, lease origination costs, and customer relationships, determined on a lease-by-lease basis. Above-market and below-market leases are valued based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management s estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancelable term of the lease and, for below-market leases, over a period equal to the initial term plus any below-market fixed rate renewal periods. Lease origination costs include estimates of costs avoided associated with leasing the property, including tenant allowances and improvements and leasing commissions. Customer relationship intangibles relate to the additional revenue opportunities expected to be generated through interconnection services and utility services to be provided to the in-place lease tenants.

The capitalized values for above and below-market lease intangibles, lease origination costs, and customer relationships are amortized over the term of the underlying leases or the expected customer relationship. Amortization related to above-market and below-market leases where the Company is the lessor is recorded as either a reduction of or an increase to rental income, amortization related to above-market and below-market leases where the Company is the lessee is recorded as either a reduction of or an increase to rent expense and amortization for lease origination costs and customer relationships are recorded as amortization expense. If a lease is terminated prior to its stated expiration, all unamortized amounts relating to that lease are written off. The carrying value of intangible assets is reviewed for impairment in connection with its respective asset group whenever events or changes in circumstances indicate that the asset group may not be recoverable. An impairment loss is recognized if the carrying amount of the asset group is not recoverable and its carrying amount exceeds its estimated fair value. No impairment loss related to these intangible assets was recognized for the three and nine months ended September 30, 2014, and 2013.

The excess of the cost of an acquired business over the net of the amounts assigned to assets acquired (including identified intangible assets) and liabilities assumed is recorded as goodwill. As of September 30, 2014, and December 31, 2013, we had approximately $41.2 million of goodwill at each date. The Company s goodwill has an indeterminate life and is not amortized, but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the asset might be impaired. No impairment loss was recognized for the three and nine months ended September 30, 2014, and 2013.

Cash and Cash Equivalents

Cash and cash equivalents include all non-restricted cash held in financial institutions and other non-restricted highly liquid short-term investments with original maturities at acquisition of three months or less.

Deferred Costs

Deferred leasing costs include commissions paid to third parties, including leasing agents, and internal sales commissions paid to employees for successful execution of lease agreements. These commissions and other direct and incremental costs incurred to obtain new customer leases are capitalized and amortized over the terms of the related leases using the straight-line method. If a lease terminates prior to the expiration of its initial term, any unamortized deferred costs related to the lease are written off to amortization expense. Deferred leasing costs are included within other assets in the condensed consolidated balance sheet and consisted of the following, net of amortization, as of September 30, 2014, and December 31, 2013 (in thousands):

	September 30, 2014	December 31, 2013
Internal sales commissions	$ 10,518	$ 7,530
Third party commissions	12,969	6,328
External legal counsel	335	301
	$ 23,822	$ 14,159

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Deferred financing costs include costs incurred in connection with obtaining debt and extending existing debt. These financing costs are capitalized and amortized on a straight-line basis, which approximates the effective-interest method, over the term of the loan and are included as a component of interest expense.

Recoverability of Long-Lived Assets

We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is recognized when estimated expected future cash flows (undiscounted and without interest charges) are less than the carrying amount of the assets. The estimation of expected future net cash flows is inherently uncertain and relies, to a considerable extent, on assumptions regarding current and future economics and market conditions and the availability of capital. If, in future periods, there are changes in the estimates or assumptions incorporated into the impairment review analysis, the changes could result in an adjustment to the carrying amount of the long-lived assets. To the extent that impairment has occurred, the excess of the carrying amount of long-lived assets over its estimated fair value would be recognized as an impairment loss charged to net income. For the three and nine months ended September 30, 2014, and 2013, no real estate impairment was recognized.

Derivative Instruments and Hedging Activities

We reflect all derivative instruments at fair value as either assets or liabilities on the condensed consolidated balance sheets. For those derivative instruments that are designated and qualify as hedging instruments, we record the effective portion of the gain or loss on the hedge instruments as a component of accumulated other comprehensive income or loss. Any ineffective portion of a derivative s change in fair value is immediately recognized within net income. For derivatives that do not meet the criteria for hedge accounting, changes in fair value are immediately recognized within net income. See additional discussion in Note 6.

Internal-Use Software

We recognize internal-use software development costs based on the development stage of the project and nature of the cost. Internal and external costs incurred during the preliminary project stage are expensed as they are incurred. Internal and external costs incurred to develop internal-use software during the application development stage are capitalized. Internal and external training costs and maintenance costs during the post-implementation-operation stage are expensed as incurred. Completed projects are placed into service and amortized over the estimated useful life of the software.

During the three and nine months ended September 30, 2014, we recognized $0 and $2.0 million related to an impairment of internal use software, respectively, in the condensed consolidated statements of operations. The impairment is a result of internal-use software previously under development that was discontinued during the period and will not be placed into service. No impairment was recognized during the three and nine months ended September 30, 2013.

During the nine months ended September 30, 2014, we revised the remaining useful life of certain internal-use software from six years to one year. As of September 30, 2014, the remaining net book value of this internal-use software was $2.6 million and it will be fully amortized as of June 30, 2015.

Revenue Recognition

All customer leases are classified as operating leases and minimum rents are recognized on a straight-line basis over the non-cancellable term of the agreements. The excess of rents recognized over amounts contractually due pursuant to the underlying leases are included in deferred rent receivable. If a lease terminates prior to its stated expiration, the deferred rent receivable relating to that lease is written off as a reduction of rental revenue.

When arrangements include multiple elements, the revenue associated with separate elements is allocated based on the relative fair values of those elements. The revenue associated with each element is then recognized as earned. Interconnection services and additional space services are considered as separate earnings processes that are provided and completed on a month-to-month basis and revenue is recognized in the period that services are performed. Customer set-up charges and utility installation fees are initially deferred and recognized over the term of the arrangement as revenue.

Tenant reimbursements for real estate taxes, common area maintenance, and other recoverable costs are recognized as revenue in the period that the related expenses are incurred.

Above-market and below-market lease intangibles that were acquired are amortized on a straight-line basis as decreases and increases, respectively, to rental revenue over the remaining non-cancellable term of the underlying leases. For the three months ended September 30, 2014, and 2013, the net effect of amortization of acquired above-market and below-market leases resulted in an increase to rental revenue of $0.3 million and $0.2 million, respectively. For the nine months ended September 30, 2014, and 2013, the net effect of amortization of acquired above-market and below-market leases resulted in an increase to rental income of $0.4 million and $0.7 million, respectively.

A provision for uncollectible accounts is recorded if a receivable balance relating to contractual rent, rent recorded on a straight-line basis, or

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tenant reimbursements is considered by management to be uncollectible. At September 30, 2014, and December 31, 2013, the allowance for doubtful accounts totaled $0.4 million and $0.2 million, respectively.

In May 2014, the FASB issued guidance codified in Accounting Standards Codification (ASC) 606, Revenue Recognition *Revenue from Contracts with Customers*, which amends the guidance in former ASC 605, *Revenue Recognition*. The standard is effective for interim and annual reporting periods beginning after December 15, 2016. The standard permits the use of either the retrospective or cumulative effect transition method. We are currently evaluating the impact of the provisions of ASC 606 on our revenue recognition policies.

Share-Based Compensation

We account for share-based compensation using the fair value method of accounting. The estimated fair value of the stock options granted by us is calculated based on Black-Scholes option-pricing model. The fair value of restricted share-based and Operating Partnership unit compensation is based on the market value of our common stock on the date of the grant. The fair value of performance share awards, which have a market condition, is based on a Monte Carlo simulation. The fair value for all share based-compensation is amortized on a straight-line basis over the vesting period.

Asset Retirement and Environmental Remediation Obligations

We record accruals for estimated retirement and environmental remediation obligations. The obligations relate primarily to the removal of asbestos and contaminated soil during development of properties as well as the estimated equipment removal costs upon termination of a certain lease where we are the lessee. At September 30, 2014, and December 31, 2013, the amount included in prepaid rent and other liabilities on the condensed consolidated balance sheets was approximately $2.3 million and $2.2 million, respectively.

Income Taxes

We elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the Code), commencing with our taxable year ended December 31, 2010. To qualify as a REIT, we are required to distribute at least 90% of our taxable income to our stockholders and meet various other requirements imposed by the Code relating to such matters as operating results, asset holdings, distribution levels and diversity of stock ownership. Provided we qualify for taxation as a REIT, we generally are not subject to corporate level federal income tax on the earnings distributed currently to our stockholders. If we fail to qualify as a REIT in any taxable year, and are unable to avail ourselves of certain savings provisions set forth in the Code, all of our taxable income would be subject to federal income tax at regular corporate rates, including any applicable alternative minimum tax.

To maintain REIT status, we must distribute a minimum of 90% of our taxable income. However, it is our policy and intent, subject to change, to distribute 100% of our taxable income and therefore no provision is required in the accompanying financial statements for federal income taxes with regards to activities of the REIT and its subsidiary pass-through entities. The allocable share of income is included in the income tax returns of its stockholders. The Company is subject to the statutory requirements of the locations in which it conducts business. State and local

income taxes are accrued as deemed required in the best judgment of management based on analysis and interpretation of respective tax laws.

We have elected to treat certain subsidiaries as taxable REIT subsidiaries (TRS). Certain activities that we undertake must be conducted by a TRS, such as services for our tenants that could be considered otherwise impermissible for us to perform and holding assets that we cannot hold directly. A TRS is subject to corporate level federal and state income taxes.

Deferred income taxes are recognized in certain taxable entities. Deferred income tax generally is a function of the period s temporary differences (items that are treated differently for tax purposes than for financial reporting purposes), the utilization of tax net operating losses generated in prior years that previously had been recognized as deferred income tax assets and the reversal of any previously recorded deferred income tax liabilities. A valuation allowance for deferred income tax assets is provided if we believe all or some portion of the deferred income tax asset may more likely than not be not realized. Any increase or decrease in the valuation allowance resulting from a change in circumstances that causes a change in the estimated realizability of the related deferred income tax asset is included in deferred tax expense. As of September 30, 2014, and December 31, 2013, the gross deferred income taxes were not material.

We currently have no liabilities for uncertain income tax positions. The earliest tax year for which we are subject to examination is 2010. Prior to their contribution to our Operating Partnership, our subsidiaries were treated as pass-through entities for tax purposes and 2010 also is the earliest year subject to examination with respect to our subsidiaries.

Concentration of Credit Risks

Our cash and cash equivalents are maintained in various financial institutions, which, at times, may exceed federally insured limits. We have not experienced any losses in such accounts, and management believes that the Company is not exposed to any significant credit risk in this area. We have no off-balance sheet concentrations of credit risk, such as foreign exchange contracts, option contracts, or foreign currency hedging arrangements.

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Segment Information

We manage our business as one reportable segment consisting of investments in data centers located in the United States. Although we provide services in several markets, these operations have been aggregated into one reportable segment based on the similar economic characteristics amongst all markets, including the nature of the services provided and the type of customers purchasing these services.

3. Investment in Real Estate

The following is a summary of the properties owned or leased at September 30, 2014 (in thousands):

Property Name	Location	Land	Buildings and Improvements	Leasehold Improvements	Construction in Progress	Total Cost
SV1	San Jose, CA	$ 6,863	$ 124,759	$	$ 1,223	$ 132,845
SV2	Milpitas, CA	5,086	24,885		1,124	31,095
SV3	Santa Clara, CA	3,972	46,903		192	51,067
SV4	Santa Clara, CA	4,442	88,082		228	92,752
SV5	Santa Clara, CA	2,544	20,428			22,972
Santa Clara Campus(1)	Santa Clara, CA	8,173	8,221		13,661	30,055
BO1	Somerville, MA	6,100	79,136		2,500	87,736
NY1	New York, NY			33,216	313	33,529
NY2	Secaucus, NJ	1,158	43,638		65,657	110,453
VA1	Reston, VA	6,903	108,554		6,798	122,255
VA2	Reston, VA				74,931	74,931
DC1	Washington, DC			7,782	243	8,025
CH1	Chicago, IL	5,493	83,531		434	89,458
LA1	Los Angeles, CA			59,192	3,125	62,317
LA2	Los Angeles, CA	28,467	134,591		769	163,827
MI1	Miami, FL	728	10,063		86	10,877
DE1	Denver, CO			1,201	115	1,316
DE2	Denver, CO			876	77	953
Total		$ 79,929	$ 772,791	$ 102,267	$ 171,476	$ 1,126,463

(1) This campus includes office and light-industrial buildings and land held for development in Santa Clara, CA.

4. Other Assets

Our other assets consisted of the following, net of amortization and depreciation, if applicable, as of September 30, 2014, and December 31, 2013 (in thousands):

	September 30, 2014	December 31, 2013
Deferred leasing costs	$ 23,822	$ 14,159
Deferred rent receivable	19,993	17,265
Corporate furniture, fixtures and equipment	7,930	7,346
Internal-use software	8,604	8,525
Deferred financing costs	2,841	3,312
Other	3,955	5,195
Total	$ 67,145	$ 55,802

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5. Debt

A summary of outstanding indebtedness as of September 30, 2014, and December 31, 2013, is as follows (in thousands):

	Interest Rate	Maturity Date	September 30, 2014	December 31, 2013
Revolving credit facility	2.16% and 2.17% at September 30, 2014, and December 31, 2013, respectively	January 3, 2017	$ 205,250	$ 174,250
Senior unsecured term loan	3.23% at September 30, 2014	January 31, 2019	100,000	
SV1 - Mortgage loan	Repaid on January 31, 2014, and 3.67% at December 31, 2013	N/A		58,250
Total principal outstanding			$ 305,250	$ 232,500

Revolving Credit Facility

On January 3, 2013, our Operating Partnership and certain subsidiary co-borrowers entered into a second amended and restated senior unsecured revolving credit facility (the Credit Agreement) with a group of lenders for which KeyBank National Association acts as the administrative agent. The Credit Agreement maturity date is January 3, 2017, with a one-time extension option, which, if exercised, would extend the maturity date to January 3, 2018. The exercise of the extension option is subject to the payment of an extension fee equal to 25 basis points of the total commitment under the Credit Agreement at initial maturity and certain other customary conditions. The Credit Agreement contains an accordion feature, which allows our Operating Partnership to increase the total commitment from $405 million to $500 million, under specified circumstances.

Under the Credit Agreement, our Operating Partnership may elect to have borrowings bear interest at a rate per annum equal to (i) LIBOR plus 200 basis points to 275 basis points, or (ii) a base rate plus 100 basis points to 175 basis points, each depending on our Operating Partnership s leverage ratio. At September 30, 2014, the Operating Partnership s leverage ratio was 17.5% and the interest rate was LIBOR plus 200 basis points.

The total amount available for borrowings under the Credit Agreement is subject to the lesser of the facility amount or the availability calculated based on our unencumbered asset pool. As of September 30, 2014, the borrowing capacity was $405 million. As of September 30, 2014, $205.3 million was borrowed and outstanding, $7.3 million was outstanding letters of credit and $192.4 million remained available for us to borrow under the Credit Agreement.

Our ability to borrow under the Credit Agreement is subject to ongoing compliance with a number of financial covenants and other customary restrictive covenants, including, among others:

- a maximum leverage ratio (defined as total consolidated indebtedness to total gross asset value) of 60%, which, as of September 30, 2014, was 17.5%;

- a maximum secured debt ratio (defined as total consolidated secured debt to total gross asset value) of 40%, which, as of September 30, 2014, was 0%;

- a minimum fixed charge coverage ratio (defined as adjusted consolidated earnings before interest, taxes, depreciation and amortization to consolidated fixed charges) of 1.75 to 1.00, which, as of September 30, 2014, was 7.68% to 1.00; and

- a maximum unhedged variable rate debt ratio (defined as unhedged variable rate indebtedness to gross asset value) of 30%, which, as of September 30, 2014, was 11.5%.

As of September 30, 2014, we were in compliance with all of the covenants under the Credit Agreement.

Senior Unsecured Term Loan

On January 31, 2014, our Operating Partnership and certain subsidiaries entered into a $100 million senior unsecured term loan (the Term Loan). The Term Loan has a five-year term and contains an accordion feature, which allows our Operating Partnership to increase the total commitments by $100 million, to $200 million, under specified circumstances. The Term Loan ranks pari passu with our Credit Agreement and contains the same financial covenants and other customary restrictive covenants. As of September 30, 2014, we were in compliance with the covenants under the Term Loan.

The borrowings under the Term Loan bear interest at a rate per annum equal to (i) LIBOR plus 175 basis points to 265 basis points, or (ii) a base rate plus 75 basis points to 165 points, each depending on our Operating Partnership s leverage ratio. At September 30, 2014, the Operating Partnership s leverage ratio was 17.5% and the interest rate was LIBOR plus 175 basis points.

On February 3, 2014, we entered into a $100 million interest rate swap agreement to hedge one-month LIBOR variable rate debt, which includes the Term Loan and, if the Term Loan is repaid prior to maturity, the revolving credit facility under the Credit Agreement. The interest rate swap

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has a five-year term and, at our current leverage ratio, effectively fixes the Term Loan interest rate at 3.23%. See additional discussion in Note 6.

On January 31, 2014, we repaid the SV1 Mortgage loan in its entirety using the proceeds from the Term Loan.

Debt Maturities

The following table summarizes the amount of our outstanding debt as of September 30, 2014, when such debt currently becomes due (in thousands):

Year Ending December 31,		
Remainder of 2014	$	
2015		
2016		
2017		205,250
2018		
2019		100,000
Total	$	305,250

6. Derivatives and Hedging Activities

On February 3, 2014, we entered into a $100 million interest rate swap agreement to protect against adverse fluctuations in interest rates by reducing our exposure to variability in cash flows relating to interest payments on $100 million of one-month LIBOR variable rate debt. The interest rate swap was designated for hedge accounting. This interest rate swap is our only derivative outstanding as of September 30, 2014, and there were none outstanding as of December 31, 2013.

Risk Management Objective of Using Derivatives

We are exposed to certain risks arising from both our business operations and economic conditions. We principally manage our exposures to a wide variety of business and operational risks through management of our core business activities. We manage economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of our debt funding and the use of derivative financial instruments. Specifically, we enter into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known or uncertain cash amounts, the value of which are determined by interest rates. Our derivative financial instruments are used to manage differences in the amount, timing, and duration of our known or expected cash receipts and our known or expected cash payments principally related to our investments and borrowings.

Cash Flow Hedges of Interest Rate Risk

Our objectives in using interest rate derivatives are to reduce variability in interest expense and to manage our exposure to adverse interest rate movements. To accomplish this objective, we primarily use interest rate swaps as part of our interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive income or loss on the condensed consolidated balance sheets and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During the nine months ended September 30, 2014, the amount recorded in accumulated other comprehensive income was a gain of $0.4 million. The amount reclassified to interest expense on the condensed consolidated statements of operations was $0.3 million and none for the three months ended September 30, 2014, and 2013, respectively, and was $0.8 million and none for the nine months ended September 30, 2014, and 2013, respectively. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. During the three and nine months ended September 30, 2014, and 2013, we did not record any amount in earnings related to derivatives as there was no hedge ineffectiveness.

Amounts reported in accumulated other comprehensive loss related to derivatives will be reclassified to interest expense as interest payments are made on our variable-rate debt. During the subsequent twelve months, we estimate that $1.2 million will be reclassified as an increase to interest expense.

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Derivatives are recorded at fair value in our condensed consolidated balance sheets in other assets and other liabilities, as applicable. We do not net our derivative position by counterparty for purposes of balance sheet presentation and disclosure. We had a $0.4 million derivative asset recognized in other assets in our condensed consolidated balance sheet as of September 30, 2014.

7. Stockholders Equity

We have paid the following dividends per share on our Series A Cumulative Preferred Stock and common shares during the nine months ended September 30, 2014:

Declaration Date	Record Date	Payment Date	Preferred Stock	Common Shares
March 6, 2014	March 31, 2014	April 15, 2014	$ 0.4531(1)	$ 0.35
May 30, 2014	June 30, 2014	July 15, 2014	0.4531(2)	0.35
August 29, 2014	September 30, 2014	October 15, 2014	0.4531(3)	0.35
			$ 1.3593	$ 1.05

(1) Dividend covers the period from January 15, 2014, to April 14, 2014.

(2) Dividend covers the period from April 15, 2014, to July 14, 2014.

(3) Dividend covers the period from July 15, 2014, to October 14, 2014.

8. Noncontrolling Interests Operating Partnership

Noncontrolling interests represent the limited partnership interests in the Operating Partnership held by individuals and entities other than CoreSite Realty Corporation. Since September 28, 2011, the current holders of Common Operating Partnership units have been eligible to have the Common Operating Partnership units redeemed for common stock on a one-for-one basis or cash, at our option. Preferred Operating Partnership units rank senior to the Common Operating Partnership units held by both the Company and noncontrolling interests.

The following table shows the ownership interests in the Operating Partnership as of September 30, 2014, and December 31, 2013:

	September 30, 2014		December 31, 2013	
	Number of Units	Percentage of Total	Number of Units	Percentage of Total
The Company	21,235,555	45.6%	20,896,685	45.2%
Noncontrolling interests	25,360,847	54.4%	25,360,847	54.8%
Total	46,596,402	100.0%	46,257,532	100.0%

For each share of common stock issued by the Company, the Operating Partnership issues an equivalent Common Operating Partnership unit to the Company. During the nine months ended September 30, 2014, the Company issued 338,870 shares of common stock related to employee compensation arrangements and therefore an equivalent number of Common Operating Partnership units were issued to the Company by the Operating Partnership.

Holders of Common Operating Partnership units of record as of September 30, 2014, will receive quarterly distributions of $0.35 per unit, which correlates to dividends paid on common shares.

The redemption value of the noncontrolling interests at September 30, 2014, was $833.6 million based on the closing price of the Company s common stock of $32.87 on that date.

9. Equity Incentive Plan

The Company s Board of Directors has adopted and, with the consent of the Company s stockholders, amended the 2010 Equity Incentive Plan (as amended, the 2010 Plan). The 2010 Plan is administered by the Compensation Committee of the Board of Directors. Awards issuable under the 2010 Plan include common stock, stock options, restricted stock, stock appreciation rights, dividend equivalents and other incentive awards. We have reserved a total of 6,000,000 shares of our common stock for issuance pursuant to the 2010 Plan, which may be adjusted for changes in our capitalization and certain corporate transactions. To the extent that an award expires, terminates or lapses, or an award is settled in cash without the delivery of shares of common stock to the participant, then any unexercised shares subject to the award will be available for future grant or sale under the 2010 Plan. Shares of restricted stock which are forfeited or repurchased by us pursuant to the 2010 Plan may again be optioned, granted or awarded under the 2010 Plan. The payment of dividend equivalents in cash in conjunction with any outstanding awards will not be counted against the shares available for issuance under the 2010 Plan.

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As of September 30, 2014, 3,550,688 shares of our common stock were available for issuance pursuant to the 2010 Plan.

Stock Options

Stock option awards are granted with an exercise price equal to the closing market price of the Company s common stock at the date of grant. The fair value of each option granted under the 2010 Plan is estimated on the date of grant using the Black-Scholes option-pricing model. The fair values are amortized on a straight-line basis over the vesting periods.

The following table sets forth stock option activity under the 2010 Plan for the nine months ended September 30, 2014:

	Number of Shares Subject to Options		Weighted Average Exercise Price
Options outstanding, December 31, 2013	1,133,915	$	19.89
Granted			
Exercised	(259,605)		15.98
Forfeited	(64,148)		25.95
Expired	(3,947)		15.80
Options outstanding, September 30, 2014	806,215	$	20.68

The following table sets forth the number of shares subject to options that are unvested as of September 30, 2014, and the fair value of these options at the grant date:

	Number of Shares Subject to Options		Weighted Average Fair Value at Grant
Unvested balance, December 31, 2013	635,739	$	7.10
Granted			
Forfeited	(64,148)		8.07
Vested	(284,257)		6.25
Unvested balance, September 30, 2014	287,334	$	7.72

As of September 30, 2014, total unearned compensation on options was approximately $1.6 million, and the weighted-average vesting period was 1.5 years.

Restricted Awards and Units

During the nine months ended September 30, 2014, the Company granted 204,686 shares of restricted stock which had a value of $6.5 million on the grant date. Also during the nine months ended September 30, 2014, the Company issued 10,668 restricted stock units, or RSUs. The principal difference between these instruments is that RSUs are not shares of the Company s common stock and do not have any of the rights or privileges thereof, including voting rights. On the applicable vesting date, the holder of an RSU becomes entitled to a share of common stock. The restricted awards will be amortized on a straight-line basis to expense over the vesting period. The following table sets forth the number of unvested restricted awards and RSUs and the weighted average fair value of these awards at the date of grant:

	Restricted Awards		Weighted Average Fair Value at Grant
Unvested balance, December 31, 2013	495,151	$	25.08
Granted	215,354		31.56
Forfeited	(97,555)		27.28
Vested	(202,953)		22.80
Unvested balance, September 30, 2014	409,997	$	29.08

As of September 30, 2014, total unearned compensation on restricted awards was approximately $9.5 million, and the weighted-average vesting period was 2.3 years.

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Performance Stock Awards

On March 4, 2014, the Company granted long-term incentives to the Company s executive officers in the form of performance-based restricted stock awards (PSAs) under the 2010 Plan. The number of PSAs earned is based on the Company s achievement of relative total shareholder return (TSR) measured versus the MSCI US REIT Index over a three-year performance period, and the number of shares earned under the PSAs may range from 0% to 150%. The PSAs are earned as follows: (i) 20% of the PSAs are eligible to be earned upon TSR achievement in year one of the performance period, (ii) 20% of the PSAs are eligible to be earned upon TSR achievement in year two of the performance period, (iii) 20% of the PSAs are earned upon TSR achievement in year three of the performance period, and (iv) 40% of the PSAs are eligible to be earned upon a cumulative TSR achievement over the three-year performance period. The PSAs have a service condition and will be released at the end of the three-year performance period provided that the executive continues to be employed by the Company at the end of the three-year performance period. Holders of the PSAs are entitled to dividends on the PSAs, which will be accrued and paid in cash at the end of the performance period. The PSAs initially are granted and issued at 150% of the target amount and thereafter are forfeited to the extent vesting conditions are not met.

The Company granted 91,335 PSAs equal to 150% of the target amount, with an aggregate value of $1.6 million on the grant date. The PSAs, in addition to a service condition, are subject to the Company s performance versus the MSCI US REIT Index which is a market condition and impacts the number of shares that ultimately vests. Upon evaluating the results of the market condition, the final number of shares is determined and such shares vest based on satisfaction of the service conditions. The PSAs have graded vesting terms and will be amortized on a straight-line basis over the vesting period. During the nine months ended September 30, 2014, 5,484 PSAs were forfeited. As of September 30, 2014, total unearned compensation on performance stock awards was approximately $1.2 million, and the weighted-average vesting period was 2.3 years.

10. Earnings Per Share

Basic income per share is calculated by dividing the net income attributable to common shares by the weighted average number of common shares outstanding during the period. Diluted income per share adjusts basic income per share for the effects of potentially dilutive common shares, if the effect is not antidilutive. Potentially dilutive common shares consist of shares issuable under the 2010 plan. The following is a summary of basic and diluted income per share (in thousands, except share and per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	**2013**	**2014**	**2013**
Net income attributable to common shares	$ 3,147	$ 2,901	$ 9,763	$ 7,368
Weighted average common shares outstanding - basic	21,214,825	20,871,504	21,113,700	20,793,596
Effect of potentially dilutive common shares:				
Stock options	338,674	391,398	360,707	388,889
Unvested awards	155,260	217,069	205,524	283,225
Weighted average common shares outstanding - diluted	21,708,759	21,479,971	21,679,931	21,465,710
Net income per share attributable to common shares				
Basic	$ 0.15	$ 0.14	$ 0.46	$ 0.35
Diluted	$ 0.14	$ 0.14	$ 0.45	$ 0.34

In the calculations above, we have excluded weighted-average potentially dilutive securities of 146,216 and 211,721 for the three months ended September 30, 2014, and 2013, respectively, and 187,404 and 166,732 for the nine months ended September 30, 2014, and 2013, respectively, as their effect would have been antidilutive.

11. Estimated Fair Value of Financial Instruments

Authoritative guidance issued by FASB establishes a hierarchy of valuation techniques based on the observability of inputs utilized in measuring assets and liabilities at fair values. This hierarchy establishes market-based or observable inputs as the preferred source of values, followed by valuation models using management assumptions in the absence of market inputs. The three levels of the hierarchy under the authoritative guidance are as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the assessment date.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Unobservable inputs for the asset or liability.

Our financial instruments consist of cash and cash equivalents, restricted cash, accounts and other receivables, the interest rate swap, the revolving credit facility, the senior unsecured term loan, interest payable and accounts payable. The carrying values of cash and cash equivalents, restricted cash, accounts and other receivables, interest payable and accounts payable approximate fair values due to the short-term nature of these financial instruments. The interest rate swap is carried at fair value.

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The Company has determined that the majority of the inputs used to value its derivative fall within Level 2 of the fair value hierarchy; however, the credit valuation adjustments associated with its derivative utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by the Operating Partnership and its counterparties. As of September 30, 2014, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustment is not significant to the overall valuation of its derivative portfolio. As a result, the Company classifies its derivative valuation in Level 2 of the fair value hierarchy.

The total balance of our revolving credit facility and senior unsecured term loan was $305.3 million as of September 30, 2014, with a fair value that approximated book value, based on Level 3 inputs from the fair value hierarchy. Under the discounted cash flow method, the fair values are based on the Company s assumptions of market interest rates and terms available incorporating the Company s credit risk.

12. Commitments and Contingencies

Our properties require periodic investments of capital for general capital improvements and for tenant-related capital expenditures. We enter into various construction and equipment contracts with third parties for the development of our properties. In addition, we enter into contracts for company-wide improvements that are ancillary to revenue generation. At September 30, 2014, we had open commitments related to these contracts of approximately $19.2 million.

Additionally, we have commitments related to telecommunications capacity used to connect data centers located within the same market or geographical area and power usage. At September 30, 2014, we had open commitments related to these contracts of approximately $12.4 million.

As part of our 2012 acquisition of Comfluent, a Denver, Colorado based data center operator, the former Comfluent owner was employed by us and was entitled to a payment based upon successfully renewing and increasing revenues from the customer base that existed at the date of acquisition. During the three months ended September 30, 2014, the payment calculation date was accelerated from January 1, 2015 to September 1, 2014 and we paid $9.3 million in full satisfaction of our payment obligation.

From time to time, we are party to a variety of legal proceedings arising in the ordinary course of business. We believe that, with respect to any such matter to which we currently are a party, the ultimate disposition of any such matter will not result in a material adverse effect on our business, financial condition, cash flows or results of operations.

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

Forward-Looking Statements

This Quarterly Report on Form 10-Q (this Quarterly Report), together with other statements and information publicly disseminated by our company, contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (PSLRA), namely Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the PSLRA and include this statement for purposes of complying with these safe harbor provisions.

In particular, statements pertaining to our capital resources, portfolio performance, business strategies and results of operations contain forward-looking statements. You can identify forward-looking statements by the use of forward-looking terminology such as believes, expects may, will, should, seeks, intends, plans, pro forma or anticipates or the negative of these words and phrases or similar words or phras predictions of or indicate future events or trends and that do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions. Such statements are subject to risks, uncertainties and assumptions and are not guarantees of future performance, which may be affected by known and unknown risks, trends, uncertainties and factors that are beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. 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: (i) the geographic concentration of our data centers in certain markets and any adverse developments in local economic conditions or the demand for data center space in these markets; (ii) fluctuations in interest rates and increased operating costs; (iii) difficulties in identifying properties to acquire and completing acquisitions; (iv) the significant competition in our industry and an inability to lease vacant space, renew existing leases or release space as leases expire; (v) lack of sufficient customer demand to realize expected returns on our investments to expand our property portfolio; (vi) decreased revenue from costs and disruptions associated with any failure of our physical infrastructure or services; (vii) our ability to lease available space to existing or new customers; (viii) our failure to obtain necessary outside financing; (ix) our failure to qualify or maintain our status as a REIT; (x) financial market fluctuations; (xi) changes in real estate and zoning laws and increases in real property tax rates; (xii) delays or disruptions in third-party network connectivity; (xiii) service failures or price increases by third party power suppliers; (xiv) inability to renew net leases on the data center properties we lease; and (xv) other factors affecting the real estate industry generally.

While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. 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. The risks included here are not exhaustive, and additional factors could adversely affect our business and financial performance, including factors and risks included in other sections of this Quarterly Report. Additional information concerning these and other risks and uncertainties is contained in our other periodic filings with the United States Securities and Exchange Commission, or SEC, pursuant to the Exchange Act. We discussed a number of material risks in Item 1A. Risk Factor of our Annual Report on Form 10-K for the year ended December 31, 2013. Those risks continue to be relevant to our performance and financial condition. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

Overview

Unless the context requires otherwise, references in this Quarterly Report to we, our, us and our company refer to CoreSite Realty Corporation, a Maryland corporation, together with our consolidated subsidiaries, including CoreSite, L.P., a Delaware limited partnership of which we are the sole general partner and which we refer to in this Quarterly Report as our Operating Partnership.

We deliver secure and reliable data center solutions across eight key North American markets. We connect, protect and deliver a reliable performance environment and continued operation of mission-critical data and information technology infrastructure for more than 800 of the world s leading enterprise and Internet, private networking, mobility, and cloud service providers. Across 16 high-performance data centers, we support the operation and growth of our customers businesses by providing products and services aimed toward helping them establish connections with networks, cloud-service providers, and other technology-services providers, operate performance-sensitive applications, and secure their mission-critical information and communications technology equipment.

We are engaged in the business of ownership, acquisition, construction and management of strategically located data centers in some of the largest and fastest growing data center markets in the United States, including the New York, Northern Virginia and San Francisco Bay areas, Los Angeles, Chicago, Boston, Miami and Denver.

Our Portfolio

As of September 30, 2014, our property portfolio included 16 operating data center facilities and multiple development projects which collectively comprise over 2.7 million net rentable square feet of space (NRSF), of which approximately 1.5 million NRSF is existing data center space, including pre-stabilized NRSF. Pre-stabilized NRSF includes projects and facilities that recently have been developed and are in the initial lease-up phase until they become stabilized operating NRSF, defined as 85% occupied or in service for 24 months. The development

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projects include land and space available for development and construction of new facilities in the San Francisco Bay, Northern Virginia and New York areas. Our stabilized operating portfolio includes approximately 261,000 NRSF of space readily available for lease, of which 182,000 NRSF is available for lease as data center space. Including the space currently under construction at September 30, 2014, undeveloped space and land targeted for future development, we own land and buildings sufficient to develop approximately 0.9 million NRSF of data center space. We expect that this development potential plus any potential expansion into new markets will enable us to accommodate existing and future customer demand and position us to continue to increase our operating cash flows. We intend to pursue development projects and expansion into new markets when we believe customer demand supports the additional supply in those markets. The following table provides an overview of our properties as of September 30, 2014:

		Stabilized Operating NRSF								
		Data Center(1)		Office and Light-Industrial(2)		Total		Pre-Stabilized NRSF(5)	Development NRSF(6)	Total Portfolio NRSF
Market/Facilities	**Annualized Rent ($000)(3)**	**Total**	**Percent Occupied(4)**	**Total**	**Percent Occupied(4)**	**Total**	**Percent Occupied(4)**	**Total**	**Total**	
San Francisco Bay										
SV1	$ 11,070	84,045	83.0%	206,255	79.4%	290,300	80.4%			290,300
SV2	7,251	76,676	78.7			76,676	78.7			76,676
Santa Clara Campus	26,609	237,316	95.4	71,308	91.7	308,624	94.6	14,857	173,240	496,721
San Francisco Bay Total	**44,930**	**398,037**	**89.6**	**277,563**	**82.5**	**675,600**	**86.7**	**14,857**	**173,240**	**863,697**
Los Angeles										
One Wilshire Campus										
LA1*	24,071	139,053	81.5	4,373	82.8	143,426	81.5			143,426
LA2	15,676	161,911	83.6	7,029	68.4	168,940	83.0	63,002	199,978	431,920
Los Angeles Total	**39,747**	**300,964**	**82.6**	**11,402**	**73.9**	**312,366**	**82.3**	**63,002**	**199,978**	**575,346**
Northern Virginia										
VA1	24,482	201,719	80.4	61,050	80.6	262,769	80.5			262,769
VA2									198,000	198,000
DC1*	2,906	22,137	88.8			22,137	88.8			22,137
Northern Virginia Total	**27,388**	**223,856**	**81.3**	**61,050**	**80.6**	**284,906**	**81.1**		**198,000**	**482,906**
Boston										
BO1	14,078	166,026	98.2	19,495	64.1	185,521	94.6		87,650	273,171
Chicago										
CH1	11,730	158,167	86.2	4,946	65.8	163,113	85.5	20,240		183,353
New York										
NY1*	5,501	48,404	73.3	209	100.0	48,613	73.5			48,613
NY2	24			7,281	16.5	7,281	16.5	52,692	195,086	255,059
New York Total	**5,525**	**48,404**	**73.3**	**7,490**	**18.9**	**55,894**	**66.0**	**52,692**	**195,086**	**303,672**
Miami										
MI1	1,767	30,176	79.3	1,934	38.6	32,110	76.8		13,154	45,264
Denver										
DE1*	733	4,144	100.0			4,144	100.0			4,144
DE2*	301	5,140	65.3			5,140	65.3			5,140
Denver Total	**1,034**	**9,284**	**80.8**			**9,284**	**80.8**			**9,284**
Total Facilities	**$ 146,199**	**1,334,914**	**86.4%**	**383,880**	**79.4%**	**1,718,794**	**84.8%**	**150,791**	**867,108**	**2,736,693**

* Indicates properties in which we hold a leasehold interest.

(1) Represents the NRSF at each operating facility that is currently occupied or readily available for lease as data center space. Both occupied and available data center NRSF includes a factor to account for a customer s proportionate share of the required data center support space (such as the mechanical, telecommunications and utility rooms) and building common areas, which may be updated on a periodic basis to reflect the most current build-out of our properties.

(2) Represents the NRSF at each operating facility that is currently occupied or readily available for lease as space other than data center space, which is typically space offered for office or light industrial uses.

(3) Represents the monthly contractual rent on stabilized operating NRSF under existing commenced customer leases as of September 30, 2014, multiplied by 12. This amount reflects total annualized base rent before any one-time or non-recurring rent abatements and excludes power revenue, interconnection revenue and operating expense reimbursement. On a gross basis, our annualized rent was approximately $152.5 million as of September 30, 2014, which reflects the addition of $6.3 million in operating expense reimbursements to contractual net rent under modified gross and triple-net leases.

(4) Includes customer leases that have commenced and are occupied as of September 30, 2014. The percent occupied is determined based on leased square feet as a proportion of total operating NRSF. The percent occupied for data center space, office and light industrial space, and space in total would have been 88.9%, 79.7%, and 86.9%, respectively, if all leases signed in current and prior periods had commenced.

(5) Represents pre-stabilized NRSF of projects/facilities which recently have been developed and are in the initial lease-up phase. Pre-stabilized projects/facilities become stabilized operating properties at the earlier of achievement of 85% occupancy or 24 months after development completion. Annualized rent and percent occupied for pre-stabilized NRSF is $5.1 million and 35.1%, respectively, as of September 30, 2014. The percent occupied for total data center space including stabilized and pre-stabilized data center space was 81.2%

(6) Represents vacant space and entitled land in our portfolio that requires significant capital investment in order to develop into data center facilities as of September 30, 2014. Includes NRSF under construction for which substantial activities are ongoing to prepare the property for its intended use following development. In addition to the amounts above, we may develop an additional 138,000 NRSF at the Santa Clara Campus and 100,000 NRSF at NY2 upon our receipt of the necessary entitlements.

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The following table shows the September 30, 2014, same store operating statistics for space within each data center facility that was leased or available to be leased as of December 31, 2012, and excludes space for which development was completed and became available to be leased after December 31, 2012. The Company tracks same store space leased or available to be leased at the computer room level within each data center facility. For comparison purposes, the operating activity totals as of December 31, 2013, and 2012, for this space are provided at the bottom of this table.

		Same Store Property Portfolio (in NRSF)					
		Data Center		Office and Light-Industrial		Total	
Market/Facilities	**Annualized Rent ($000)(1)**	**Total**	**Percent Occupied(2)**	**Total**	**Percent Occupied(2)**	**Total**	**Percent Occupied(2)**
San Francisco Bay							
SV1	$ 11,070	84,045	83.0%	206,255	79.4%	290,300	80.4%
SV2	7,251	76,676	78.7			76,676	78.7
Santa Clara Campus	21,541	118,955	90.9	71,308	91.7	190,263	91.2
San Francisco Bay Total	**39,862**	**279,676**	**85.2**	**277,563**	**82.5**	**557,239**	**83.9**
Los Angeles							
One Wilshire Campus							
LA1*	24,071	139,053	81.5	4,373	82.8	143,426	81.5
LA2	15,568	159,617	83.4	5,147	93.4	164,764	83.7
Los Angeles Total	**39,639**	**298,670**	**82.5**	**9,520**	**88.6**	**308,190**	**82.7**
Northern Virginia							
VA1	24,482	201,719	80.4	61,050	80.6	262,769	80.5
DC1*	2,906	22,137	88.8			22,137	88.8
Northern Virginia Total	**27,388**	**223,856**	**81.3**	**61,050**	**80.6**	**284,906**	**81.1**
Boston							
BO1	11,697	148,795	98.0	13,063	46.5	161,858	93.8
Chicago							
CH1	11,730	158,167	86.2	4,946	65.8	163,113	85.5
New York							
NY1*	5,488	48,404	73.3			48,404	73.3
Miami							
MI1	1,767	30,176	79.3	1,934	38.6	32,110	76.8
Denver							
DE1*	733	4,144	100.0			4,144	100.0
DE2*	301	5,140	65.3			5,140	65.3
Denver Total	**1,034**	**9,284**	**80.8**			**9,284**	**80.8**
Total Facilities at September 30, 2014(3)	**$ 138,605**	**1,197,028**	**84.8%**	**368,076**	**80.6%**	**1,565,104**	**83.8%**
Total Facilities at December 31, 2013	**$ 129,622**		**80.4%**		**79.3%**		**80.2%**
Total Facilities at December 31, 2012	**$ 119,830**		**77.5%**		**79.1%**		**77.9%**

* Indicates properties in which we hold a leasehold interest.

(1) Represents the monthly contractual rent under existing commenced customer leases as of each respective period, multiplied by 12. This amount reflects total annualized base rent before any one-time or non-recurring rent abatements and excludes power revenue, interconnection revenue and operating expense reimbursement.

(2) Includes customer leases that have commenced and are occupied as of each respective period. The percent occupied is determined based on leased square feet as a proportion of total operating NRSF.

(3) The percent occupied for data center space, office and light industrial space, and space in total would have been 87.5%, 80.7%, 85.9% respectively, if all leases signed in current and prior periods had commenced.

Same store annualized rent increased to $138.6 million at September 30, 2014, compared to $130.0 million at December 31, 2013. The $9.0 million annualized rent increase is due primarily to a 4.5% increase in data center occupancy at VA1 resulting in a $2.7 million increase to annualized rent and a 12.0% increase in data center occupancy at SV4 resulting in a $1.2 million increase to annualized rent during the period of time from December 31, 2013, to September 30, 2014.

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Development space is unoccupied space or entitled land that requires significant capital investment in order to develop data center facilities that are ready for use. The following table summarizes the NRSF under construction and NRSF held for development throughout our portfolio as of September 30, 2014:

	Development Opportunities (in NRSF)		
Facilities	**Under Construction(1)**	**Held for Development(2)**	**Total**
Los Angeles			
One Wilshire Campus			
LA2		199,978	199,978
San Francisco Bay			
Santa Clara Campus(3)		173,240	173,240
Northern Virginia			
VA2	50,000	148,000	198,000
Boston			
BO1	15,149	72,501	87,650
New York			
NY2(4)		195,086	195,086
Miami			
MI1		13,154	13,154
Total Facilities	**65,149**	**801,959**	**867,108**

(1) Reflects NRSF at a facility for which the initiation of substantial development activities to prepare the property for its intended use has commenced prior to September 30, 2014.

(2) Reflects NRSF held for development at a facility which will require substantial development activities to prepare the property for its intended use. NRSF held for development is management s estimate based on engineering drawings and required support space and is subject to change based on final demising of the space.

(3) We may develop up to 382,240 NRSF at this campus. This includes 173,240 NRSF, set forth in the table above that has been entitled. In addition to this 173,240 NRSF, we have approximately 71,000 NRSF of office and light industrial space, which we may develop into data center space, and an additional 138,000 NRSF, which we may develop into data center space upon our receipt of the necessary entitlements.

(4) We may develop up to 295,086 NRSF at NY2. This includes the undeveloped existing shell building of 195,086 NRSF, set forth in the table above, and an additional 100,000 NRSF of data center space that we may develop upon our receipt of the necessary entitlements.

Capital Expenditures

The following table sets forth information regarding capital expenditures during the nine months ended September 30, 2014 (in thousands):

		Nine Months Ended September 30, 2014
Data center expansion	$	65,165
Non-recurring investments		10,689

Tenant improvements		3,453
Recurring capital expenditures		4,175
Total capital expenditures	**$**	**83,482**

During the nine months ended September 30, 2014, we incurred approximately $83.5 million of capital expenditures, of which approximately $65.2 million related to data center expansion activities, including new data center construction, the development of capacity within existing data centers and other revenue generating investments.

During the nine months ended September 30, 2014, we incurred approximately $40.9 million of data center expansion capital expenditures on VA2, a 50,000 NRSF data center under development, and $5.1 million of capital expenditures to complete the development of two computer rooms at NY2, which increased pre-stabilized data center space at NY2 by 34,589 NRSF. During the nine months ended September 30, 2014, we also incurred an additional $19.2 million of capital expenditures to add capacity in new computer rooms at BO1, LA1, LA2, the Santa Clara campus and other properties.

During the nine months ended September 30, 2014, we incurred approximately $10.7 million in non-recurring investments of which $4.6 million is a result of internal IT system development and the remaining $6.1 million is a result of other non-recurring investments, such as remodel or upgrade projects and corporate office leasehold improvements.

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During the nine months ended September 30, 2014, we incurred approximately $3.5 million in tenant improvements, of which $1.0 million relates to an office lease at our SV1 property.

During the nine months ended September 30, 2014, we incurred approximately $4.2 million of recurring capital expenditures within our portfolio for required equipment upgrades, that have a future economic benefit.

Factors that May Influence our Results of Operations

A complete discussion of factors that may influence our results of operations can be found in our Annual Report on Form 10-K for the year ended December 31, 2013, filed with the SEC on February 14, 2014, which is accessible on the SEC s website at www.sec.gov.

Our ability to re-lease expiring space at rental rates equal to or in excess of current rental rates will impact our results of operations. In addition to approximately 261,000 NRSF of available space in our portfolio, which excludes pre-stabilized leasable space, data center leases representing approximately 5.5% and 11.2% of the NRSF in our stabilized operating portfolio with annualized rental rates at lease expiration of $130 per NRSF and $165 per NRSF are scheduled to expire during the remainder of 2014 and the year ending December 31, 2015, respectively.

The amount of revenue generated by the properties in our portfolio depends on several factors, including our ability to maintain or improve the occupancy rates of currently leased space and to lease currently available and pre-stabilized space. Excluding pre-stabilized properties and space held for development, as of September 30, 2014, the occupancy rate of the stabilized data center properties in our portfolio was 86.4% of net rentable square feet compared to 80.6% as of September 30, 2013. During the three months ended September 30, 2014, new and expansion leases totaling approximately 45,000 NRSF commenced. The following table summarizes our leasing activity during the nine months ended September 30, 2014:

	Three Months Ended	Number of Leases(1)	Total Leased NRSF(2)	Rental Rates(3)	Rent Growth(4)
New/expansion leases commenced	September 30, 2014	115	45,014	$ 135	
	June 30, 2014	126	60,587	135	
	March 31, 2014	119	28,125	134	
New/expansion leases signed	September 30, 2014	118	54,123	141	
	June 30, 2014	121	58,909	159	
	March 31, 2014	131	39,783	129	
Renewal leases commenced	September 30, 2014	123	55,262	219	10.6%
	June 30, 2014	77	41,890	167	8.1%
	March 31, 2014	74	22,291	159	9.4%

(1) Number of leases represents each agreement with a customer; a lease agreement could include multiple spaces and a customer could have multiple leases.

(2) Total leased NRSF is determined based on contractually leased square feet for leases that have been signed or commenced on or before September 30, 2014. We calculate occupancy based on factors in addition to contractually leased square feet, including required data center support space (such as the mechanical, telecommunications and utility rooms) and building common areas.

(3) Rental rates represent annual contractual rent per square foot adjusted for straight-line rents in accordance with GAAP.

(4) Rent growth represents the increase in GAAP rental rates on renewed leases commencing during the period, as compared with the previous GAAP rental rates for the same space.

Results of Operations

Three Months Ended September 30, 2014, Compared to the Three Months Ended September 30, 2013

The discussion below relates to our financial condition and results of operations for the three months ended September 30, 2014, and 2013. A summary of our operating results for the three months ended September 30, 2014, and 2013, is as follows (in thousands):

	Three Months Ended September 30,			
	2014	**2013**	**$ Change**	**% Change**
Operating revenue	$ 70,515	$ 60,635	$ 9,880	16.3%
Operating expense	60,143	51,376	8,767	17.1%
Operating income	10,372	9,259	1,113	12.0%
Interest expense	1,361	708	653	92.2%
Net income	8,990	8,509	481	5.7%

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Operating Revenues

Operating revenues during the three months ended September 30, 2014, and 2013, were as follows (in thousands):

	Three Months Ended September 30,			
	2014	2013	$ Change	% Change
Data center revenue:				
Rental revenue	$ 38,315	$ 33,428	$ 4,887	14.6%
Power revenue	18,687	15,979	2,708	16.9%
Interconnection revenue	9,169	7,441	1,728	23.2%
Tenant reimbursement and other	2,328	1,873	455	24.3%
Total data center revenue	68,499	58,721	9,778	16.7%
Office, light industrial and other revenue	2,016	1,914	102	5.3%
Total operating revenues	$ 70,515	$ 60,635	$ 9,880	16.3%

The increase in operating revenues was due primarily to a $4.9 million increase in data center rental revenue during the three months ended September 30, 2014, compared to the 2013 period. The increase in data center rental revenue is due primarily to the commencement of 250,000 NRSF of new and expansion leases during the twelve months ended September 30, 2014, resulting in an increase in stabilized operating occupancy percentage from 80.4% as of September 30, 2013, to 84.8% as of September 30, 2014. Commenced leases that contributed to the increase in rental revenue include a 101,721 NRSF built-to-suit lease at SV5, which commenced in November 2013, a 7,711 NRSF lease at SV4, which commenced in September 2013, a 5,694 NRSF lease at CH1, which commenced in April 2014, and a 12,600 NRSF lease at SV3, which commenced in May 2014. These four leases increased data center rental revenue by $1.8 million, which represents 37% of the total increase in data center rental revenue. The increase was partially offset by expiring leases that were not renewed, which resulted in a data center rental revenue churn rate of 6.1% or $8.1 million of annualized rent during the twelve months ended September 30, 2014.

Power revenue increased $2.7 million during the three months ended September 30, 2014, compared to the 2013 period, as a result of new and expansion leases entered into and the overall increase in occupied NRSF and data center rental revenue. In addition, interconnection revenue increased $1.7 million due primarily to an increase in the volume of cross connects from new and existing customers during the three months ended September 30, 2014, compared to the 2013 period.

Operating Expenses

Operating expenses during the three months ended September 30, 2014, and 2013, were as follows (in thousands):

	Three Months Ended September 30,			
	2014	2013	$ Change	% Change
Property operating and maintenance	$ 20,043	$ 17,368	$ 2,675	15.4%
Real estate taxes and insurance	3,073	2,226	847	38.1%
Depreciation and amortization	20,914	16,424	4,490	27.3%
Sales and marketing	3,806	3,206	600	18.7%

General and adminstrative	7,145	7,045	100	1.4%
Rent	5,113	5,082	31	0.6%
Impairment of internal-use software				
Transaction costs	49	25	24	96.0%
Total operating expenses	$ 60,143	$ 51,376	$ 8,767	17.1%

Property operating and maintenance expense increased $2.7 million as a result of an increase in payroll and benefits expense due to an increase in facilities personnel headcount associated with data center expansion. In addition, power expense increased due to an overall increase in occupancy and customer power draw as a result of the commencement of 250,000 NRSF of new and expansion leases during the twelve months ended September 30, 2014.

Real estate taxes and insurance increased $0.8 million during the three months ended September 30, 2014, compared to the 2013 period, due to increases in assessed property values and a decrease in capitalized real estate taxes and insurance as a result of the decrease in projects under construction. Insurance premiums increased as a result of the completion of newly developed data centers, including NY2 and SV5, and an increase in the insured values of these properties. We capitalize real estate taxes and insurance costs that are identifiable to data center projects under construction.

Depreciation and amortization expense increased $4.5 million as a result of the placement into service of approximately 201,000 NRSF of new operating and pre-stabilized space since September 30, 2013. In addition, subsequent to September 30, 2013, we placed into service internal-use software that resulted in an additional $0.9 million of deprecation for the three months ended September 30, 2014.

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Interest Expense

The increase in interest expense was primarily a result of additional outstanding debt of $305.3 million as of September 30, 2014, compared to $166.6 million of outstanding debt as of September 30, 2013, and less development projects during the nine months ended September 30, 2014, compared to the 2013 period, leading to lower capitalized interest as a percentage of total interest costs. A summary of interest expense for the three months ended September 30, 2014, and 2013, is as follows (in thousands):

	Three Months Ended September 30,			
	2014	2013	$ Change	% Change
Interest expense and fees	$ 2,105	$ 1,402	$ 703	50.1%
Amortization of deferred financing costs	448	445	3	0.7%
Capitalized interest	(1,192)	(1,139)	(53)	4.7%
Total interest expense	1,361	708	653	92.2%
Percent capitalized	46.7%	61.7%		

Nine Months Ended September 30, 2014 Compared to the Nine Months Ended September 30, 2013

The discussion below relates to our financial condition and results of operations for the nine months ended September 30, 2014, and 2013. A summary of our operating results for the nine months ended September 30, 2014, and 2013, is as follows (in thousands):

	Nine Months Ended September 30,			
	2014	2013	$ Change	% Change
Operating revenue	$ 199,928	$ 173,393	$ 26,535	15.3%
Operating expense	168,218	148,463	19,755	13.3%
Operating income	31,710	24,930	6,780	27.2%
Interest expense	3,949	1,930	2,019	104.6%
Net income	27,746	22,583	5,163	22.9%

Operating Revenues

Operating revenues during the nine months ended September 30, 2014, and 2013, were as follows (in thousands):

	Nine Months Ended September 30,			
	2014	2013	$ Change	% Change
Data center revenue:				
Rental revenue	$ 110,152	$ 97,092	$ 13,060	13.5%
Power revenue	51,264	43,994	7,270	16.5%
Interconnection revenue	25,819	21,066	4,753	22.6%
Tenant reimbursement and other	6,711	5,432	1,279	23.5%

Total data center revenue	193,946	167,584	26,362	15.7%
Office, light industrial and other revenue	5,982	5,809	173	3.0%
Total operating revenues	$ 199,928	$ 173,393	$ 26,535	15.3%

The increase in operating revenues was due primarily to a $13.1 million increase in data center rental revenue during the nine months ended September 30, 2014, compared to the 2013 period. The increase in data center rental revenue is due primarily to the commencement of 330,000 NRSF of new and expansion leases during the eighteen months ended September 30, 2014. Commenced leases that contributed to the increase in rental revenue include a 101,721 NRSF built-to-suit lease at SV5, which commenced in November 2013, a 7,711 NRSF lease at SV4, which commenced in September 2013, a 23,663 NRSF lease at BO1, which commenced in April 2013, a 5,694 NRSF lease at CH1, which commenced in April 2014, and a 12,600 NRSF lease at SV3, which commenced in May 2014. These five leases increased data center rental revenue by $5.5 million, which represents 42% of the total increase in data center rental revenue. The increase was partially offset by expiring leases that were not renewed, which resulted in a data center rental revenue churn rate of 6.1% during the twelve months ended September 30, 2014.

Power revenue increased $7.3 million during the nine months ended September 30, 2014, compared to the 2013 period, as a result of the new and expansion leases entered into and the overall increase in occupied NRSF and data center rental revenue. In addition, interconnection revenue increased $4.8 million due primarily to an increase in the volume of cross connects from new and existing customers during the nine months ended September 30, 2014, compared to the 2013 period.

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Operating Expenses

Operating expenses during the nine months ended September 30, 2014, and 2013, were as follows (in thousands):

	Nine Months Ended September 30, 2014	2013	$ Change	% Change
Property operating and maintenance	$ 54,866	$ 47,013	$ 7,853	16.7%
Real estate taxes and insurance	5,059	6,750	(1,691)	-25.1%
Depreciation and amortization	58,300	48,634	9,666	19.9%
Sales and marketing	11,141	10,931	210	1.9%
General and adminstrative	21,582	20,225	1,357	6.7%
Rent	15,249	14,631	618	4.2%
Impairment of internal-use software	1,959		1,959	
Transaction costs	62	279	(217)	-77.8%
Total operating expenses	$ 168,218	$ 148,463	$ 19,755	13.3%

Property operating and maintenance expense increased $7.9 million as a result of an increase in payroll and benefits expense due to an increase in facilities and operations personnel headcount associated with data center expansion. In addition, power expense increased due to the overall increase in occupancy from 80.4% as of September 30, 2013, to 84.8% as of September 30, 2014, and increase in customer power draw as a result of the commencement of 330,000 NRSF of new and expansion leases during the eighteen months ended September 30, 2014.

Real estate taxes and insurance decreased $1.7 million during the nine months ended September 30, 2014, compared to the 2013 period, as a result of a true-up of accrued real estate tax liabilities associated with estimated amounts from 2010 due to the change in ownership of our acquired properties at IPO. The final tax assessments for two properties acquired at IPO became known in the second quarter 2014 and, therefore, the estimated real estate tax accruals were reconciled to the actual tax liabilities, resulting in a $3.7 million reduction in the expense. This decrease was partially offset by an increase in real estate taxes and insurance due to increases in assessed property values and a decrease in capitalized real estate taxes and insurance as a result of the decrease in projects under construction. Insurance premiums increased as a result of the completion of newly developed data centers, including NY2 and SV5, and an increase in the insured values of these properties. We capitalize real estate taxes and insurance costs that are identifiable to data center projects under construction.

Depreciation and amortization expense increased $9.7 million as a result of the placement into service of approximately 201,000 NRSF of new operating and pre-stabilized space since September 30, 2013.

General and administrative expense increased $1.4 million during the nine months ended September 30, 2014, compared to the 2013 period. The increase was primarily a result of $0.9 million of additional internal-use software project planning costs, which are expensed as incurred, during the nine month period ended September 30, 2014, compared to the 2013 period. In addition, we incurred an additional bad debt expense of $0.6 million during the nine months ended September 30, 2014, compared to the 2013 period. These increases were partially offset by a decrease in other administrative costs.

During the nine months ended September 30, 2014, we recognized a $2.0 million impairment charge as a result of internal-use software previously under development that was discontinued during the period and will no longer be placed into service.

Interest Expense

The increase in interest expense was primarily a result of additional outstanding debt of $305.3 million as of September 30, 2014, compared to $166.6 million of outstanding debt as of September 30, 2013, and less development projects during the nine months ended September 30, 2014, compared to the 2013 period, leading to lower capitalized interest as a percentage of total interest costs. A summary of interest expense for the nine months ended September 30, 2014, and 2013, is as follows (in thousands):

	Nine Months Ended September 30,			
	2014	2013	$ Change	% Change
Interest expense and fees	$ 5,865	$ 3,659	$ 2,206	60.3%
Amortization of deferred financing costs	1,477	1,293	184	14.2%
Capitalized interest	(3,393)	(3,022)	(371)	12.3%
Total interest expense	3,949	1,930	2,019	104.6%
Percent capitalized	46.2%	61.0%		

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Liquidity and Capital Resources

Discussion of Cash Flows

Nine Months Ended September 30, 2014 Compared to Nine Months Ended September 30, 2013

Net cash provided by operating activities was $74.5 million for the nine months ended September 30, 2014, compared to $75.2 million for the nine months ended September 30, 2013. The decrease in cash provided by operating activities of $0.7 million was due primarily to the $9.3 million payment to the former Comfluent owner for successfully renewing and increasing revenues from the customer base that existed at the date for acquisition. The decrease was partially offset by the growth in data center rental, power and interconnection revenue from existing customers and completion and subsequent leasing of new data center space at several properties and an increase in prepaid rent and other liabilities.

Net cash used in investing activities decreased by $57.9 million to $87.2 million for the nine months ended September 30, 2014, compared to $145.1 million for the nine months ended September 30, 2013. This decrease was primarily a result of the acquisition of NY2 for $21.9 million and a reduction in cash expended on real estate improvements of $35.8 million primarily related to our SV5 and NY2 properties which were under construction during the nine months ended September 30, 2013.

Net cash provided by financing activities was $16.6 million for the nine months ended September 30, 2014, compared to $62.4 million for the nine months ended September 30, 2013. The decrease in cash provided by financing activities of $45.8 million was primarily a result of $36.0 million less net cash proceeds from debt instruments during the nine months ended September 30, 2014, due to the financing of our acquisition of NY2 and development activities during the nine months ended September 30, 2013. The decrease was partially offset by an increase of $12.9 million in dividends and distributions paid on our common stock and Operating Partnership units and dividends paid on preferred stock during the nine months ended September 30, 2014.

Analysis of Liquidity and Capital Resources

We have an effective shelf registration statement that allows us to offer for sale unspecified various classes of equity and debt securities. As circumstances warrant, we may issue debt and/or equity securities from time to time on an opportunistic basis, dependent upon market conditions and available pricing.

Our short-term liquidity requirements primarily consist of funds needed for interest expense, operating costs including utilities, site maintenance costs, real estate and personal property taxes, insurance, rental expenses and selling, general and administrative expenses, certain capital expenditures, including for the development of data center space and future distributions to common and preferred stockholders and holders of our Common Operating Partnership units during the next twelve months. As of September 30, 2014, we had $9.3 million of cash and equivalents. Subject to our ability to obtain capital upon favorable terms, we estimate our anticipated development activity over the next twelve months will require approximately $105 million to $125 million of capital investment to expand our operating data center portfolio. Our

anticipated development activity is comprised primarily of current projects under development, including 50,000 NRSF at VA2 and 15,149 NRSF at BO1, and additional projects, including 1,734 NRSF at DE1, 12,606 NRSF at CH1, 50,000 NRSF at VA2 and 50,000 NRSF at NY2, that may commence development in 2014 and 2015 depending on various market conditions.

We expect to meet our short-term liquidity requirements through net cash provided by operations and by incurring additional indebtedness, including drawing on our revolving credit facility or other debt instruments. The Credit Agreement for our revolving credit facility contains an accordion feature, which allows our Operating Partnership to increase the total commitment from $405.0 million to $500.0 million, under specified circumstances. The total amount available for borrowings under our revolving credit facility is subject to the lesser of the facility amount or the availability calculated on our unencumbered asset pool. As of September 30, 2014, $205.3 million of borrowings were outstanding and we have up to $192.4 million of remaining borrowing capacity under our revolving credit facility.

In order to increase our liquidity requirements and access to capital and meet the needs of our development plans, our Operating Partnership and certain subsidiaries entered into a $100.0 million senior unsecured term loan on January 31, 2014. The senior unsecured term loan has a five-year term and contains an accordion feature, which allows our Operating Partnership to increase the total commitments by $100.0 million, to $200.0 million, under specified circumstances.

Our long-term liquidity requirements primarily consist of the costs to fund additional phases of our current projects under development, including the Santa Clara Campus, the One Wilshire Campus, VA2, BO1, CH1 and NY2, future development of other space in our portfolio not currently scheduled, property acquisitions, future distributions to common and preferred stockholders and holders of our Common Operating Partnership units, scheduled debt maturities and capital improvements. We expect to meet our long-term liquidity requirements through net cash provided by operations, after payment of dividends, and by incurring long-term indebtedness, such as drawing on our revolving credit facility or exercising our senior unsecured term loan accordion feature. We also may raise capital in the future through the issuance of additional equity or debt securities, subject to prevailing market conditions, and/or through the issuance of common Operating Partnership units. However, there is no assurance that we will be able to successfully raise additional capital on acceptable terms or at all.

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Indebtedness

A summary of outstanding indebtedness, including interest rates and debt maturities as of September 30, 2014, and December 31, 2013, is as follows (in thousands):

	Interest Rate	Maturity Date	September 30, 2014	December 31, 2013
Revolving credit facility	2.16% and 2.17% at September 30, 2014, and December 31, 2013, respectively	January 3, 2017	$ 205,250	$ 174,250
Senior unsecured term loan	3.23% at September 30, 2014	January 31, 2019	100,000	
SV1 - Mortgage loan	Repaid on January 31, 2014, and 3.67% at December 31, 2013	N/A		58,250
Total principal outstanding			$ 305,250	$ 232,500

As of September 30, 2014, we were in compliance with the covenants under our revolving credit facility and senior unsecured term loan. For additional information with respect to our outstanding indebtedness as of September 30, 2014, and December 31, 2013, as well as the available credit under our existing revolving credit facility, debt covenant requirements, and future debt maturities, refer to Item 1. Financial Statements Note 5 Debt.

Funds From Operations

We consider funds from operations (FFO), a non-GAAP measure, to be a supplemental measure of our performance which should be considered along with, but not as an alternative to, net income and cash provided by operating activities as a measure of operating performance and liquidity. We calculate FFO in accordance with the standards established by the National Association of Real Estate Investment Trusts (NAREIT). FFO represents net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from sales of property and impairment write-downs of depreciable real estate, plus real estate related depreciation and amortization (excluding amortization of deferred financing costs) and after adjustments for unconsolidated partnerships and joint ventures. FFO attributable to common shares and units represents FFO less preferred stock dividends declared during the period.

Our management uses FFO as a supplemental performance measure because, in excluding real estate related depreciation and amortization and gains and losses from property dispositions, it provides a performance measure that, when compared year over year, captures trends in occupancy rates, rental rates and operating costs.

We offer this measure because we recognize that FFO will be used by investors as a basis to compare our operating performance with that of other REITs. However, because FFO excludes depreciation and amortization and captures neither the changes in the value of our properties that result from use or market conditions, nor the level of capital expenditures and capitalized leasing commissions necessary to maintain the operating performance of our properties, all of which have real economic effect and could materially impact our financial condition and results

from operations, the utility of FFO as a measure of our performance is limited. FFO is a non-GAAP measure and should not be considered a measure of liquidity, an alternative to net income, cash provided by operating activities or any other performance measure determined in accordance with GAAP, nor is it indicative of funds available to fund our cash needs, including our ability to pay dividends or make distributions. In addition, our calculations of FFO are not necessarily comparable to FFO as calculated by other REITs that do not use the same definition or implementation guidelines or interpret the standards differently from us. Investors in our securities should not rely on these measures as a substitute for any GAAP measure, including net income. The following table is a reconciliation of our net income to FFO:

(in thousands)	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Net income	$ 8,990	$ 8,509	$ 27,746	$ 22,583
Real estate depreciation and amortization	18,988	15,443	53,987	45,894
FFO	27,978	23,952	81,733	68,477
Preferred stock dividends	(2,084)	(2,084)	(6,253)	(6,253)
FFO attributable to common shares and units	$ 25,894	$ 21,868	$ 75,480	$ 62,224

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Distribution Policy

In order to comply with the REIT requirements of the Code, we are generally required to make annual distributions to our stockholders of at least 90% of our taxable net income. Our common share distribution policy is to distribute a percentage of our cash flow that ensures that we will meet the distribution requirements of the Code and that allows us to maximize the cash retained to meet other cash needs, such as capital improvements and other investment activities.

We have made distributions every quarter since our IPO. During the three months ended September 30, 2014, we paid a dividend of $0.35 per common share and Operating Partnership Unit as of September 30, 2014. While we plan to continue to make quarterly distributions, no assurances can be made as to the frequency or amounts of any future distributions. The payment of common share distributions is dependent upon our financial condition, operating results and REIT distribution requirements and may be adjusted at the discretion of our Board of Directors during the year.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk refers to the risk of loss from adverse changes in market prices and interest rates. The primary market risk to which we believe we are exposed is interest rate risk. Our future income, cash flows and fair values relevant to financial instruments are dependent upon prevalent market interest rates. Many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors that are beyond our control contribute to interest rate risk.

As of September 30, 2014, we had $305.3 million of consolidated indebtedness that bore variable interest based on one month LIBOR. As of September 30, 2014, we have an interest rate swap agreement in place to fix the interest rate on $100 million of our one month LIBOR variable rate debt. Our interest rate risk not covered by an interest rate swap agreements is $205.3 million of variable rate debt outstanding as of September 30, 2014.

We monitor our market interest rate risk exposures using a sensitivity analysis. Our sensitivity analysis estimates the exposure to market interest rate risk sensitive instruments assuming a hypothetical 1% change in interest rates. If interest rates were to increase or decrease by 1%, the corresponding increase or decrease, as applicable, in interest expense on our variable rate debt would increase or decrease, as applicable, future earnings and cash flows by approximately $2.1 million per year.

These analyses do not consider the effect of any change in overall economic activity that could impact interest rates. Further, in the event of an increase in interest rates of significant magnitude, we may take actions to further mitigate our exposure to the change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, these analyses assume no changes in our financial structure.

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ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and regulations and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of September 30, 2014, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, regarding the effectiveness of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2014.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the three months ended September 30, 2014, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the ordinary course of our business, we are subject to claims and administrative proceedings, none of which we believe are material or would be expected to have, individually or in the aggregate, a material adverse effect on our business, financial condition, cash flows or results of operations.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors included in the section entitled Risk Factors beginning on page 17 of our Annual Report on Form 10-K for the year ended December 31, 2013, filed with the SEC on February 14, 2014, which is accessible on the SEC s website at www.sec.gov.

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

SALES OF UNREGISTERED EQUITY SECURITIES

None.

REPURCHASES OF EQUITY SECURITIES

None.

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ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Description
3.1	Articles of Amendment and Restatement of CoreSite Realty Corporation.(1)
3.2	Articles Supplementary of CoreSite Realty Corporation 7.25% Series A Cumulative Redeemable Preferred Stock. (2)
3.3	Bylaws of CoreSite Realty Corporation.(1)
4.1	Specimen certificate representing the Common Stock of CoreSite Realty Corporation.(3)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.

101.LAB	XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.

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(1) Incorporated by reference to our Registration Statement (Amendment No. 7) on Form S-11 (Registration No. 333-166810) filed on September 22, 2010.

(2) Incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on December 18, 2012.

(3) Incorporated by reference to our Post-Effective Amendment to our Registration Statement on Form S-11 (Registration No. 333-166810) filed on September 22, 2010.

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SIGNATURES

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

	CORESITE REALTY CORPORATION	
Date: October 31, 2014	By:	/s/ Jeffrey S. Finnin Jeffrey S. Finnin Chief Financial Officer (Principal Financial Officer)

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Exhibit Index

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