

Digital Realty Trust, Inc.
Form 424B5
January 31, 2008
Table of Contents

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities, and they are not soliciting an offer to buy these securities, in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JANUARY 31, 2008

Filed Pursuant to Rule 424(b)(5)

Registration No. 333-132980

PROSPECTUS SUPPLEMENT

TO PROSPECTUS DATED APRIL 4, 2006

12,000,000 Shares

% Series D Cumulative Convertible Preferred Stock

(Liquidation Preference \$25.00 per share)

We are offering 12,000,000 shares of our % series D cumulative convertible preferred stock, par value \$.01 per share, to which we refer in this prospectus supplement as our series D preferred stock. We have granted the underwriters an option to purchase up to an additional 1,800,000 shares of our series D preferred stock to cover over-allotments, if any. We will pay cumulative dividends on our series D preferred stock from the date of original issue at a rate of % per annum of the \$25.00 liquidation preference per share (equivalent to an annual rate of \$ per share). Dividends on our series D preferred stock will be payable quarterly in arrears, beginning on March 31, 2008. Our series D preferred stock does not have a stated maturity date and is not subject to any sinking fund or mandatory redemption provisions. Our series D preferred stock will rank on parity with our outstanding preferred stock and senior to our common stock with respect to dividend rights and rights upon our liquidation, dissolution or winding-up. We are not allowed to redeem our series D preferred stock, except in limited circumstances, including to preserve our status as a real estate investment trust, or REIT. Holders of shares of our series D preferred stock will generally have no voting rights except for limited voting rights if we fail to pay dividends for six or more quarterly periods (whether or not consecutive) and in certain other circumstances.

Holders of shares of our series D preferred stock may convert such shares into shares of our common stock subject to certain conditions. The conversion rate will initially be shares of our common stock per \$25.00 liquidation preference, which is equivalent to an initial conversion price of \$ per share of our common stock. The conversion rate will be subject to adjustment upon the occurrence of specified events. On or after , 2013 we may, at our option, be able to cause some or all of the series D preferred stock to be automatically converted based on the market price of our common stock and subject to the conditions described in this prospectus supplement.

Edgar Filing: Digital Realty Trust, Inc. - Form 424B5

If you elect to convert your shares of our series D preferred stock in connection with a fundamental change that occurs on or prior to _____, 2015, we will increase the conversion rate for the series D preferred stock surrendered for conversion to the extent disclosed in this prospectus supplement. In addition, on or prior to _____, 2015, upon a fundamental change when the actual applicable price of our common stock is less than \$ _____ per share, you may require us to convert some or all of your shares of our series D preferred stock at a conversion rate equal to the liquidation preference of the series D preferred stock being converted plus accrued and unpaid dividends to, but not including, such fundamental change conversion date, divided by 98% of the market price of our common stock. We will have the right to repurchase for cash some or all of the series D preferred stock that we would otherwise be required to convert, as described in the preceding sentence, at a price equal to 100% of the liquidation preference of the series D preferred stock, plus an amount equal to accrued and unpaid dividends to, but not including, such fundamental change conversion date.

We are organized and conduct our operations to qualify as a REIT for federal income tax purposes. To assist us in complying with certain federal income tax requirements applicable to REITs, our charter contains certain restrictions relating to the ownership and transfer of our capital stock, including an ownership limit of 9.8% on our series D preferred stock.

No market currently exists for our series D preferred stock. Our common stock currently trades on the New York Stock Exchange, or NYSE, under the symbol **DLR**. We do not intend to list our series D preferred stock on any national securities exchange.

See **Risk Factors** beginning on page S-12 of this prospectus supplement for certain risk factors relevant to an investment in our series D preferred stock and the shares of common stock issuable upon conversion of our series D preferred stock.

	Price to Public(1)	Underwriting Discounts and Commissions	Proceeds to Issuer(1)
Per Share	\$	\$	\$
Total	\$	\$	\$

(1) Plus accrued dividends, if any, from the original date of issue.

Shares of our series D preferred stock will be ready for delivery in book-entry form through The Depository Trust Company on or about _____, 2008.

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

Joint Book-Running Managers

Citi

Credit Suisse

The date of this prospectus supplement is _____, 2008.

Table of Contents

You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information contained in this prospectus supplement and the accompanying prospectus, as well as information that we have previously filed with the Securities and Exchange Commission and incorporated by reference, is accurate only as of the date of the applicable document. Our business, financial condition, results of operations and prospects may have changed since those dates. The descriptions set forth in this prospectus supplement replace and supplement, where inconsistent, the description of the general terms and provisions set forth in the accompanying prospectus.

The distribution of this prospectus supplement and the accompanying prospectus and the offering of our series D preferred stock in certain jurisdictions may be restricted by law. If you possess this prospectus supplement and the accompanying prospectus, you should find out about and observe these restrictions. This prospectus supplement and the accompanying prospectus are not an offer to sell our series D preferred stock and are not soliciting an offer to buy our series D preferred stock in any jurisdiction where the offer or sale is not permitted or where the person making the offer or sale is not qualified to do so or to any person to whom it is not permitted to make such offer or sale. See **Underwriting** in this prospectus supplement.

Turn-Key Datacenter , Powered Base Building , POD Architecture and Critical Facilities Management are trademarks of Digital Realty Trust. All other trademarks or trade names appearing in this prospectus supplement are the property of their respective owners.

TABLE OF CONTENTS

PROSPECTUS SUPPLEMENT

<u>SUMMARY</u>	Page S-1
<u>RISK FACTORS</u>	S-12
<u>USE OF PROCEEDS</u>	S-16
<u>RATIO OF EARNINGS TO FIXED CHARGES AND PREFERRED DIVIDENDS</u>	S-17
<u>PRICE RANGE OF COMMON STOCK AND DIVIDENDS</u>	S-18
<u>CAPITALIZATION</u>	S-19
	Page
<u>DESCRIPTION OF SERIES D PREFERRED STOCK</u>	S-20
<u>UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS</u>	S-42
<u>UNDERWRITING</u>	S-52
<u>LEGAL MATTERS</u>	S-56
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	S-56
<u>INCORPORATION OF CERTAIN INFORMATION BY REFERENCE</u>	S-57

PROSPECTUS

<u>OUR COMPANY</u>	Page 1
<u>RISK FACTORS</u>	2
<u>ABOUT THIS PROSPECTUS</u>	2

Edgar Filing: Digital Realty Trust, Inc. - Form 424B5

<u>WHERE YOU CAN FIND MORE INFORMATION</u>	2
<u>INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE</u>	3
<u>FORWARD-LOOKING STATEMENTS</u>	4
<u>USE OF PROCEEDS</u>	5
<u>RATIO OF EARNINGS TO FIXED CHARGES AND PREFERRED DIVIDENDS</u>	6
<u>DESCRIPTION OF SECURITIES</u>	7
<u>RESTRICTIONS ON OWNERSHIP AND TRANSFER</u>	17
	Page
<u>DESCRIPTION OF THE PARTNERSHIP AGREEMENT OF DIGITAL REALTY TRUST, L.P.</u>	21
<u>MATERIAL PROVISIONS OF MARYLAND LAW AND OF OUR CHARTER AND BYLAWS</u>	27
<u>UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS RELATED TO OUR REIT ELECTION</u>	33
<u>PLAN OF DISTRIBUTION</u>	46
<u>LEGAL MATTERS</u>	48
<u>EXPERTS</u>	48
<u>INDEX OF FINANCIAL STATEMENTS</u>	F-1

S-i

Table of Contents

SUMMARY

The information below is only a summary of more detailed information included elsewhere in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference in this prospectus supplement. This summary does not contain all the information that is important to you or that you should consider before investing in shares of our series D preferred stock and the shares of our common stock into which shares of our series D preferred stock are convertible. As a result, you should read this entire prospectus supplement, the accompanying prospectus, as well as the documents incorporated herein by reference, carefully.

References in this prospectus supplement to we, our, us or our company refer to Digital Realty Trust, Inc., a Maryland corporation, together with our consolidated subsidiaries, including Digital Realty Trust, L.P., a Maryland limited partnership of which we are the sole general partner and to which we refer in this prospectus supplement and the accompanying prospectus as our operating partnership.

Digital Realty Trust, Inc.

Overview

We own, acquire, develop, redevelop and manage technology-related real estate. As of January 30, 2008, our portfolio consisted of 70 properties, excluding one property held through an investment in an unconsolidated joint venture, of which 58 are located throughout North America and twelve are located in Europe. Our properties are diversified in major markets where corporate datacenter and technology tenants are concentrated, including the Chicago, Dallas, Los Angeles, New York, Northern Virginia, Phoenix, San Francisco and Silicon Valley metropolitan areas in the U.S. and the London, Dublin, Paris and Amsterdam markets in Europe. The portfolio consists of Internet gateway and corporate datacenter properties, technology manufacturing properties and regional or national headquarters of technology companies. We operate as a real estate investment trust, or REIT, for federal income tax purposes.

As of January 30, 2008, we had 159 employees who support our specialized datacenter acquisitions, operations, development and financing activities. This includes over 75 technical professionals focused on IT sales, sales engineering, design and construction, facilities management and technical acquisitions support. Our Critical Facilities Management team directly manages more than 1.0 million square feet of datacenter space on behalf of our tenants.

As of January 30, 2008, our properties contained a total of approximately 12.3 million net rentable square feet, including approximately 1.8 million square feet held for redevelopment. As of September 30, 2007, our portfolio, excluding space held for redevelopment, was approximately 95.1% leased at an average annualized rent per occupied square foot of \$28.77.

Our principal executive offices are located at 560 Mission Street, Suite 2900, San Francisco, California 94105. Our telephone number is (415) 738-6500. Our website is located at www.digitalrealtytrust.com. The information found on, or accessible through, our website is not incorporated into, and does not form a part of, this prospectus supplement, the accompanying prospectus or any other report or document we file with or furnish to the Securities and Exchange Commission, or the SEC.

Table of Contents

Recent Developments

On January 30, 2008, we amended our charter to increase the number of authorized shares of our common stock, \$.01 par value per share, available for issuance from 100,000,000 to 125,000,000 and the number of authorized shares of our preferred stock, \$.01 par value per share, available for issuance from 20,000,000 to 30,000,000.

Acquisition Activity

On November 26, 2007, we signed an agreement to acquire 365 South Randolphville Road, a property located in Piscataway, New Jersey for approximately \$20.2 million. The property totals approximately 270,000 rentable square feet, and consists of nearly 260,000 square feet of industrial/warehouse space and over 10,000 square feet of office and other space. We expect the acquisition to close in February 2008, subject to completion of diligence and satisfaction of other closing conditions. We expect that the acquisition will be financed with borrowings under our revolving credit facility.

On December 6, 2007, we signed an agreement to acquire 650 Randolph Road, a property located in northern New Jersey for approximately \$10.9 million. The property, which is currently under development, totals approximately 128,000 square feet. We expect the acquisition to close in April 2008, subject to completion of diligence and satisfaction of other closing conditions. We expect the acquisition will be financed with borrowings under our revolving credit facility.

On December 10, 2007, we acquired Cressex 1, a property located in suburban London, England, for approximately £6.6 million (approximately \$13.4 million based on the exchange rate on December 10, 2007). The Cressex 1 property totals approximately 52,000 rentable square feet of redevelopment space. We plan to convert approximately 21,000 square feet of this space into Turn-Key Datatcenter space and 15,000 square feet of this space into office and other space during the first quarter of 2008. The acquisition was financed with borrowings under our revolving credit facility.

On December 12, 2007, we acquired Naritaweg 52, a property located in Amsterdam, The Netherlands, for approximately 18.4 million (approximately \$27.1 million based on the exchange rate on December 12, 2007). The Naritaweg 52 property totals approximately 63,000 rentable square feet, and consists of nearly 33,000 square feet of raised floor, Turn-Key Datatcenter space and over 30,000 square feet of office and other space. The acquisition was financed with borrowings under our revolving credit facility.

On December 21, 2007, we acquired Units 1, 2 and 3 of the Foxboro Business Park, a three building complex located in suburban London, England, for approximately £22.8 million (approximately \$45.2 million based on the exchange rate on December 21, 2007). Unit 1 totals approximately 20,000 rentable square feet, Unit 2 totals approximately 31,000 square feet of warehouse space and Unit 3 totals approximately 99,000 square feet of redevelopment space. The acquisition was financed with borrowings under our revolving credit facility.

Consistent with our growth strategy, we actively pursue opportunities for potential acquisitions, with due diligence and negotiations often at different stages of advancement at any particular time.

Our Competitive Strengths

We believe we distinguish ourselves from other owners, acquirers and managers of technology-related real estate through our competitive strengths, which include:

High-Quality Portfolio that is Difficult to Replicate. Our portfolio contains state-of-the-art datacenter facilities with extensive tenant improvements. Based on current market rents and the estimated replacement costs of our properties and their improvements, we believe that they could not be replicated today on a cost-competitive basis. With a total power capacity of over 1,100 megawatts, or MW, our portfolio of corporate and Internet gateway datacenter facilities is equipped to meet the power and cooling requirements for the most demanding corporate IT applications. Many of the properties in our portfolio are located on major aggregation points formed by the physical presence of multiple major telecommunications service providers, which reduces our tenants' costs and operational risks and increases the attractiveness of our buildings.

S-2

Table of Contents

Presence in Key Markets. Our portfolio is located in 26 metropolitan areas, including the Chicago, Dallas, Los Angeles, New York, Northern Virginia, Phoenix, San Francisco and Silicon Valley metropolitan areas in the U.S. and the London, Dublin, Paris and Amsterdam markets in Europe, and is diversified so that no one market represented more than 15.1% of the aggregate annualized rent of our portfolio as of September 30, 2007.

Proven Ability To Sign New Leases. We have considerable experience in identifying and leasing to new tenants. The combination of our specialized datacenter leasing team and customer referrals continues to provide a robust pipeline of new tenants. During the year ended December 31, 2007, we commenced new leases totaling approximately 761,000 square feet, which resulted in annualized GAAP rent of \$40.5 million. These leases were comprised of Powered Base Building, Turn-Key Datacenters, and ancillary office and other uses.

Demonstrated Acquisition Capability. As of January 30, 2008, our portfolio consisted of 70 technology-related real estate properties, excluding one property held through an investment in an unconsolidated joint venture, that we or our predecessor acquired beginning in 2002, for an aggregate of 12.3 million net rentable square feet, including approximately 1.8 million square feet held for redevelopment. We have developed detailed, standardized procedures for evaluating acquisitions, including income producing assets and vacant properties suitable for redevelopment, to ensure that they meet our financial, technical and other criteria. These procedures and our in-depth knowledge of the technology and datacenter industries allow us to identify strategically located properties and evaluate investment opportunities efficiently and, as appropriate, commit and close quickly. Our broad network of contacts within a highly fragmented universe of sellers and brokers of technology-related real estate enables us to capitalize on acquisition opportunities. As a result, we acquired more than half of our properties before they were broadly marketed by real estate brokers.

Flexible Datacenter Solutions. We provide flexible, customer oriented solutions designed to meet the needs of technology and corporate datacenter users, including Turn-Key Datacenter, Powered Base Building and built-to-suit options. Our Turn-Key Datacenters are move-in ready, physically secure facilities with the power and cooling capabilities to support mission critical IT enterprise applications. We believe our Turn-Key Datacenters are effective solutions for tenants that lack the expertise, capital budget or desire to provide their own extensive datacenter infrastructure, management and security. For tenants that possess the ability to build and operate their own facility, our Powered Base Building solution provides the physical location, required power and network access necessary to support a state-of-the-art datacenter. Our in-house engineering and design and construction professionals can also provide tenants with customized build-to-suit solutions to meet their unique specifications. Our Critical Facilities Management services and team of technical engineers and datacenter operations experts provide 24/7 support for these mission-critical facilities.

Differentiating Development Advantages. Our extensive development activity, operating scale and process-based approach to datacenter design, construction and operations result in significant cost savings and added value for our tenants. We have leveraged our purchasing power by securing global purchasing agreements and developing relationships with major equipment manufacturers, reducing costs and shortening delivery timeframes on key components, including major mechanical and electrical equipment. Utilizing our innovative modular datacenter design referred to as POD Architecture, we deliver what we believe to be a technically superior datacenter environment at significant cost savings. In addition, by utilizing our POD Architecture to develop new Turn-Key Datacenters in our existing Powered Base Buildings, on average we are able to deliver a fully commissioned facility in just under 30 weeks. Finally, our access to capital allows us to provide financing options for tenants that do not want to invest their own capital.

Table of Contents

Diverse Tenant Base Across a Variety of Industry Sectors. We use our in-depth knowledge of the requirements and trends for Internet and data communications and corporate datacenter users to market our properties to domestic and international tenants with specific technology needs. At September 30, 2007, we had 437 tenants across a variety of industry sectors, ranging from information technology and Internet enterprises to financial services, energy and manufacturing companies. No single tenant accounted for more than 12.1% of the aggregate annualized rent of our portfolio as of September 30, 2007.

Experienced and Committed Management Team and Organization. Our senior management team, including our Chairman, has an average of over 23 years of experience in the technology or real estate industries, including experience as investors in, advisors to and founders of technology companies. We believe that our senior management team's extensive knowledge of both the real estate and the technology industries provides us with a key competitive advantage. At December 31, 2007, our senior management team collectively owned a common equity interest in our company of approximately 2.2%, which aligns management's interests with those of our stockholders.

Long-Term Leases That Complement Our Growth. We have long-term leases with stable cash flows. As of September 30, 2007, our average lease term was in excess of 13 years, with an average of 7 years remaining, excluding renewal options. Our lease expirations through December 31, 2009 are 9.6% of net rentable square feet excluding space held for redevelopment as of September 30, 2007.

Business and Growth Strategies

Our primary business objectives are to maximize sustainable long-term growth in earnings, funds from operations and cash flow per share and to maximize returns to our stockholders. Our business strategies to achieve these objectives are:

Capitalize on Acquisition Opportunities. We believe that acquisitions enable us to increase cash flow and create long-term stockholder value. Our relationships with corporate information technology groups, technology tenants and real estate brokers who are dedicated to serving these tenants provide us with ongoing access to potential acquisitions and often enable us to avoid competitive bidding. Furthermore, the specialized nature of technology-related real estate makes it more difficult for traditional real estate investors to understand, which results in reduced competition for acquisitions relative to other property types. We believe this dynamic creates an opportunity for us to obtain better risk-adjusted returns on our capital.

Achieve Superior Returns on Redevelopment Inventory. At January 30, 2008, we had approximately 1.8 million square feet held for redevelopment. At September 30, 2007, 440,000 square feet of our space held for redevelopment was under construction for Turn-Key Datacenter, build-to-suit datacenter and Powered Base Building space in nine U.S. and European markets. These projects have sufficient power capacity to meet the power and cooling requirements of today's advanced datacenters. We will continue to build-out our redevelopment portfolio when justified by anticipated returns.

Maximize the Cash Flow of Our Properties. We aggressively manage and lease our assets to increase their cash flow. We often acquire properties with substantial in-place cash flow and some vacancy, which enables us to create upside through lease-up. Moreover, many of our properties contain extensive in-place infrastructure or buildout that may result in higher rents when leased to tenants seeking these improvements. We control our costs by negotiating expense pass-through provisions in tenant leases for operating expenses, including power costs, and certain capital

Table of Contents

expenditures. Leases covering more than 85% of the leased net rentable square feet in our portfolio as of September 30, 2007 required tenants to pay all or a portion of increases in operating expenses, including real estate taxes, insurance, common area charges and other expenses.

Leverage Strong Industry Relationships. We use our strong industry relationships with national and regional corporate enterprise information technology groups and technology-intensive companies to identify and comprehensively respond to their real estate needs. Our leasing and sales professionals are real estate and technology industry specialists who can develop complex facility solutions for the most demanding corporate datacenter and other technology tenants.

Access and Use Capital Efficiently. We believe we can increase stockholder returns by effectively accessing and deploying capital. Since our initial public offering in 2004, we have raised over \$2.6 billion of capital through common, preferred and convertible preferred equity offerings, an exchangeable debt offering, our revolving credit facility, secured mortgage financings and refinancings, and sales of non-core assets. We intend to use our liquidity and access to capital to support our acquisition, leasing, development and redevelopment programs, which are important sources of growth for the company.

Table of Contents

THE OFFERING

The offering terms are summarized below solely for your convenience. For a more complete description of the terms of our series D preferred stock, see Description of Series D Preferred Stock in this prospectus supplement.

Issuer	Digital Realty Trust, Inc., a Maryland corporation.
Securities Offered	12,000,000 shares of our % series D cumulative convertible preferred stock (plus up to an additional 1,800,000 shares if the underwriters over-allotment option is exercised in full).
Ranking	<p>The series D preferred stock will rank, with respect to dividend rights and rights upon our liquidation, dissolution or winding-up:</p> <p>senior to all classes or series of our common stock, and to any other class or series of our capital stock expressly designated as ranking junior to our series D preferred stock;</p> <p>on parity with any class or series of our capital stock expressly designated as ranking on parity with our series D preferred stock, including our 8.50% series A cumulative redeemable preferred stock, or series A preferred stock, our 7.875% series B cumulative redeemable preferred stock, or series B preferred stock, and our 4.375% series C cumulative convertible preferred stock, or series C preferred stock; and</p> <p>junior to any other class or series of our capital stock expressly designated as ranking senior to our series D preferred stock.</p>

The term capital stock does not include convertible or exchangeable debt securities, which, prior to conversion or exchange, rank senior in right of payment to our series D preferred stock. Our series D preferred stock will also rank junior in right of payment to our other existing and future debt obligations.

Dividends	<p>Holders of shares of our series D preferred stock will be entitled to receive cumulative cash dividends on our series D preferred stock from and including the date of original issue, payable quarterly in arrears on or about the last calendar day of each of March, June, September and December of each year, commencing March 31, 2008, at the rate of % per annum of the \$25.00 liquidation preference per share (equivalent to an annual rate of \$ per share). The first dividend payable on our series D preferred stock on March 31, 2008 will be a pro rata dividend from and including the original issue date to and including March 31, 2008 in the amount of \$ per share. Dividends on our series D preferred stock will accrue whether or not (i) we have earnings, (ii) there are funds legally available for the payment of such dividends and (iii) such dividends are authorized or declared.</p>
-----------	---

Table of Contents

Liquidation Preference

If we liquidate, dissolve or wind up, holders of shares of our series D preferred stock will have the right to receive \$25.00 per share of our series D preferred stock, plus accrued and unpaid dividends (whether or not authorized or declared) up to but excluding the date of payment, before any payment is made to holders of our common stock and any other class or series of capital stock ranking junior to our series D preferred stock as to liquidation rights. We may only issue equity securities ranking senior to our series D preferred stock with respect to dividend rights and rights upon our liquidation, dissolution and winding-up if we obtain the affirmative vote of the holders of at least two-thirds of the outstanding series D preferred stock together with each other class or series of preferred stock ranking on parity with our series D preferred stock with respect to the payment of dividends and the distribution of assets upon our liquidation, dissolution or winding up. The rights of holders of shares of our series D preferred stock to receive their liquidation preference will be subject to the proportionate rights of any other class or series of our capital stock ranking on parity with our series D preferred stock as to liquidation, including our series A preferred stock, series B preferred stock and series C preferred stock, and junior to the rights of any class or series of our capital stock expressly designated as ranking senior to our series D preferred stock.

Optional Redemption

We may not redeem our series D preferred stock except in limited circumstances, including to preserve our status as a REIT, as described in Description of Series D Preferred Stock Optional Redemption to Preserve our Status as a REIT in this prospectus supplement. However, on and after _____, 2013, we may have the right to require holders of shares of our series D preferred stock to convert their shares of series D preferred stock into shares of our common stock based on the market price of our common stock. See Description of Series D Preferred Stock Company Conversion Option in this prospectus supplement.

Limited Voting Rights

Holders of shares of our series D preferred stock will generally have no voting rights. However, if we are in arrears on dividends on our series D preferred stock for six or more quarterly periods, whether or not consecutive, holders of shares of our series D preferred stock (voting together as a class with the holders of all other classes or series of preferred stock upon which like voting rights have been conferred, including our series A preferred stock, our series B preferred stock and our series C preferred stock, and are exercisable) will be entitled to vote at a special meeting called by at least 10% of such holders or at our next annual meeting and each subsequent annual meeting of stockholders for the election of two additional directors to serve on our board of directors until all unpaid dividends with respect to our series D preferred stock and any other class or series of parity preferred stock have been paid or declared and a sum sufficient for the payment thereof set aside for payment. In addition, we may not make certain material and adverse changes to the terms of

Table of Contents

our series D preferred stock without the affirmative vote of the holders of at least two-thirds of the outstanding shares of our series D preferred stock together with the holders of all other shares of any class or series of preferred stock ranking on parity with our series D preferred stock with respect to the payment of dividends and distribution of assets upon our liquidation that are entitled to similar voting rights, including our series A preferred stock, our series B preferred stock and our series C preferred stock (voting together as a single class).

Restrictions on Ownership and Transfer

For us to qualify as a REIT under the Internal Revenue Code of 1986, as amended, or the Code, the transfer of our capital stock, which includes our series D preferred stock, is restricted and not more than 50% in value of our outstanding capital stock may be owned, directly or constructively, by five or fewer individuals, as defined in the Code, during the last half of any taxable year. In order to assist us in meeting these requirements, no person or entity may own, or be deemed to own by virtue of the constructive ownership rules of the Code, subject to limited exceptions, more than 9.8% of the outstanding shares of our series D preferred stock or more than 9.8% of our outstanding capital stock.

For purposes of the ownership limit, ownership of our series D preferred stock will also be deemed to be the ownership of our common stock issuable upon conversion of our series D preferred stock. Notwithstanding any other provision of our series D preferred stock, no holder of shares of our series D preferred stock will be entitled to convert such series D preferred stock for shares of our common stock to the extent that receipt of such shares of common stock would cause such holder (or any other person) to exceed the ownership limit on our common stock contained in our charter.

Maturity

Our series D preferred stock has no maturity date, and we are not required to redeem our series D preferred stock at any time. Accordingly, our series D preferred stock will remain outstanding indefinitely unless you or we decide to convert it or it is redeemed under certain circumstances.

Conversion Rights

Holders of shares of series D preferred stock may convert some or all of their outstanding shares of series D preferred stock initially at a conversion rate of shares of common stock per \$25.00 liquidation preference, which is equivalent to an initial conversion price of approximately \$ per share of common stock (subject to adjustment in certain events). Except as otherwise provided, shares of our series D preferred stock will be convertible only into shares of our common stock. See [Description of Series D Preferred Stock Conversion Rights](#) in this prospectus supplement.

Table of Contents

Company Conversion Option	<p>On or after _____, 2013, we may, at our option, convert some or all of our series D preferred stock into that number of shares of common stock that are issuable at the then-applicable conversion rate. We may exercise this conversion option only if (1) the closing sale price per share of our common stock equals or exceeds 130% of the then-applicable conversion price of our series D preferred stock for at least 20 trading days in a period of 30 consecutive trading days (including the last trading day of such period) ending on the trading day immediately prior to our issuance of a press release announcing the exercise of our conversion option; and (2) on or prior to the effective date of our conversion option, we have either declared and paid, or declared and set apart for payment, any unpaid dividends that are in arrears on our series D preferred stock. See Description of Series D Preferred Stock Company Conversion Option in this prospectus supplement.</p>
Payment of Dividends Upon Conversion	<p>If holders of shares of our series D preferred stock exercise their conversion rights, upon delivery of the shares of series D preferred stock for conversion, those shares of series D preferred stock will cease to cumulate dividends as of the end of the conversion date and holders of shares of our series D preferred stock will not receive any cash payment representing accrued and unpaid dividends on such shares, except in those limited circumstances discussed below. Except as provided below, we will make no payment for accrued and unpaid dividends, whether or not in arrears, on shares of our series D preferred stock converted at the election of holders of such shares. As described under Description of Series D Preferred Stock Company Conversion Option, if we convert shares of our series D preferred stock pursuant to our conversion option, on or prior to the effective date of our conversion option, we must first declare and pay, or declare and set apart for payment, all unpaid dividends that are in arrears on our series D preferred stock. See Description of Series D Preferred Stock Payments of Dividends Upon Conversion in this prospectus supplement.</p>
Conversion Rate Adjustments	<p>The conversion rate is subject to adjustment upon the occurrence of certain events, including if we distribute to holders of outstanding shares of our common stock quarterly cash dividends (subject to adjustment) in excess of \$0.31 per share of our common stock. See Description of Series D Preferred Stock Conversion Rate Adjustments in this prospectus supplement.</p>
Adjustment to Conversion Rate Upon Certain Fundamental Changes	<p>If holders of shares of our series D preferred stock elect to convert their shares of our series D preferred stock in connection with a fundamental change that occurs on or prior to _____, 2015, we will increase the conversion rate for shares of our series D preferred stock surrendered for conversion by a number of additional shares determined based on the stock price at the time of such fundamental</p>

Table of Contents

change and the effective date of such fundamental change. See Description of Series D Preferred Stock Adjustment to Conversion Rate Upon Certain Fundamental Changes in this prospectus supplement.

Rights Upon a Fundamental Change

On or prior to _____, 2015, in the event of a fundamental change when the applicable price of our common stock described in Description of Series D Preferred Stock Adjustment to Conversion Rate upon Certain Fundamental Changes is less than \$ _____ per share, then you will have a special right to convert some or all of your series D preferred stock on the fundamental change conversion date (as defined below) into a number shares of our common stock per \$25.00 liquidation preference equal to such liquidation preference, plus an amount equal to accrued and unpaid dividends to, but not including, the fundamental change conversion date, divided by 98% of the market price (as defined below) of our common stock. In the event that you exercise that special conversion right, we have the right to repurchase for cash all or any part of your series D preferred stock as to which the conversion right was exercised at a repurchase price equal to 100% of the liquidation preference of the series D preferred stock to be repurchased plus an amount equal to accrued and unpaid dividends to, but not including, the fundamental change conversion date. If we elect to exercise our repurchase right, you will not have the special conversion right described in this paragraph. See Description of Series D Preferred Stock Special Conversion Right of Series D Preferred Stock upon a Fundamental Change; Company Repurchase Right below.

Transfer Agent

The transfer agent and registrar for our common stock and our preferred stock is American Stock Transfer & Trust Company.

Form and Book-Entry System

Our series D preferred stock will only be issued and maintained in book-entry form registered in the name of Cede & Co., the nominee of The Depository Trust Company, except under limited circumstances.

Listing

We do not intend to list our series D preferred stock on any national securities exchange. The underwriters have advised us that they intend to make a market in our series D preferred stock. However, the underwriters will have no obligation to do so, and we cannot assure you that a market for our series D preferred stock will develop or be maintained.

Use of Proceeds

We expect that the net proceeds from our series D preferred stock offering will be approximately \$ _____ million after deducting the underwriting discounts and commissions and our estimated expenses (or approximately \$ _____ million if the underwriters over-allotment option is exercised in full). We intend to contribute the net proceeds from this offering to our operating partnership, which will subsequently use the net proceeds from the offering to temporarily repay borrowings under our revolving credit facility, potentially to

Table of Contents

acquire additional properties, to fund redevelopment activities and for general corporate purposes. See Use of Proceeds in this prospectus supplement.

Settlement Date

Delivery of our series D preferred stock will be made against payment therefor on or about _____, 2008.

Risk Factors

An investment in our series D preferred stock involves various risks, and before making a decision to invest in our series D preferred stock, prospective investors should carefully consider the matters discussed under the caption entitled Risk Factors beginning on page S-12 of this prospectus supplement and in the documents incorporated by reference in this prospectus supplement.

S-11

Table of Contents

RISK FACTORS

In addition to other information contained in this prospectus supplement and the accompanying prospectus, you should carefully consider the risks described below and incorporated by reference to our Annual Report on Form 10-K for the year ended December 31, 2006, as updated by our subsequent filings under the Securities Exchange Act of 1934, as amended, in evaluating our company, our properties and our business before investing in our series D preferred stock. These risks are not the only ones faced by us. Additional risks not presently known or that are currently deemed immaterial could also materially and adversely affect our financial condition, results of operations, business and prospects. Any of the following risks might cause you to lose all or a part of your investment. Some statements in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference, including statements in the following risk factors, constitute forward-looking statements. Please refer to the section entitled "Forward-Looking Statements" in the accompanying prospectus.

Risks Related to this Offering

Our series D preferred stock is a new issuance and does not have an established trading market, which may negatively affect its market value and your ability to transfer or sell your shares; our series D preferred stock has no stated maturity date.

The shares of series D preferred stock are a new issue of securities with no established trading market. Since the securities have no stated maturity date, investors seeking liquidity will be limited to selling their shares in the secondary market. We do not intend to list the series D preferred stock on any national securities exchange. We cannot assure you that an active trading market in the series D preferred stock will develop or, even if it develops, we cannot assure you that it will last. In either case the trading price of the series D preferred stock could be adversely affected and your ability to transfer your shares of series D preferred stock will be limited.

We have been advised by the underwriters that they intend to make a market in the shares of our series D preferred stock, but they are not obligated to do so and may discontinue market-making at any time without notice. Our series D preferred stock has not been rated by any nationally recognized statistical rating organization, and will be subordinated to all of our existing and future debt.

The trading price for our series D preferred stock will be directly affected by the trading price for our common stock, which is impossible to predict.

The trading price for our common stock, and consequently the trading price for our series D preferred stock may depend on many factors, including:

the market for similar securities;

additional issuances by us of common stock;

additional issuances by us of other series or classes of preferred shares;

general economic conditions; and

our financial condition, performance and prospects. Each of these factors, among others, may cause the trading price of our series D preferred stock to fall below the offering price, which could have a material adverse effect on your investment in our series D preferred stock. In addition, the stock market in recent years has experienced significant price and volume fluctuations that have often been unrelated to the operating performance of companies.

The price of our common stock could be affected by possible sales of our common stock by investors who view our series D preferred stock as a more attractive means of equity participation in our company and by hedging or arbitrage trading activity that may develop involving our common stock. The hedging or arbitrage trading activity could, in turn, affect the trading price of our series D preferred stock.

S-12

Table of Contents

Market interest rates may affect the value of our series D preferred stock.

One of the factors that will influence the price of our series D preferred stock will be the dividend yield on our series D preferred stock relative to market interest rates. An increase in market interest rates could cause the market price of our series D preferred stock to go down. The trading price of the shares of our series D preferred stock will also depend on many other factors, which may change from time to time, including:

the market for similar securities;

the attractiveness of REIT securities in comparison to the securities of other companies, taking into account, among other things, the higher tax rates imposed on dividends paid by REITs;

government action or regulation;

general economic conditions or conditions in the financial or real estate markets; and

our financial condition, performance and prospects.

Our revolving credit facility prohibits us from redeeming our series D preferred stock and may limit our ability to pay dividends on our series D preferred stock.

Our revolving credit facility prohibits us from redeeming or otherwise repurchasing any shares of our capital stock, including our series D preferred stock. Our revolving credit facility also prohibits us from distributing to our stockholders more than 95% of our funds from operations (as defined in our revolving credit facility) during any four consecutive fiscal quarters, except as necessary to enable us to qualify as a REIT for federal income tax purposes. Consequently, if we do not generate sufficient funds from operations (as defined in our revolving credit facility) during the twelve months preceding any series D preferred stock dividend payment date, we will not be able to pay all or a portion of the accumulated dividends payable to holders of shares of our series D preferred stock on that payment date without causing a default under our revolving credit facility. In the event of a default under our revolving credit facility, we would be unable to borrow under our revolving credit facility and any amounts we have borrowed thereunder could become immediately due and payable.

Shares of our series D preferred stock have not been rated and are subordinated to existing and future debt; there are no restrictions on issuance of parity preferred securities.

Shares of our series D preferred stock have not been rated by any nationally recognized statistical rating organization. Furthermore, payment of accrued dividends on our series D preferred stock will be subordinated to all of our existing and future debt and will be structurally subordinate to the obligations of our subsidiaries. In addition, we may issue additional series D preferred stock or shares of another class or series of preferred stock ranking on parity with (or, upon the affirmative vote or consent of the holders of at least two-thirds of the outstanding shares of series D preferred stock, senior to) our series D preferred stock with respect to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up. These factors may affect the trading price of our series D preferred stock.

If you hold shares of our series D preferred stock, you will not be entitled to any rights with respect to our common stock, but you will be subject to all changes made with respect to our common stock.

If you hold shares of our series D preferred stock, you will not be entitled to any rights with respect to our common stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on our common stock), but you will be subject to all changes affecting the common stock. You will have rights with respect to our common stock only if and when we deliver shares of common stock to you upon conversion of your shares of series D preferred stock and, in certain cases, under the conversion rate adjustments applicable to our series D preferred stock. For example, in the event that an amendment is proposed to our charter requiring stockholder approval and the record date for determining the stockholders of record entitled to vote on the amendment occurs prior to the delivery of common stock to you following a conversion, you will not be entitled to vote on the amendment, although you will nevertheless be subject to any changes in the powers, preferences or special rights of our common stock.

Table of Contents

The adjustment to the conversion rate of our series D preferred stock upon a conversion in connection with certain fundamental changes may not adequately compensate you for the lost option value of our series D preferred stock as a result of that fundamental change.

If a fundamental change occurs on or prior to _____, 2015 we will under certain circumstances adjust the conversion rate to provide for the issuance of additional common stock upon any conversion of shares of series D preferred stock in connection with such fundamental change. The number of additional shares of common stock will be determined based on the date on which such fundamental change becomes effective and the price paid per share of our common stock in the fundamental change (in the case where the consideration for our common stock consists solely of cash or, in the case of an asset sale, where the consideration paid for our property and assets consists solely of cash) or the average of the closing sale price per share of our common stock for the ten consecutive trading-day period immediately preceding the effective date of the relevant fundamental change. See Description of Series D Preferred Stock Adjustment to Conversion Rate Upon Certain Fundamental Changes in this prospectus supplement. Although the adjustment to the conversion rate of the shares of our series D preferred stock that are converted is designed to compensate you for the lost option value of our series D preferred stock as a result of the fundamental change, this adjustment to the conversion rate is only an approximation of the lost value and may not adequately compensate holders of shares of our series D preferred stock for the actual loss.

The conversion rate of our series D preferred stock may not be adjusted for all dilutive events. Accordingly, we may engage in transactions that could dilute the value of shares of our common stock into which shares of our series D preferred stock may be convertible.

As described under Description of Series D Preferred Stock Conversion Rate Adjustments, we will adjust the conversion rate of the series D preferred stock only for certain events. We will not adjust the conversion rate, among other things, for:

the issuance of any shares of our common stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on our securities or those of our operating partnership and the investment of additional optional amounts in shares of our common stock under any plan;

the issuance of any shares of our common stock or options or rights to purchase such shares pursuant to any of our present or future employee, director, trustee or consultant benefit plan, employee agreement or arrangement or program or those of our operating partnership;

the issuance of any shares of our common stock pursuant to any option, warrant, right, or exercisable, exchangeable or convertible security outstanding as of the date shares of our series D preferred stock were first issued;

a change in the par value of our common stock;

accumulated and unpaid dividends or distributions; and

the issuance of limited partnership units by our operating partnership and the issuance of shares of our common stock or the payment of cash upon redemption thereof.

Edgar Filing: Digital Realty Trust, Inc. - Form 424B5

If we engage in any of these types of transactions, the value of the shares of common stock into which shares of our series D preferred stock may be convertible may be diluted. In addition, we will not adjust the conversion rate unless the adjustment would require an increase or decrease of at least 1% of the conversion rate.

Future sales of our common stock in the public market could lower the market price for our common stock and adversely impact the trading price of the series D preferred stock.

In the future, we may sell additional shares of our common stock to raise capital. In addition, shares of our common stock are reserved for issuance on the exercise of stock options and the conversion or exchange of

S-14

Table of Contents

securities convertible into or exchangeable or exercisable for any shares of our common stock, including the shares of our series D preferred stock included in this offering. We cannot predict the size of future issuances or the effect, if any, that they may have on the market price for our common stock. The issuance and sales of substantial amounts of common stock, or the perception that such issuances and sales may occur, could adversely affect the trading price for our series D preferred stock and the market price of our common stock.

If our common stock is delisted, your ability to transfer or sell your shares of our series D preferred stock, or common stock upon conversion, may be limited and the market value of our series D preferred stock will be materially adversely affected.

Our series D preferred stock does not contain provisions that protect you if our common stock is delisted. Since our series D preferred stock has no stated maturity date, you may be forced to elect between converting your shares of our series D preferred stock into illiquid shares of our common stock or holding your shares of our series D preferred stock and receiving stated dividends on the stock when, as and if authorized and declared by our board of directors with no assurance as to ever receiving the liquidation preference. In addition, if our common stock is delisted, it is likely that our series D preferred stock will be delisted as well. Accordingly, if our common stock is delisted, your ability to transfer or sell your shares of our series D preferred stock, or common stock upon conversion, may be limited and the market value of our series D preferred stock will be materially adversely affected.

Our charter contains 9.8% ownership limits with respect to our capital stock which could have adverse consequences to you.

Our charter, subject to certain exceptions, authorizes our directors to take such actions as are necessary and desirable to preserve our qualification as a REIT and to limit any person to actual or constructive ownership of no more than 9.8% (by value or by number of shares, whichever is more restrictive) of the outstanding shares of our common stock, 9.8% (by value or by number of shares, whichever is more restrictive) of the outstanding shares of each series of preferred stock and 9.8% of the value of our outstanding capital stock. Our board of directors, in its sole discretion, may exempt a proposed transferee from the ownership limit. However, our board of directors may not grant an exemption from the ownership limit to any proposed transferee whose direct or indirect ownership of our capital stock could jeopardize our status as a REIT. These restrictions on transferability and ownership will not apply if our board of directors determines that it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT. The ownership limit may delay, defer or prevent a transaction that might be in the best interest of holders of shares of our common or preferred stock.

You should consider the United States federal income tax consequences of owning our series D preferred stock.

The principal U.S. federal income tax consequences of purchasing, owning and disposing of shares of our series D preferred stock and any common stock received upon their conversion are summarized under United States Federal Income Tax Considerations. Certain of our actions, including an increase in the cash dividend on our common stock in excess of the dividend threshold amount, may result in an adjustment to the conversion rate that could cause you to be deemed to receive a taxable dividend subject to U.S. federal income tax without the receipt of any cash. If you are a foreign shareholder, such deemed dividend may subject you to U.S. federal withholding tax at a 30% rate or such lower rate as may be specified by an applicable treaty. See United States Federal Income Tax Considerations.

Table of Contents

USE OF PROCEEDS

We expect that the net proceeds from this offering will be approximately \$ million after deducting the underwriting discounts and commissions and our estimated expenses of approximately \$ (or approximately \$ million if the underwriters' over-allotment option is exercised in full).

We intend to contribute the net proceeds of this offering to our operating partnership, which will subsequently use the net proceeds received from us to temporarily repay borrowings under our revolving credit facility, to fund acquisitions, to fund redevelopment activities and for general corporate purposes. At December 31, 2007, our revolving credit facility had a total outstanding balance of \$299.7 million, excluding committed letters of credit, consisting of \$111.0 million bearing interest at LIBOR plus 1.2% per annum, which equaled a rate of 6.12%,

57.7 million bearing interest at EURIBOR plus 1.2% per annum, which equaled a rate of 5.86%, and £51.5 million bearing interest at GBP LIBOR plus 1.2% per annum, which equaled a rate of 7.55%. Our revolving credit facility matures in August 2010, subject to two one-year extension options that we may exercise if certain conditions are met. We have used the proceeds of borrowings under our revolving credit facility to fund acquisitions, to fund redevelopment activities and for general corporate purposes.

Table of Contents**RATIO OF EARNINGS TO FIXED CHARGES AND PREFERRED DIVIDENDS**

The following table sets forth our ratio of earnings to fixed charges and ratio of earnings to fixed charges and preferred dividends for the periods shown:

	The Company ⁽¹⁾		The Company and the Predecessor ⁽²⁾			The Company ⁽¹⁾		
	Pro Forma Consolidated	Historical Consolidated	Historical Combined			Pro Forma Consolidated	Historical Consolidated	Consolidated
	Year Ended December 31, 2006 ⁽³⁾	Year Ended December 31, 2005	Year Ended December 31, 2004 ⁽⁴⁾	Year Ended December 31, 2003 ⁽⁴⁾	Year Ended December 31, 2002 ⁽⁴⁾	Nine Months Ended September 30, 2007 ⁽³⁾	Nine Months Ended September 30, 2007	Year Ended December 31, 2006
	2006 ⁽³⁾	2005	2004 ⁽⁴⁾	2003 ⁽⁴⁾	2002 ⁽⁴⁾	2007 ⁽³⁾	2007	2006
Ratio of earnings to fixed charges		1.41	1.68	(5)	2.64	(6)	1.21	1.41
Ratio of earnings to fixed charges and preferred dividends		1.12	1.31	(5)	2.64	(6)	(7)	1.11

- (1) All numbers presented in this table exclude 7979 East Tufts Avenue (sold in July 2006), 100 Technology Center Drive (sold in March 2007) and 4055 Valley View Lane (sold in March 2007).
- (2) The Predecessor is not a legal entity; rather it is a combination of certain of the real estate subsidiaries of Global Innovation Partners, LLC, a Delaware limited liability company, or GI Partners, contributed to the Company in connection with our initial public offering in November 2004, along with an allocation of certain assets, liabilities, revenues and expenses of GI Partners related to the real estate owned by such subsidiaries.
- (3) Excludes 1,800,000 shares of series D preferred stock issuable upon exercise of the underwriters' over-allotment option in full.
- (4) There were no shares of preferred stock outstanding during this fiscal year.
- (5) For the year ended December 31, 2004, combined earnings were insufficient to cover fixed charges by \$5.1 million.
- (6) For the year ended December 31, 2002, combined earnings were insufficient to cover fixed charges by \$61,000.
- (7) For the nine months ended September 30, 2007, earnings were insufficient to cover fixed charges and preferred dividends by \$1.8 million.

Our ratios of earnings to fixed charges are computed by dividing earnings by fixed charges. Our ratios of earnings to fixed charges and preferred dividends are computed by dividing earnings by the sum of fixed charges and preferred dividends. For this purpose, earnings consist of income (loss) from continuing operations before minority interests and fixed charges. Fixed charges consist of interest expense, capitalized interest and amortization of deferred financing fees, whether expensed or capitalized, and interest within rental expense. Preferred dividends consist of the amount of pre-tax earnings required to pay dividends on our series A preferred stock, series B preferred stock and series C preferred stock. Our pro forma ratios for the year ended December 31, 2006 are presented as if this offering, and our intended use of proceeds from this offering, had occurred as of January 1, 2006. Our pro forma ratios for the nine months ended September 30, 2007 are presented as if this offering, and our intended use of proceeds from this offering, had occurred as of January 1, 2007.

Table of Contents**PRICE RANGE OF COMMON STOCK AND DIVIDENDS**

Our common stock is listed on the NYSE under the symbol **DLR** . Our common stock has been traded on the NYSE since October 29, 2004. The following table sets forth, for the periods indicated, the high, low and last sale prices per share of our common stock and the distributions we declared with respect to the periods indicated.

	High	Low	Last	Dividends Declared
Year Ended December 31, 2006				
First Quarter	\$ 28.59	\$ 22.29	\$ 28.17	\$ 0.26500
Second Quarter	\$ 29.54	\$ 22.66	\$ 24.69	\$ 0.26500
Third Quarter	\$ 31.88	\$ 24.58	\$ 31.32	\$ 0.26500
Fourth Quarter	\$ 37.31	\$ 30.73	\$ 34.23	\$ 0.28625
Year Ended December 31, 2007				
First Quarter	\$ 40.42	\$ 33.76	\$ 39.90	\$ 0.28625
Second Quarter	\$ 42.86	\$ 36.70	\$ 37.68	\$ 0.28625
Third Quarter	\$ 40.62	\$ 32.04	\$ 39.39	\$ 0.28625
Fourth Quarter	\$ 44.21	\$ 35.05	\$ 38.37	\$ 0.31000
Year Ending December 31, 2008				
First Quarter (through January 30, 2008)	\$ 39.19	\$ 32.32	\$ 36.89	N/A

On January 30, 2008, the closing sale price per share of our common stock, as reported on the NYSE, was \$36.89. As of December 31, 2007, there were seven holders of record of our common stock. This figure does not reflect the beneficial ownership of shares of our common stock held in nominee name.

We intend to continue to declare quarterly dividends. The actual amount and timing of dividends, however, will be at the discretion of our board of directors and will depend upon our financial condition in addition to the requirements of the Code, and no assurance can be given as to the amounts or timing of future distributions.

Subject to the distribution requirements applicable to REITs under the Code, we intend, to the extent practicable, to invest substantially all of the proceeds from sales and refinancings of our assets in real estate-related assets and other assets. We may, however, under certain circumstances, make a distribution of capital or of assets. Such distributions, if any, will be made at the discretion of our board of directors. Distributions will be made in cash to the extent that cash is available for distribution.

Table of Contents**CAPITALIZATION**

The following table sets forth our capitalization as of September 30, 2007:

on an actual basis; and

on an as adjusted basis to reflect the sale of our series D preferred stock and the use of the net proceeds from such sale, as described under Use of Proceeds.

The table below has not been adjusted to reflect the sale of an aggregate of 4,025,000 shares of our common stock on October 22, 2007, for net proceeds of approximately \$150.5 million, including the proceeds from the exercise of the underwriters over-allotment option. We used the net proceeds from the offering of common stock to temporarily repay borrowings under our revolving credit facility.

This information should be read in conjunction with, and is qualified in its entirety by, our consolidated financial statements and schedules and the notes to our financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2006, as updated by our subsequent filings under the Securities Exchange Act of 1934, as amended, incorporated by reference in this prospectus supplement.

	September 30, 2007	
	Actual	As Adjusted
	(In thousands)	
Notes payable under revolving credit facility ⁽¹⁾	\$ 266,726	
Mortgage loans	895,882	895,882
Exchangeable senior debentures	172,500	172,500
Minority interests in consolidated joint venture	2,902	2,902
Minority interests in our operating partnership	71,063	71,063
Stockholders' equity:		
Preferred Stock: \$0.01 par value per share, 30,000,000 authorized:		
8.50% series A cumulative redeemable preferred stock, \$0.01 par value per share, 4,140,000 issued and outstanding on an actual and as adjusted basis	99,297	99,297
7.875% series B cumulative redeemable preferred stock, \$0.01 par value per share, 2,530,000 issued and outstanding on an actual and as adjusted basis	60,502	60,502
4.375% series C cumulative convertible preferred stock, \$0.01 par value per share, 7,000,000 issued and outstanding on an actual and as adjusted basis	168,955	168,955
% series D cumulative convertible preferred stock, \$0.01 par value per share, zero issued and outstanding on an actual basis and 12,000,000 issued and outstanding on an as adjusted basis		
Common stock, \$0.01 par value per share, 125,000,000 authorized, 60,721,750 issued and outstanding on an actual and as adjusted basis	607	607
Additional paid-in capital	666,023	
Dividends in excess of earnings	(83,069)	(83,069)
Accumulated other comprehensive income	9,053	9,053
Total stockholders' equity	921,368	
Total Capitalization	\$ 2,330,441	

Edgar Filing: Digital Realty Trust, Inc. - Form 424B5

- (1) At December 31, 2007, our revolving credit facility had a total outstanding balance of \$299.7 million, excluding committed letters of credit, consisting of \$111.0 million bearing interest at LIBOR plus 1.2% per annum, which equaled a rate of 6.12%, 57.7 million bearing interest at EURIBOR plus 1.2% per annum, which equaled a rate of 5.86%, and £51.5 million bearing interest at GBP LIBOR plus 1.2% per annum, which equaled a rate of 7.55%.

S-19

Table of Contents

DESCRIPTION OF SERIES D PREFERRED STOCK

The following summary of the material terms and provisions of our series D preferred stock does not purport to be complete and is qualified in its entirety by reference to the articles supplementary creating our series D preferred stock, our charter, our bylaws, as amended, each of which is available from us, and applicable laws. This description of the particular terms of our series D preferred stock supplements, and to the extent inconsistent therewith replaces, the description of the general terms and provisions of our preferred stock set forth in the accompanying prospectus.

General

Our board of directors and a duly authorized committee of our board of directors classified 13,800,000 shares of our authorized but unissued preferred stock as, and approved articles supplementary creating, a series of our preferred stock, designated as the % series D cumulative convertible preferred stock. When issued in accordance with this prospectus supplement and the accompanying prospectus, the series D preferred stock will be validly issued, fully paid and nonassessable.

In connection with this offering, we, in accordance with the terms of the partnership agreement of our operating partnership, will contribute or otherwise transfer the net proceeds of the sale of our series D preferred stock to our operating partnership, and our operating partnership will issue to us % series D cumulative convertible preferred units, or series D preferred units. Our operating partnership will be required to make all required distributions on the series D preferred units prior to any distribution of cash or assets to the holder of any other units or any other equity interests in our operating partnership, except for any other series of partnership interests ranking on parity with such series D preferred units as to dividends or upon voluntary or involuntary liquidation, dissolution or winding up of our operating partnership (including the series A preferred units, series B preferred units and series C preferred units), upon which distributions will be made pro rata with the series D preferred units, and except for any series of preferred units ranking senior to the series D preferred units as to dividends or upon voluntary or involuntary liquidation, none of which are outstanding at this time.

We do not intend to list our series D preferred stock on any national securities exchange. See Underwriting in this prospectus supplement.

Ranking

Our series D preferred stock will rank, with respect to dividend rights and rights upon voluntary or involuntary liquidation, dissolution or winding up of our affairs:

senior to all classes or series of our common stock, and to any other class or series of our capital stock expressly designated as ranking junior to our series D preferred stock;

on parity with our series A preferred stock, series B preferred stock, series C preferred stock and any other class or series of our capital stock expressly designated as ranking on parity with our series D preferred stock; and

Edgar Filing: Digital Realty Trust, Inc. - Form 424B5

junior to any other class or series of our capital stock expressly designated as ranking senior to our series D preferred stock.

The term "capital stock" does not include convertible or exchangeable debt securities, which, prior to conversion or exchange, rank senior in right of payment to our series D preferred stock. Our series D preferred stock will also rank junior in right of payment to our other existing and future debt obligations.

Dividends

Subject to the preferential rights of the holders of any class or series of our capital stock ranking senior to the series D preferred stock with respect to dividend rights, holders of shares of our series D preferred stock are entitled to receive, when, as and if authorized by our board of directors and declared by us out of funds legally

S-20

Table of Contents

available for the payment of dividends, cumulative cash dividends at the rate of % per annum of the \$25.00 liquidation preference per share of our series D preferred stock (equivalent to the fixed annual amount of approximately \$ per share of our series D preferred stock).

Dividends on our series D preferred stock will accrue and be cumulative from and including the date of original issue and will be payable to investors quarterly in arrears on the last calendar day of each March, June, September and December of each year or, if such day is not a business day, on the next succeeding business day, except that, if such business day is in the next succeeding year, such payment shall be made on the immediately preceding business day, in each case with the same force and effect as if made on such date. The term business day means each day, other than a Saturday or a Sunday, which is not a day on which banks in New York are required to close.

The amount of any dividend payable on our series D preferred stock for any partial dividend period will be prorated and computed on the basis of a 360-day year consisting of twelve 30-day months. A dividend period is the respective period commencing on and including the first day of January, April, July and October of each year and ending on and including the day preceding the first day of the next succeeding dividend period (other than the initial dividend period and the dividend period during which any shares of series D preferred stock shall be redeemed). Dividends will be payable to holders of record as they appear in our stock records at the close of business on the applicable record date, which shall be a date designated by our board of directors as the record date for the payment of dividends that is not more than 35 and not fewer than 10 days prior to the scheduled dividend payment date. A holder's right to receive dividends upon conversion of series D preferred stock is limited. For a description of these limitations, see Payment of Dividends Upon Conversion.

The first dividend on our series D preferred stock is scheduled to be paid on March 31, 2008 and will be a pro rata dividend from and including the original issue date to and including March 31, 2008 in the amount of \$ per share.

Dividends on the series D preferred stock will accrue whether or not:

we have earnings;

there are funds legally available for the payment of those dividends; or

those dividends are authorized or declared.

Except as described in the next paragraph, unless full cumulative dividends on our series D preferred stock for all past dividend periods shall have been or contemporaneously are declared and paid in cash or declared and a sum sufficient for the payment thereof in cash is set apart for payment, we will not:

declare and pay or declare and set aside for payment of dividends, and we will not declare and make any distribution of cash or other property, directly or indirectly, on or with respect to any shares of our common stock or shares of any other class or series of our capital stock ranking, as to dividends, on parity with or junior to our series D preferred stock, for any period; or

redeem, purchase or otherwise acquire for any consideration, or make any other distribution of cash or other property, directly or indirectly, on or with respect to, or pay or make available any monies for a sinking fund for the redemption of,

Edgar Filing: Digital Realty Trust, Inc. - Form 424B5

any common stock or shares of any other class or series of our capital stock ranking, as to dividends and upon liquidation, on parity with or junior to the series D preferred stock.

The foregoing sentence, however, will not prohibit:

dividends payable solely in capital stock ranking junior to our series D preferred stock;

the conversion into or exchange for other shares of any class or series of capital stock ranking junior to our series D preferred stock;
and

S-21

Table of Contents

our purchase of shares of our series D preferred stock, preferred stock ranking on parity with our series D preferred stock as to payment of dividends and upon liquidation or capital stock or equity securities ranking junior to our series D preferred stock pursuant to our charter to the extent necessary to preserve our status as a REIT as discussed under Restrictions on Ownership and Transfer.

When we do not pay dividends in full (or do not set apart a sum sufficient to pay them in full) on our series D preferred stock and the shares of any other class or series of capital stock ranking, as to dividends, on parity with our series D preferred stock, we will declare any dividends upon our series D preferred stock and each such other class or series of capital stock ranking, as to dividends, on parity with our series D preferred stock pro rata, so that the amount of dividends declared per share of series D preferred stock and such other class or series of capital stock will in all cases bear to each other the same ratio that accrued dividends per share on our series D preferred stock and such other class or series of capital stock (which will not include any accrual in respect of unpaid dividends on such other class or series of capital stock for prior dividend periods if such other class or series of capital stock does not have a cumulative dividend) bear to each other. No interest, or sum of money in lieu of interest, will be payable in respect of any dividend payment or payments on our series D preferred stock which may be in arrears.

Holders of shares of our series D preferred stock are not entitled to any dividend, whether payable in cash, property or shares of capital stock, in excess of full cumulative dividends on our series D preferred stock as described above. Any dividend payment made on our series D preferred stock will first be credited against the earliest accrued but unpaid dividends due with respect to those shares which remain payable. Accrued but unpaid dividends on our series D preferred stock will accumulate as of the dividend payment date on which they first become payable.

We do not intend to declare dividends on our series D preferred stock, or pay or set apart for payment dividends on our series D preferred stock, if the terms of any of our agreements, including any agreements relating to our indebtedness, prohibit such a declaration, payment or setting apart for payment or provide that such declaration, payment or setting apart for payment would constitute a breach of or default under such an agreement. Likewise, no dividends will be authorized by our board of directors and declared by us or paid or set apart for payment if such authorization, declaration or payment is restricted or prohibited by law.

Our revolving credit facility prohibits us from distributing to our stockholders, including holders of shares of our preferred stock, more than 95% of our funds from operations (as defined in our revolving credit facility) during any four consecutive fiscal quarters, except as necessary to enable us to qualify as a REIT for federal income tax purposes. As a result, if we do not generate sufficient funds from operations (as defined in our revolving credit facility) during the 12 months preceding any series D preferred stock dividend payment date, we would not be able to pay all or a portion of the accumulated dividends payable to holders of shares of our series D preferred stock on such payment date without causing a default under our revolving credit facility.

Liquidation Preference

Upon any voluntary or involuntary liquidation, dissolution or winding up of our affairs, before any distribution or payment shall be made to holders of shares of our common stock or any other class or series of capital stock ranking, as to rights upon any voluntary or involuntary liquidation, dissolution or winding up of our affairs, junior to our series D preferred stock, holders of shares of series D preferred stock are entitled to be paid out of our assets legally available for distribution to our stockholders, after payment of or provision for our debts and other liabilities, a liquidation preference of \$25.00 per share of series D preferred stock, plus an amount equal to any accrued and unpaid dividends (whether or not authorized or declared) up to but excluding the date of payment. If, upon our voluntary or involuntary liquidation, dissolution or winding up, our available assets are insufficient to pay the full amount of the liquidating distributions on all outstanding shares of our series D preferred stock and the corresponding amounts payable on all shares of each other class or series of capital stock ranking, as to liquidation rights, on parity with our series D preferred stock in the distribution of assets, then

Table of Contents

holders of shares of our series D preferred stock and each such other class or series of capital stock ranking, as to voluntary or involuntary liquidation rights, on parity with our series D preferred stock will share ratably in any distribution of assets in proportion to the full liquidating distributions to which they would otherwise be respectively entitled.

Holders of shares of our series D preferred stock will be entitled to written notice of any distribution in connection with any voluntary or involuntary liquidation, dissolution or winding up of our affairs not less than 30 days and not more than 60 days prior to the distribution payment date. After payment of the full amount of the liquidating distributions to which they are entitled, holders of shares of our series D preferred stock will have no right or claim to any of our remaining assets. Our consolidation or merger with or into any other corporation, trust or other entity, or the voluntary sale, lease, transfer or conveyance of all or substantially all of our property or business, will not be deemed to constitute a liquidation, dissolution or winding up of our affairs.

In determining whether a distribution (other than upon voluntary or involuntary liquidation), by dividend, redemption or other acquisition of shares of our capital stock or otherwise, is permitted under Maryland law, amounts that would be needed, if we were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of holders of shares of our series D preferred stock will not be added to our total liabilities.

Optional Redemption to Preserve our Status as a REIT

We may not redeem the series D preferred stock except in the limited circumstances described below. We are entitled pursuant to the articles supplementary creating the series D preferred stock to redeem shares of the series D preferred stock in order to preserve our status as a REIT for federal tax purposes, in whole or in part, at any time or from time to time, for cash at a redemption price equal to 100% of the liquidation preference of the series D preferred stock to be redeemed plus an amount equal to all accrued and unpaid dividends up to, but not including, the date fixed for redemption, without interest; provided that if the redemption date is on a date that is after a dividend record date and on or prior to the corresponding dividend payment date, we will pay such dividends to the holder of record on the record date, which may or may not be the same person to whom we will pay the redemption price, and the redemption price will be equal to 100% of the liquidation preference of the series D preferred stock to be redeemed. See Restrictions on Ownership and Transfer.

If fewer than all of the outstanding shares of series D preferred stock are to be redeemed, we will select the shares of series D preferred stock to be redeemed pro rata (as nearly as may be practicable without creating fractional shares) by lot or by any other equitable method that we determine will not violate the 9.8% series D preferred stock ownership limit and the 9.8% capital stock ownership limit. If such redemption is to be by lot and, as a result of such redemption, any holder of shares of series D preferred stock, other than a holder of series D preferred stock that has received an exemption from the applicable ownership limit, would have actual or constructive ownership of more than 9.8% of the issued and outstanding shares of series D preferred stock by value or number of shares, whichever is more restrictive, or more than 9.8% of the value of our outstanding capital stock, because such holder's shares of series D preferred stock were not redeemed, or were only redeemed in part, then, except as otherwise provided in the charter, we will redeem the requisite number of shares of series D preferred stock of such holder such that no holder will own in excess of the applicable ownership limit subsequent to such redemption. See Restrictions on Ownership and Transfer. In order for their shares of series D preferred stock to be redeemed, holders must surrender their shares at the place designated in the notice of redemption. Holders will then be entitled to the redemption price payable upon redemption following surrender of the certificates representing the shares of series D preferred stock. If the funds necessary for the redemption have been set aside by us in trust for the benefit of the holders of any shares of series D preferred stock called for redemption and if irrevocable instructions have been given to pay the redemption price, then from and after the redemption date, dividends will cease to accrue on such shares of series D preferred stock and such shares of series D preferred stock will no longer be deemed outstanding. At such time all rights of the holders of such shares will terminate, except the right to receive the redemption price payable upon redemption, without interest.

Table of Contents

Limited Voting Rights

Holders of shares of our series D preferred stock generally do not have any voting rights, except as set forth below.

If dividends on our series D preferred stock are in arrears for six or more quarterly periods, whether or not consecutive (which we refer to as a preferred dividend default), holders of shares of our series D preferred stock (voting together as a class with the holders of all other classes or series of preferred stock upon which like voting rights have been conferred and are exercisable) will be entitled to vote for the election of two additional directors to serve on our board of directors (which we refer to as preferred stock directors), until all unpaid dividends with respect to our series D preferred stock and any other class or series of preferred stock upon which like voting rights have been conferred and are exercisable have been paid or declared and a sum sufficient for payment is set aside for such payment. In such a case, the number of directors serving on our board of directors will be increased by two. The preferred stock directors will be elected by a plurality of the votes cast in the election for a one-year term and each preferred stock director will serve until his successor is duly elected and qualifies or until the director's right to hold the office terminates, whichever occurs earlier. The election will take place at:

a special meeting called by holders of at least 10% of the outstanding shares of series D preferred stock together with any other class or series of preferred stock upon which like voting rights have been conferred and are exercisable, if this request is received more than 90 days before the date fixed for our next annual or special meeting of stockholders or, if we receive the request for a special meeting within 90 days before the date fixed for our next annual or special meeting of stockholders, at our annual or special meeting of stockholders; and

each subsequent annual meeting (or special meeting held in its place) until all dividends accumulated on our series D preferred stock and on any other class or series of preferred upon which like voting rights have been conferred and are exercisable have been paid in full for all past dividend periods.

If and when all accumulated dividends on our series D preferred stock and all other classes or series of preferred stock upon which like voting rights have been conferred and are exercisable shall have been paid in full or a sum sufficient for such payment in full is set aside for payment, holders of shares of our series D preferred stock shall be divested of the voting rights set forth above (subject to re-vesting in the event of each and every preferred dividend default) and the term and office of such preferred stock directors so elected will terminate and the entire board of directors will be reduced accordingly.

Any preferred stock director elected by holders of shares of our series D preferred stock and other holders of preferred stock upon which like voting rights have been conferred and are exercisable may be removed at any time with or without cause by the vote of, and may not be removed otherwise than by the vote of, the holders of record of a majority of the outstanding shares of our series D preferred stock and other parity preferred stock entitled to vote thereon when they have the voting rights described above (voting as a single class). So long as a preferred dividend default continues, any vacancy in the office of a preferred stock director may be filled by written consent of the preferred stock director remaining in office, or if none remains in office, by a vote of the holders of record of a majority of the outstanding shares of our series D preferred stock when they have the voting rights described above (voting as a single class with all other classes or series of preferred stock upon which like voting rights have been conferred and are exercisable). The preferred stock directors shall each be entitled to one vote on any matter.

In addition, so long as any shares of our series D preferred stock remain outstanding, we will not, without the consent or the affirmative vote of the holders of at least two-thirds of the outstanding shares of our series D preferred stock together with each other class or series of preferred stock ranking on parity with our series D preferred stock with respect to the payment of dividends and the distribution of assets upon our liquidation, dissolution or winding up and upon which like voting rights have been conferred (voting as a single class):

authorize, create or issue, or increase the number of authorized or issued shares of, any class or series of stock ranking senior to such series D preferred stock with respect to payment of dividends, or the distribution

S-24

Table of Contents

of assets upon the liquidation, dissolution or winding up of our affairs, or reclassify any of our authorized capital stock into any such shares, or create, authorize or issue any obligation or security convertible into or evidencing the right to purchase any such shares; or

amend, alter or repeal the provisions of our charter, including the terms of our series D preferred stock, whether by merger, consolidation, transfer or conveyance of substantially all of our assets or otherwise, so as to materially and adversely affect any right, preference, privilege or voting power of our series D preferred stock,

except that with respect to the occurrence of any of the events described in the second bullet point immediately above, so long as our series D preferred stock remains outstanding with the terms of our series D preferred stock materially unchanged, taking into account that, upon the occurrence of an event described in the second bullet point above, we may not be the surviving entity, the occurrence of such event will not be deemed to materially and adversely affect the rights, preferences, privileges or voting power of our series D preferred stock, and in such case such holders shall not have any voting rights with respect to the events described in the second bullet point immediately above. Furthermore, if holders of shares of our series D preferred stock receive the greater of the full trading price of the series D preferred stock on the date of an event described in the second bullet point immediately above or the \$25.00 per share liquidation preference pursuant to the occurrence of any of the events described in the second bullet point immediately above, then such holders shall not have any voting rights with respect to the events described in the second bullet point immediately above.

Holders of shares of our series D preferred stock will not be entitled to vote with respect to any increase in the total number of authorized shares of our common stock or preferred stock, any increase in the number of authorized shares of series D preferred stock or the creation or issuance of any other class or series of capital stock, or any increase in the number of authorized shares of any other class or series of capital stock, in each case ranking on parity with or junior to our series D preferred stock with respect to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up.

Holders of shares of our series D preferred stock will not have any voting rights with respect to, and the consent of the holders of shares of our series D preferred stock is not required for, the taking of any corporate action, including any merger or consolidation involving us or a sale of all or substantially all of our assets, regardless of the effect that such merger, consolidation or sale may have upon the powers, preferences, voting power or other rights or privileges of our series D preferred stock, except as set forth above.

In addition, the voting provisions above will not apply if, at or prior to the time when the act with respect to which the vote would otherwise be required would occur, we have redeemed or called for redemption upon proper procedures all outstanding shares of our series D preferred stock.

In any matter in which our series D preferred stock may vote (as expressly provided in the articles supplementary creating the series D preferred stock), each share of our series D preferred stock shall be entitled to one vote per \$25.00 of liquidation preference. As a result, each share of our series D preferred stock will be entitled to one vote.

Restrictions on Ownership and Transfer

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

Table of Contents

Our charter contains restrictions on the ownership and transfer of shares of our capital stock which are intended to assist us in complying with these requirements and continuing to qualify as a REIT. Our charter provides that, subject to certain exceptions, no person or entity may beneficially own, or be deemed to own by virtue of the applicable constructive ownership provisions of the Code, subject to limited exceptions, more than 9.8% (by value or by number of shares, whichever is more restrictive) of the outstanding shares of our series D preferred stock, more than 9.8% (by value or by number of shares, whichever is more restrictive) of the outstanding shares of our common stock, or more than 9.8% (by value) of our outstanding capital stock. For purposes of the ownership limits in our charter, ownership of shares of our series D preferred stock will be treated as ownership of the shares of our common stock into which such series D preferred stock is convertible. Notwithstanding any other provision of our series D preferred stock, no holder of shares of our series D preferred stock will be entitled to convert such series D preferred stock for shares of our common stock to the extent that receipt of such shares of common stock would cause such holder (or any other person) to exceed the ownership limit on our common stock contained in our charter. For a further description of restrictions on ownership and transfer of all series and classes of shares of our capital stock, see [Restrictions on Ownership and Transfer](#) in the accompanying prospectus.

Maturity

Our series D preferred stock has no maturity date, and we are not required to redeem our series D preferred stock at any time. Accordingly, our series D preferred stock will remain outstanding indefinitely unless a holder of shares of our series D preferred stock or we decide to convert or redeem it, or we elect to repurchase it upon a fundamental change. See [Optional Redemption to Preserve our Status as a REIT](#), [Conversion Rights](#), [Company Conversion Option](#) and [Special Conversion Right of series D Preferred Stock upon a Fundamental Change; Company Repurchase Right](#).

Conversion Rights

Holders of shares of our series D preferred stock, at their option, may, at any time and from time to time, convert some or all of their outstanding shares of our series D preferred stock initially at a conversion rate of _____ shares of common stock per \$25.00 liquidation preference, which is equivalent to an initial conversion price of approximately \$ _____ per share of common stock (subject to adjustment in certain events). Shares of our series D preferred stock will only be convertible into shares of our common stock.

We will not issue fractional shares of common stock upon the conversion of shares of our series D preferred stock. Instead, we will pay the cash value of such fractional shares based upon the closing sale price of our common stock on the trading day immediately prior to (i) the date on which the certificate or certificates representing the shares of our series D preferred stock to be converted are surrendered and accompanied by a written notice of conversion and any transfer taxes, which we refer to as the conversion date, or (ii) the effective date for our option to convert some or all of our series D preferred stock into that number of shares of our common stock that are issuable at the then-applicable conversion rate, which we refer to as our conversion option, as the case may be.

A holder of shares of our series D preferred stock is not entitled to any rights of a common stockholder until such holder of shares of our series D preferred stock has converted its shares of our series D preferred stock or unless we have exercised our conversion option, and only to the extent the shares of our series D preferred stock are deemed to have been converted into shares of our common stock under our articles supplementary establishing our series D preferred stock.

Table of Contents

Company Conversion Option

On or after _____, 2013, we may exercise our conversion option, but only if:

the closing sale price of our common stock equals or exceeds 130% of the then-applicable conversion price per share of our series D preferred stock for at least 20 trading days in a period of 30 consecutive trading days (including the last trading day of such period) ending on the trading day immediately prior to our issuance of a press release announcing the exercise of our conversion option as described below; and

on or prior to the effective date of our conversion option, we have either declared and paid, or declared and set apart for payment, any unpaid dividends that are in arrears on our series D preferred stock.

If we convert less than all of the outstanding shares of our series D preferred stock, the transfer agent will select the shares by lot, on a pro rata basis or in accordance with any other method the transfer agent considers fair and appropriate. We may convert our series D preferred stock only in a whole number of shares. If a portion of a holder's series D preferred stock is selected for partial conversion by us and the holder converts a portion of such series D preferred stock, the number of shares of our series D preferred stock subject to conversion by us will be reduced by the number of shares that the holder converted.

The closing sale price per share of our common stock on any date means the closing sale price per share (or, if no closing sale price is reported, the average of the bid and asked prices or, if more than one in either case, the average of the average bid and the average asked prices) on such date as reported by the NYSE or, if our common stock is not reported by the NYSE, in composite transactions for the principal other U.S. national or regional securities exchange on which our common stock is traded. If our common stock is not listed for trading on a U.S. national or regional securities exchange on the relevant date, the closing sale price will be the last quoted bid price for our common stock in the over-the-counter market on the relevant date as reported by the National Quotation Bureau Incorporated or similar organization. If our common stock is not so quoted, the closing sale price will be the average of the mid-point of the last bid and asked prices for our common stock on the relevant date from each of at least three independent nationally recognized investment banking firms selected by us for this purpose.

Trading day means a day during which trading in securities generally occurs on the NYSE or, if our common stock is not quoted on the NYSE, then a day during which trading in securities generally occurs on the principal U.S. securities exchange on which our common stock is listed or, if our common stock is not listed on a U.S. national or regional securities exchange, then on the principal other market on which our common stock is then traded or quoted.

To exercise our conversion option described above, we must issue a press release for publication on the Dow Jones & Company, Inc., Business Wire or Bloomberg Business News (or, if such organizations are not in existence at the time of issuance of such press release, such other news or press organization as is reasonably calculated to broadly disseminate the relevant information to the public) prior to the opening of business on the first trading day following any date on which the conditions described in the preceding paragraph are met, announcing such conversion. We will also give notice by mail or by publication (with subsequent prompt notice by mail) to holders of shares of our series D preferred stock (not more than four trading days after the date of the press release) and, if required by the rules and regulations of the SEC, we will file a Current Report on Form 8-K (or make such other filing on an appropriate form as may be permitted by the rules and regulations of the SEC), of the exercise of our conversion option announcing our intention to convert our series D preferred stock. The effective date for our conversion option will be the date that is five trading days after the date on which we issue such press release.

Edgar Filing: Digital Realty Trust, Inc. - Form 424B5

In addition to any information required by applicable law or regulation, the press release and notice of the exercise of our conversion option will state, as appropriate:

the effective date for our conversion option;

S-27

Table of Contents

the number of shares of common stock to be issued upon conversion of each share of series D preferred stock;

the number of shares of our series D preferred stock to be converted; and

that dividends on the shares of our series D preferred stock to be converted will cease to accrue on the effective date for our conversion option.

Conversion Procedures

Holders of shares of our series D preferred stock may convert some or all of their shares by surrendering to us at our principal office or at the office of our transfer agent, as may be designated by our board of directors, the certificate or certificates for the shares of our series D preferred stock to be converted, accompanied by a written notice stating that the holder of shares of our series D preferred stock elects to convert all or a specified whole number of those shares in accordance with the provisions described in this prospectus supplement and specifying the name or names in which the holder of shares of our series D preferred stock wishes the certificate or certificates for the shares of common stock to be issued. If the notice specifies a name or names other than the name of the holder of shares of our series D preferred stock, the notice will be accompanied by payment of all transfer taxes payable upon the issuance of shares of our common stock in that name or names. Other than such transfer taxes, we will pay any documentary, stamp or similar issue or transfer taxes that may be payable in respect of any issuance or delivery of shares of our common stock upon conversion of shares of our series D preferred stock. The date on which we have received all of the surrendered certificate or certificates, the notice relating to the conversion and payment of all required transfer taxes, if any, or the demonstration to our satisfaction that those taxes have been paid, will be deemed the conversion date with respect to a share of series D preferred stock. As promptly as practicable after the conversion date with respect to any shares of series D preferred stock, we will deliver or cause to be delivered (a) certificates representing the number of validly issued, fully paid and non-assessable shares of our common stock to which the holders of shares of such series D preferred stock, or the transferee of the holder of such shares of series D preferred stock, will be entitled and (b) if less than the full number of shares of series D preferred stock represented by the surrendered certificate or certificates is being converted, a new certificate or certificates, of like tenor, for the number of shares represented by the surrendered certificate or certificates, less the number of shares being converted. This conversion will be deemed to have been made at the close of business on the conversion date so that the rights of the holder of shares of our series D preferred stock as to the shares being converted will cease except for the right to receive the conversion value, and, if applicable, the person entitled to receive shares of common stock will be treated for all purposes as having become the record holder of those shares of common stock at that time on that date.

In lieu of the foregoing procedures, if our series D preferred stock is held in global certificate form, the holder of shares of our series D preferred stock must comply with the procedures of The Depository Trust Company or any successor entity (which we collectively refer to as DTC) to convert its beneficial interest in respect of the series D preferred stock represented by a global stock certificate of the series D preferred stock.

Holders of shares of our series D preferred stock are not eligible to exercise any rights of a holder of shares of our common stock until they have converted their shares of our series D preferred stock into shares of our common stock.

If any shares of our series D preferred stock are to be converted pursuant to our conversion option, the right of a holder of such to voluntarily convert those shares of our series D preferred stock will terminate if we have not received the conversion notice of such holder of such shares of series D preferred stock by 5:00 p.m., New York City time, on the business day immediately preceding the date fixed for conversion pursuant to our conversion option.

Edgar Filing: Digital Realty Trust, Inc. - Form 424B5

If more than one share of our series D preferred stock is surrendered for conversion by the same stockholder at the same time, the number of whole shares of common stock issuable upon conversion of those shares of our

S-28

Table of Contents

series D preferred stock will be computed on the basis of the total number of shares of our series D preferred stock so surrendered.

We will at all times reserve and keep available, free from preemptive rights out of our authorized but unissued shares of capital stock, for issuance upon the conversion of shares of our series D preferred stock, a number of our authorized but unissued shares of common stock that will from time to time be sufficient to permit the conversion of all outstanding shares of our series D preferred stock.

Before the delivery of any securities upon conversion of shares of our series D preferred stock, we will comply with all applicable federal and state laws and regulations. All shares of our common stock delivered upon conversion of shares of our series D preferred stock will, upon delivery, be duly and validly issued, fully paid and non-assessable, free of all liens and charges and not subject to any preemptive rights.

Payment of Dividends Upon Conversion

Optional Conversion

General. If a holder of shares of our series D preferred stock exercises its conversion rights, upon delivery of the shares of our series D preferred stock for conversion, those shares of our series D preferred stock will cease to cumulate dividends as of the end of the conversion date, and the holder of shares of our series D preferred stock will not receive any cash payment representing accrued and unpaid dividends on the shares of our series D preferred stock, except in those limited circumstances discussed below. Except as provided below, we will make no payment for accrued and unpaid dividends, whether or not in arrears, on shares of our series D preferred stock converted at the election of holders of such shares.

Conversion On or Before Record Date. If we receive a conversion notice before the close of business on a dividend record date, the holder of shares of our series D preferred stock will not be entitled to receive any portion of the dividend payable on such shares of converted stock on the corresponding dividend payment date.

Conversion After Record Date and Prior to Payment Date. If we receive a conversion notice after the dividend record date but prior to the corresponding dividend payment date, the holder of shares of our series D preferred stock on the record date will receive on that dividend payment date accrued dividends on those shares of series D preferred stock, notwithstanding the conversion of those shares of series D preferred stock prior to that dividend payment date, because that holder of shares of our series D preferred stock will have been the holder of record of shares of our series D preferred stock on the corresponding record date. At the time that such holder of shares of our series D preferred stock surrenders shares of our series D preferred stock for conversion, however, it must pay to us an amount equal to the dividend that has accrued and that will be paid on the related dividend payment date; provided that no such payment need be made if we have specified a fundamental change repurchase date relating to a fundamental change that is after a dividend record date and on or prior to the dividend payment date to which that dividend record date relates.

Conversion On or After Payment Date and On or Prior to the Immediately Succeeding Record Date. If the holder of shares of our series D preferred stock is a holder of shares of our series D preferred stock on a dividend record date and converts such shares of our series D preferred stock into shares of common stock on or after the corresponding dividend payment date such holder of shares of our series D preferred stock will be entitled to receive the dividend payable on such shares of our series D preferred stock on such corresponding dividend payment date, and the holder of shares of our series D preferred stock will not need to include payment of the amount of such dividend upon surrender for conversion

of shares of series D preferred stock.

Company Conversion Option

General. As we described above under *Company Conversion Option*, if we convert shares of our series D preferred stock pursuant to our conversion option, on or prior to the effective date of our conversion option, we

S-29

Table of Contents

must first declare and pay, or declare and set apart for payment, any unpaid dividends that are in arrears on our series D preferred stock.

Conversion After a Payment Date and Prior to the next Record Date. If we exercise our conversion option and the effective date is after the close of business on a dividend payment date and prior to the close of business on the next dividend record date, the holder of shares of our series D preferred stock will not be entitled to receive any portion of the dividend payable for such period on such converted shares on the corresponding dividend payment date. Accordingly, if we convert shares of our series D preferred stock and the effective date is after the close of business on a dividend payment date and prior to the close of business on the next dividend record date, holders of shares of our series D preferred stock will forego the right to receive any dividends accruing from such dividend payment date to the effective date.

Conversion On or After Record Date and Prior to Payment Date. If we exercise our conversion option and the effective date is on or after the close of business on any dividend record date and prior to the close of business on the corresponding dividend payment date, all dividends payable for such period with respect to the shares of our series D preferred stock called for a conversion on such date, will be payable on such dividend payment date to the holder of such shares of our series D preferred stock on such record date.

Conversion Rate Adjustments

We will adjust the conversion rate from time to time as follows:

(1) If we issue shares of our common stock as a dividend or distribution on shares of our common stock to all holders of our common stock, or if we effect a share split or share combination, the conversion rate will be adjusted based on the following formula:

$$CR^1 = CR^0 \times OS^1/OS^0$$

where

CR^0 = the conversion rate in effect immediately prior to the ex-dividend date for such dividend or distribution, or the effective date of such share split or share combination;

CR^1 = the new conversion rate in effect immediately on and after the ex-dividend date for such dividend or distribution, or the effective date of such share split or share combination;

OS^1 = the number of shares of our common stock outstanding immediately after such dividend or distribution, or the effective date of such share split or share combination; and

Edgar Filing: Digital Realty Trust, Inc. - Form 424B5

OS^0 = the number of shares of our common stock outstanding immediately prior to such dividend or distribution, or the effective date of such share split or share combination.

Any adjustment made pursuant to this paragraph (1) shall become effective at the open of business on (x) the ex-dividend date for such dividend or other distribution or (y) the date on which such split or combination becomes effective, as applicable. If any dividend or distribution described in this paragraph (1) is declared but not so paid or made, the new conversion rate shall be readjusted to the conversion rate that would then be in effect if such dividend or distribution had not been declared.

(2) If we distribute to all holders of our common stock any rights, warrants or options entitling them, for a period expiring not more than 45 days after the date of issuance of such rights, warrants or options, to subscribe for or purchase shares of our common stock at a price per share that is less than the closing sale price per share of our common stock on the business day immediately preceding the time of announcement of such distribution, we will adjust the conversion rate based on the following formula:

$$CR^1 = CR^0 \times (OS^0 + X) / (OS^0 + Y)$$

Table of Contents

where

CR^0 = the conversion rate in effect immediately prior to the ex-dividend date for such distribution;

CR^1 = the new conversion rate in effect immediately on and after the ex-dividend date for such distribution;

OS^0 = the number of shares of our common stock outstanding immediately prior to the ex-dividend for such distribution;

X = the aggregate number of shares of our common stock issuable pursuant to such rights, warrants or options; and

Y = the number of shares of our common stock equal to the quotient of (A) the aggregate price payable to exercise such rights, warrants or options and (B) the average of the closing sale price per share of our common stock for the 10 consecutive trading days ending on the business day immediately preceding the date of announcement for the issuance of such rights, warrants or options.

For purposes of this paragraph (2), in determining whether any rights, warrants or options entitle the holders of shares of our common stock to subscribe for or purchase shares of our common stock at less than the applicable closing sale price per share of our common stock, and in determining the aggregate exercise or conversion price payable for such shares of common stock, there shall be taken into account any consideration we receive for such rights, warrants or options and any amount payable on exercise or conversion thereof, with the value of such consideration, if other than cash, to be determined by our board of directors. If any right, warrant or option described in this paragraph (2) is not exercised or converted prior to the expiration of the exercisability or convertibility thereof, we will adjust the new conversion rate to the conversion rate that would then be in effect if such right, warrant or option had not been so issued.

(3) If we distribute shares of our capital stock, evidence of indebtedness or other assets or property to all holders of our common stock, excluding:

dividends, distributions, rights, warrants or options referred to in paragraph (1) or (2) above;

dividends or distributions paid exclusively in cash; and

spin-offs, as described below in this paragraph (3);

then we will adjust the conversion rate based on the following formula:

Edgar Filing: Digital Realty Trust, Inc. - Form 424B5

$$CR^1 = CR^0 \times SP^0 / (SP^0 + FMV)$$

where

CR^0 = the conversion rate in effect immediately prior to the ex-dividend date for such distribution;

CR^1 = the new conversion rate in effect immediately on and after the ex-dividend date for such distribution;

SP^0 = the average of the closing sale price per share of our common stock for the 10 consecutive trading days ending on the business day immediately preceding the ex-dividend date for such distribution; and

FMV = the fair market value (as determined in good faith by our board of directors) of the shares of capital stock, evidences of indebtedness, assets or property distributed with respect to each outstanding share of our common stock on the earlier of the record date or the ex-dividend date for such distribution.

An adjustment to the conversion rate made pursuant to the immediately preceding paragraph shall become effective on the ex-dividend date for such distribution.

S-31

Table of Contents

If we distribute to all of our common stockholders capital stock of any class or series, or similar equity interest, of or relating to one of our subsidiaries or other business unit, which we refer to as a spin-off, the conversion rate in effect immediately before the 10th trading day from and including the effective date of the spin-off will be adjusted based on the following formula:

$$CR^1 = CR^0 \times (FMV^0 + MP^0) / MP^0$$

where

CR^0 = the conversion rate in effect immediately prior to the 10th trading day immediately following, and including, the effective date of the spin-off;

CR^1 = the new conversion rate in effect immediately on and after the 10th trading day immediately following, and including, the effective date of the spin-off;

FMV^0 = the average of the closing sale prices per share of the capital stock or similar equity interest distributed to our common stockholders applicable to one share of our common stock over the first 10 consecutive trading days after the effective date of the spin-off; and

MP^0 = the average of the closing sale prices per share of our common stock over the first 10 consecutive trading days after the effective date of the spin-off.

An adjustment to the conversion rate made pursuant to the immediately preceding paragraph will occur on the 10th trading day from and including the effective date of the spin-off; provided that in respect of any conversion within the 10 trading days following the effective date of any spin-off, references within this paragraph (3) to 10 trading days shall be deemed replaced with such lesser number of trading days as have elapsed between the effective date of such spin-off and the conversion date in determining the applicable conversion rate.

If any such dividend or distribution described in this paragraph (3) is declared but not paid or made, the new conversion rate shall be re-adjusted to be the conversion rate that would then be in effect if such dividend or distribution had not been declared.

(4) If we make any cash dividend or distribution to all holders of outstanding shares of our common stock (excluding any dividend or distribution in connection with our liquidation, dissolution or winding up) during any of our quarterly fiscal periods in an aggregate amount that, together with other cash dividends or distributions made during such quarterly fiscal period, exceeds the product of \$0.31, which we refer to as the reference dividend, multiplied by the number of shares of our common stock outstanding on the record date for such distribution, the conversion rate will be adjusted based on the following formula:

$$CR^1 = CR^0 \times SP^0 / (SP^0 - C)$$

where

CR^0 = the conversion rate in effect immediately prior to the ex-dividend date for such distribution;

CR^1 = the new conversion rate in effect immediately after the ex-dividend date for such distribution;

SP^0 = the average of the closing sale price per share of our common stock for the 10 consecutive trading days ending on the business day immediately preceding the earlier of the record date or the day prior to the ex-dividend date for such distribution; and

C = the amount in cash per share that we distribute to our common stockholders that exceeds the reference dividend.

An adjustment to the conversion rate made pursuant to this paragraph (4) shall become effective on the ex-dividend date for such dividend or distribution. If any dividend or distribution described in this paragraph (4) is declared but not so paid or made, the new conversion rate shall be re-adjusted to the conversion rate that would then be in effect if such dividend or distribution had not been declared.

S-32

Table of Contents

The reference dividend amount is subject to adjustment in a manner inversely proportional to adjustments to the conversion rate; provided that no adjustment will be made to the reference dividend amount for any adjustment made to the conversion rate under this paragraph (4).

Notwithstanding the foregoing, if an adjustment is required to be made under this paragraph (4) as a result of a distribution that is not a quarterly dividend, the reference dividend amount will be deemed to be zero.

(5) If we or any of our subsidiaries make a payment in respect of a tender offer or exchange offer for shares of our common stock to the extent that the cash and value of any other consideration included in the payment per share of our common stock exceeds the closing sale price per share of our common stock on the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender offer or exchange offer, the conversion rate will be adjusted based on the following formula:

$$CR^1 = CR^0 \times (AC + (SP^1 \times OS^1)) / (SP^1 \times OS^0)$$

where

CR^0 = the conversion rate in effect on the day immediately following the date such tender or exchange offer expires;

CR^1 = the conversion rate in effect on the second day immediately following the date such tender or exchange offer expires;

AC = the aggregate value of all cash and any other consideration (as determined by our board of directors) paid or payable for shares of our common stock purchased in such tender or exchange offer;

OS^0 = the number of shares of our common stock outstanding immediately prior to the date such tender or exchange offer expires;

OS^1 = the number of shares of our common stock outstanding immediately after the date such tender or exchange offer expires (after giving effect to the purchase or exchange of shares pursuant to such tender or exchange offer); and

SP^1 = the closing sale price per share of our common stock for the trading day immediately following the date such tender or exchange offer expires.

If the application of the foregoing formula would result in a decrease in the conversion rate, no adjustment to the conversion rate will be made.

Edgar Filing: Digital Realty Trust, Inc. - Form 424B5

Any adjustment to the conversion rate made pursuant to this paragraph (5) shall become effective on the second day immediately following the date such tender offer or exchange offer expires. If we or one of our subsidiaries is obligated to purchase shares of our common stock pursuant to any such tender or exchange offer but is permanently prevented by applicable law from effecting any such purchase or all such purchases are rescinded, we will re-adjust the new conversion rate to be the conversion rate that would be in effect if such tender or exchange offer had not been made.

If we have in effect a rights plan while any shares of our series D preferred stock remain outstanding, holders of shares of our series D preferred stock will receive, upon a conversion of such shares in respect of which we have elected to deliver shares of our common stock, in addition to such shares of our common stock, rights under our stockholder rights agreement unless, prior to conversion, the rights have expired, terminated or been redeemed or unless the rights have separated from our common stock. If the rights provided for in any rights plan that our board of directors may adopt have separated from the common stock in accordance with the provisions of the applicable stockholder rights agreement so that holders of shares of our series D preferred stock would not be entitled to receive any rights in respect of our common stock that we elect to deliver upon conversion of shares of our series D preferred stock, we will adjust the conversion rate at the time of separation

S-33

Table of Contents

as if we had distributed to all holders of our capital stock, evidences of indebtedness or other assets or property pursuant to paragraph (3) above, subject to readjustment upon the subsequent expiration, termination or redemption of the rights.

Notwithstanding the foregoing, in the event of an adjustment to the conversion rate pursuant to paragraphs (4) and (5) above, in no event will the conversion rate exceed _____ shares of our common stock per \$25.00 liquidation preference, subject to adjustment pursuant to paragraphs (1), (2) and (3) above. In no event will the conversion price be reduced below \$0.01, subject to adjustment for share splits and combinations and similar events.

We will not make any adjustment to the conversion rate if holders of shares of our series D preferred stock are permitted to participate, on an as-converted basis, in the transactions described above.

The conversion rate will not be adjusted except as specifically set forth in this subsection entitled "Conversion Rate Adjustments" and in "Adjustment to Conversion Rate upon Certain Fundamental Changes." Without limiting the foregoing, the conversion rate will not be adjusted for:

the issuance of any shares of our common stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on our securities or those of our operating partnership and the investment of additional optional amounts in shares of our common stock under any plan;

the issuance of any shares of our common stock or options or rights to purchase such shares pursuant to any of our present or future employee, director, trustee or consultant benefit plan, employee agreement or arrangement or program or those of our operating partnership;

the issuance of any shares of our common stock pursuant to any option, warrant, right, or exercisable, exchangeable or convertible security outstanding as of the date shares of our series D preferred stock were first issued;

a change in the par value of our common stock;

accumulated and unpaid dividends or distributions; and

the issuance of limited partnership units by our operating partnership and the issuance of shares of our common stock or the payment of cash upon redemption thereof.

No adjustment in the conversion rate will be required unless the adjustment would require an increase or decrease of at least 1% of the conversion rate. If the adjustment is not made because the adjustment does not change the conversion rate by at least 1%, then the adjustment that is not made will be carried forward and taken into account in any future adjustment. All required calculations will be made to the nearest cent or 1/1000th of a share, as the case may be. Notwithstanding the foregoing, if the shares of our series D preferred stock are called for redemption, all adjustments not previously made will be made on the applicable redemption date.

If certain of the possible adjustments to the conversion price of the shares of our series D preferred stock are made (or if failures to make certain adjustments occur), a holder of such shares may be deemed to have received a distribution from us even though such holder has not received any

Edgar Filing: Digital Realty Trust, Inc. - Form 424B5

cash or property as a result of such adjustments. We intend to withhold federal income tax (in the case of a non- United States holder) with respect to any deemed distribution from us from cash payments of dividends and any payments in redemption, repurchase or conversion of the shares of our series D preferred stock. See United States Federal Income Tax Considerations in this prospectus supplement.

In the case of the following events, each of which we refer to as a business combination:

any recapitalization, reclassification or change of our common stock (other than changes resulting from a subdivision or combination);

a consolidation, merger or combination involving us;

S-34

Table of Contents

a sale, conveyance or lease to another corporation of all or substantially all of our property and assets (other than to one or more of our subsidiaries); or

a statutory share exchange;

in each case, as a result of which our common stockholders are entitled to receive stock, other securities, other property or assets (including cash or any combination thereof) with respect to or in exchange for our common stock, a holder of shares of our series D preferred stock will be entitled thereafter to convert such shares of our series D preferred stock into the kind and amount of stock, other securities or other property or assets (including cash or any combination thereof) which the holder of shares of our series D preferred stock would have owned or been entitled to receive upon such business combination as if such holder of shares of our series D preferred stock held a number of shares of our common stock equal to the conversion rate in effect on the effective date for such business combination, multiplied by the number of shares of our series D preferred stock held by such holder of shares of our series D preferred stock. If such business combination also constitutes a fundamental change, a holder of shares of our series D preferred stock converting such shares will not receive a make-whole premium if such holder does not convert its shares of our series D preferred stock in connection with (as described in Adjustment to Conversion Rate Upon Certain Fundamental Changes) the relevant fundamental change. In the event that our common stockholders have the opportunity to elect the form of consideration to be received in such business combination, we will make adequate provision whereby the holders of shares of our series D preferred stock shall have a reasonable opportunity to determine the form of consideration into which all of the shares of our series D preferred stock, treated as a single class, shall be convertible from and after the effective date of such business combination. Such determination shall be based on the weighted average of elections made by the holders of shares of our series D preferred stock who participate in such determination, shall be subject to any limitations to which all of our common stockholders are subject, such as pro rata reductions applicable to any portion of the consideration payable in such business combination, and shall be conducted in such a manner as to be completed by the date which is the earliest of (1) the deadline for elections to be made by our common stockholders and (2) two business days prior to the anticipated effective date of the business combination.

We will provide notice of the opportunity to determine the form of such consideration, as well as notice of the determination made by the holders of shares of our series D preferred stock (and the weighted average of elections), by posting such notice with DTC and providing a copy of such notice to the transfer agent. If the effective date of a business combination is delayed beyond the initially anticipated effective date, the holders of shares of our series D preferred stock will be given the opportunity to make subsequent similar determinations in regard to such delayed effective date. We may not become a party to any such transaction unless its terms are consistent with the preceding. None of the foregoing provisions shall affect the right of a holder of shares of our series D preferred stock to convert such holder's shares of our series D preferred stock into shares of our common stock prior to the effective date.

To the extent permitted by law, we may, from time to time, increase the conversion rate for a period of at least 20 days if our board of directors determines that such an increase would be in our best interests. Any such determination by our board of directors will be conclusive. In addition, we may increase the conversion rate if our board of directors deems it advisable to avoid or diminish any income tax to common stockholders resulting from any distribution of common stock or similar event. We will give holders of shares of our series D preferred stock at least 15 business days' notice of any increase in the conversion rate.

Except as described above in this section, we will not adjust the conversion rate for any issuance of shares of our common stock or any securities convertible into or exchangeable or exercisable for shares of our common stock or rights to purchase shares of our common stock or such convertible, exchangeable or exercisable securities.

Table of Contents

Adjustment to Conversion Rate upon Certain Fundamental Changes

If, on or prior to _____, 2015, a fundamental change takes place and a holder converts the series D preferred stock in connection with such fundamental change, we will increase, as described below, the conversion rate applicable to shares that are surrendered for conversion. A conversion of the series D preferred stock will be deemed for these purposes to be _____ in connection with _____ a fundamental change if the conversion date occurs from and including the effective date of such fundamental change to, and including, the fundamental change conversion date (as defined below under _____ Special Conversion Right of Series D Preferred Shares upon a Fundamental Change; Company Repurchase Right _____) for that fundamental change.

We will also give notice by mail or by publication (with subsequent prompt notice by mail) to holders of our series D preferred stock of the anticipated effective date of any proposed fundamental change which will occur on or prior to _____, 2015. We must make this mailing or publication at least 15 days before the anticipated effective date of the fundamental change. In addition, no later than the third business day after the completion of such fundamental change, we must make an additional notice announcing such completion.

If a holder elects to convert in connection with a fundamental change on or prior to _____, 2015, we will increase the conversion rate by reference to the table below, based on the date when the fundamental change becomes effective, which we refer to as the effective date, and the applicable price. If the fundamental change is a transaction or series of related transactions and the consideration (excluding cash payments for fractional shares or pursuant to statutory appraisal rights) for our common stock in the fundamental change consists solely of cash, then the applicable price will be the cash amount paid per share of our common stock in the transaction. If the transaction is an asset sale and the consideration paid for our property and assets (or for the property and assets of us and our subsidiaries on a consolidated basis) consists solely of cash, then the applicable price will be the cash amount paid for our property and assets, expressed as an amount per share of our common stock outstanding on the effective date of the asset sale. In all other cases, the applicable price will be the average of the closing sale price per share of our common stock for the ten consecutive trading days immediately preceding the effective date. Our board of directors will make appropriate adjustments, in its good faith determination, to account for any adjustment to the conversion rate that becomes effective, or any event requiring an adjustment to the conversion rate where the ex-dividend date of the event occurs, at any time during those ten consecutive trading days.

The following table sets forth the number of additional shares of common stock per \$25.00 liquidation preference of series D preferred stock that will be added to the conversion rate applicable to series D preferred stock that are converted in connection with a fundamental change, which we refer to as the make-whole premium. If an event occurs that requires an adjustment to the conversion rate, we will, on the date we must adjust the conversion rate, adjust each applicable price set forth in the column headers of the table below by multiplying the applicable price in effect immediately before the adjustment by a fraction:

whose numerator is the conversion rate in effect immediately before the adjustment; and

whose denominator is the adjusted conversion rate.

In addition, we will adjust the number of additional shares in the table below in the same manner in which, and for the same events for which, we must adjust the conversion rate as described under _____ Conversion Rate Adjustments.

Table of Contents

**Number of Additional Shares of Common Stock Issuable
per \$25.00 Liquidation Preference**

Effective Date	Common Stock Share Price									
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
, 2008										
, 2009										
, 2010										
, 2011										
, 2012										
, 2013										
, 2014										
, 2015										

The exact applicable share price and effective date may not be set forth in the table above, in which case:

if the actual applicable share price is between two applicable prices listed in the table above, or the actual effective date is between two dates listed in the table above, we will determine the number of additional shares by linear interpolation between the numbers of additional shares set forth for the two applicable prices, or for the two dates based on a 365-day year, as applicable;

if the actual applicable price is greater than \$ _____ per share (subject to adjustment), we will not increase the conversion rate as described above and no additional shares will be issuable upon conversion; and

if the actual applicable price is less than \$ _____ per share (subject to adjustment), we will not increase the conversion rate as described above and no additional shares will be issuable upon conversion.

However, we will not increase the conversion rate as described above to the extent the increase will cause the conversion rate to exceed _____. We will adjust this maximum conversion rate in the same manner in which, and for the same events for which, we must adjust the conversion rate as described under Conversion Rate Adjustments.

Our obligation to satisfy the additional share requirement could be considered a penalty, in which case the enforceability thereof would be subject to general principles of reasonableness of economic remedies.

Special Conversion Right of Series D Preferred Stock upon a Fundamental Change; Company Repurchase Right

On or prior to _____, 2015, in the event of a fundamental change described below, when the applicable price of our common stock described above under Adjustment to Conversion Rate upon Certain Fundamental Changes is less than \$ _____ per share, then each holder of series D preferred stock will have the special right, or the fundamental change conversion right, in addition to any other applicable conversion

Edgar Filing: Digital Realty Trust, Inc. - Form 424B5

right, to convert some or all of its series D preferred stock on the relevant fundamental change conversion date into a number of shares of our common stock per \$25.00 liquidation preference equal to such liquidation preference plus an amount equal to accrued and unpaid dividends to, but not including, such fundamental change conversion date, divided by 98% of the market price of our common stock, or the fundamental change conversion rate. The market price of our common stock will be determined prior to the applicable fundamental change conversion date. The determination of the market price is described below under [Determination of Market Price](#). A holder of series D preferred stock which has elected to convert such shares otherwise than pursuant to the fundamental change conversion right will not be able to exercise the fundamental change conversion right.

S-37

Table of Contents

If a holder of our series D preferred stock elects to convert such series D preferred stock as described in the preceding paragraph, we may elect, in lieu of that conversion, to repurchase for cash some or all of such series D preferred stock at a repurchase price equal to 100% of the liquidation preference of the series D preferred stock to be repurchased plus an amount equal to accrued and unpaid dividends to, but not including, such fundamental change conversion date, or the fundamental change repurchase price; provided that if the relevant fundamental change conversion date is on a date that is after a dividend record date and on or prior to the corresponding dividend payment date, we will pay such dividends to the holder of record on the corresponding dividend record date, which may or may not be the same person to whom we will pay the fundamental change repurchase price, and the fundamental change repurchase price will be equal to 100% of the liquidation preference of our series D preferred stock to be repurchased.

In the event we elect to repurchase shares of our series D preferred stock that would otherwise be converted into common stock on a fundamental change conversion date, such shares of our series D preferred stock shall not be converted into common stock and the holder of such shares will be entitled to receive the fundamental change repurchase price in cash from us.

Subject to the next sentence, the aggregate number of shares of our common stock issuable in connection with the exercise of the fundamental change conversion right may not exceed _____ million shares (or _____ million shares if the underwriters' over-allotment option is exercised in full) or such other number of shares of our common stock as shall then be authorized and available for issuance. If the number of shares of our common stock issuable upon such conversion would exceed _____ million shares (or _____ million shares if the underwriters' over-allotment option is exercised in full) or such other number of shares of our common stock as shall then be authorized and available for issuance, we will have the option to satisfy the remainder of such conversion in shares of our common stock that are authorized for issuance in the future. We will use our best efforts to have any such additional number of shares of our common stock authorized for issuance within 180 days of the fundamental change conversion date.

Within 15 days after the occurrence of a fundamental change, we will provide to the holder of our series D preferred stock and the transfer agent a notice of the occurrence of the fundamental change and of the resulting repurchase right. Such notice will state:

the events constituting the fundamental change;

the date of the fundamental change;

the last date on which the holder of our series D preferred stock may exercise the fundamental change conversion right;

to the extent applicable, the fundamental change conversion rate and the fundamental change repurchase price;

that we may elect to repurchase some or all of the shares of our series D preferred stock as to which the fundamental change conversion right may be exercised;

the method of calculating the market price of our common stock;

the fundamental change conversion date;

Edgar Filing: Digital Realty Trust, Inc. - Form 424B5

the name and address of the paying agent and the conversion agent;

the conversion rate and any adjustment to the conversion rate that will result from the fundamental change;

that series D preferred stock as to which the fundamental change conversion right has been exercised may be converted at the applicable conversion rate, if otherwise convertible, only if the notice of exercise of the fundamental change conversion right has been properly withdrawn; and

the procedures that the holder of series D preferred stock must follow to exercise the fundamental change conversion right.

S-38

Table of Contents

We will also issue a press release for publication on the Dow Jones & Company, Inc., Business Wire or Bloomberg Business News (or, if such organizations are not in existence at the time of issuance of such press release, such other news or press organization as is reasonably calculated to broadly disseminate the relevant information to the public), or post notice on our website, in any event prior to the opening of business on the first trading day following any date on which we provide such notice to the holders of our series D preferred stock.

The fundamental change conversion date will be a date no less than 20 days nor more than 35 days after the date on which we give the above notice. To exercise the fundamental change conversion right, the holder of series D preferred stock must deliver, on or before the close of business on the fundamental change conversion date, the series D preferred stock to be converted, duly endorsed for transfer, together with a written conversion notice completed, to our transfer agent. The conversion notice will state:

the relevant fundamental change conversion date;

the number of series D preferred stock to be converted; and

that the series D preferred stock are to be converted pursuant to the applicable provisions of the series D preferred stock.

If the series D preferred stock is held in global form, the conversion notice must comply with applicable DTC procedures.

Holders of series D preferred stock may withdraw any notice of exercise of its fundamental change conversion right (in whole or in part) by a written notice of withdrawal delivered to our transfer agent prior to the close of business on the business day prior to the fundamental change conversion date. The notice of withdrawal shall state:

the number of withdrawn shares of our series D preferred stock;

if certificated shares of our series D preferred stock have been issued, the certificate numbers of the withdrawn shares of our series D preferred stock; and

the number of shares of our series D convertible preferred stock, if any, which remain subject to the conversion notice.

If the series D preferred stock is held in global form, the notice of withdrawal must comply with applicable DTC procedures.

Series D preferred stock as to which the fundamental change conversion right has been properly exercised and for which the conversion notice has not been properly withdrawn will be converted into shares of common stock in accordance with the fundamental change conversion right on the fundamental change conversion date, unless we have elected to repurchase such series D preferred stock.

The holder of any shares of our series D preferred stock which we have elected to repurchase and as to which the conversion election has not been properly withdrawn will receive payment of the fundamental change repurchase price promptly following the later of the fundamental

Edgar Filing: Digital Realty Trust, Inc. - Form 424B5

change conversion date or the time of book-entry transfer or delivery of our series D preferred stock. If the paying agent holds cash sufficient to pay the fundamental change repurchase price of the series D preferred stock on the business day following the fundamental change conversion date, then:

the series D preferred stock will cease to be outstanding and dividends will cease to accrue (whether or not book-entry transfer of the series D preferred stock is made or whether or not the series D preferred stock certificate is delivered to the transfer agent); and

all of the other rights of the holder of our series D preferred stock will terminate (other than the right to receive the fundamental change repurchase price upon delivery or transfer of the series D preferred stock).

S-39

Table of Contents

A fundamental change generally will be deemed to occur at such time as:

consummation of any transaction or event (whether by means of a share exchange or tender offer applicable to our common stock, a liquidation, consolidation, recapitalization, reclassification, combination or merger of our company or a sale, lease or other transfer of all or substantially all of our consolidated assets) or a series of related transactions or events pursuant to which all of the outstanding shares of our common stock is exchanged for, converted into or constitutes solely the right to receive cash, securities or other property more than 10% of which consists of cash, securities or other property that are not, or upon issuance will not be, traded on a national securities exchange;

any person or group (as such terms are used for purposes of Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended, whether or not applicable), other than us, the operating partnership or any of our or their majority-owned subsidiaries or any employee benefit plan of us, the operating partnership or such subsidiary, is or becomes the beneficial owner, directly or indirectly, of more than 50% of the total voting power in the aggregate of all classes of our capital stock of then outstanding entitled to vote generally in elections of directors (for the avoidance of doubt the ownership of limited partnership units of our operating partnership will not be deemed to constitute beneficial ownership of our capital stock); or

during any period of 12 consecutive months after the date of original issuance of the series D preferred stock, persons who at the beginning of such 12 month period constituted our board of directors, together with any new persons whose election was approved by a vote of a majority of the persons then still comprising our board of directors who were either members of the board of directors at the beginning of such period or whose election, designation or nomination for election was previously so approved, cease for any reason to constitute a majority of our board of directors.

There is no precise, established definition of the phrase all or substantially all under applicable law. Accordingly, there may be uncertainty as to whether a sale, transfer, lease, conveyance or other disposition of less than all of our property or assets, or of less than all of the property or assets of us and our subsidiaries on a consolidated basis, would permit a holder to exercise the fundamental change conversion right above.

In connection with a fundamental change repurchase, we will comply with all U.S. federal and state securities laws in connection with any offer by us to repurchase the series D preferred stock upon a fundamental change.

This fundamental change conversion and repurchase feature may make more difficult or discourage a party from taking over our company and removing incumbent management. We are not aware, however, of any specific effort to accumulate our capital stock with the intent to obtain control of our company by means of a merger, tender offer, solicitation or otherwise. In addition, the fundamental change repurchase feature is not part of a plan by management to adopt a series of anti-takeover provisions. Instead, the fundamental change conversion and repurchase feature is a result of negotiations between us and the underwriters.

We could, in the future, enter into certain transactions, including recapitalizations that would not constitute a fundamental change but would increase the amount of debt outstanding or otherwise adversely affect the holders of series D preferred stock. The incurrence of significant amounts of additional debt could adversely affect our ability to service our debt, and to permit us to elect to repurchase the series D preferred stock upon a fundamental change.

If a fundamental change were to occur, we may not have enough funds to pay the fundamental change repurchase price. In addition, we currently have and may in the future incur additional indebtedness with similar change in control provisions permitting the holders thereof to accelerate or to require us to purchase such indebtedness upon the occurrence of similar events or on some specific dates. Our option to make a repurchase

Edgar Filing: Digital Realty Trust, Inc. - Form 424B5

upon a fundamental change may be exercised by a third party that effects the payment of the fundamental change repurchase price in the manner, at the times and otherwise in compliance in all material respects with the requirements hereof and purchases all series D preferred stock as to which the fundamental change conversion

S-40

Table of Contents

right was properly exercised and not withdrawn and which we elected to repurchase and otherwise complies with the obligations in connection therewith.

Determination of Market Price

Market price means, with respect to any fundamental change conversion date, the average of the closing sale prices of our common stock for the ten consecutive trading days ending on the third trading day prior to the fundamental change conversion date, appropriately adjusted to take into account the occurrence, during the period commencing on the first trading day of such ten trading day period and ending on the fundamental change conversion date of any event requiring an adjustment of the conversion rate as described under **Conversion Rate Adjustments** ; provided that in no event shall the market price be less than \$0.01, subject to adjustment for share splits and combinations, reclassifications and similar events.

Because the market price of our common stock is determined prior to the fundamental change conversion date, you will bear the market risk with respect to the value of our common stock, if any, to be received from the date as of which the market price is determined to the date on which you receive such shares. In addition, the market price of our common stock is an average price rather than the price as of a single date.

Transfer Agent

The transfer agent and registrar for our common stock and our preferred stock is American Stock Transfer & Trust Company.

Form and Book-Entry System

The series D preferred stock will only be issued in the form of global securities held in book-entry form. DTC or its nominee will be the sole registered holder of the series D preferred stock. Owners of beneficial interests in the series D preferred stock represented by the global securities will hold their interests pursuant to the procedures and practices of DTC. As a result, beneficial interests in any such securities will be shown on, and transfers will be effected only through, records maintained by DTC and its direct and indirect participants and any such interest may not be exchanged for certificated securities, except in limited circumstances. Owners of beneficial interests must exercise any rights in respect of other interests, including any right to convert or require repurchase of their interests in the series D preferred stock, in accordance with the procedures and practices of DTC. Beneficial owners will not be holders and will not be entitled to any rights provided to the holders of the series D preferred stock under the global securities or the articles supplementary. We and any of our agents may treat DTC as the sole holder and registered owner of the global securities.

DTC has advised us as follows: DTC is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Uniformed Commercial Code, and a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act. DTC facilitates the settlement of transactions amongst participants through electronic computerized book-entry changes in participants' accounts, eliminating the need for physical movement of securities certificates. DTC's participants include securities brokers and dealers, including the underwriters, banks, trust companies, clearing corporations and other organizations, some of whom and/or their representatives own DTC. Access to DTC's book-entry system is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

Edgar Filing: Digital Realty Trust, Inc. - Form 424B5

The series D preferred stock, represented by one or more global securities, will be exchangeable for certificated securities with the same terms only if:

DTC is unwilling or unable to continue as depositary or if DTC ceases to be a clearing agency registered under the Securities Exchange Act of 1934, as amended, and a successor depositary is not appointed by us within 90 days; or

we decide to discontinue use of the system of book-entry transfer through DTC (or any successor depositary).

S-41

Table of Contents

UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a general summary of the material United States federal income tax considerations regarding our company and our offering of series D preferred stock. This summary supplements the discussion in our current report on Form 8-K filed with the SEC on October 11, 2007 under the headings United States Federal Income Tax Considerations Taxation of our Company, Failure to Qualify and Tax Aspects of Our Operating Partnerships, the Subsidiary Partnerships and the Limited Liability Companies. This discussion supersedes in their entirety the discussions in the remaining sections in such Form 8-K and the discussion in the accompanying prospectus under the heading United States Federal Income Tax Considerations. This summary is for general information only and is not tax advice. The information in this summary is based on:

the Internal Revenue Code of 1986, as amended, or the Code;

current, temporary and proposed Treasury Regulations promulgated under the Code;

the legislative history of the Code;

current administrative interpretations and practices of the Internal Revenue Service, or IRS; and

court decisions;

in each case, as of the date of this prospectus supplement. In addition, the administrative interpretations and practices of the IRS include its practices and policies as expressed in private letter rulings that are not binding on the IRS except with respect to the particular taxpayers who requested and received those rulings. Future legislation, Treasury Regulations, administrative interpretations and practices and/or court decisions may adversely affect the tax considerations contained in this discussion. Any such change could apply retroactively to transactions preceding the date of the change. We have not requested and do not intend to request a ruling from the IRS that we qualify as a REIT, and the statements in this prospectus supplement are not binding on the IRS or any court. Thus, we can provide no assurance that the tax considerations contained in this discussion will not be challenged by the IRS or will be sustained by a court if challenged by the IRS. This summary does not discuss any state, local or foreign tax consequences associated with the acquisition, ownership, conversion, sale or other disposition of our series D preferred stock or our election to be taxed as a REIT.

You are urged to consult your tax advisors regarding the specific tax consequences to you of:

the acquisition, ownership, conversion and sale or other disposition of the series D preferred stock offered under this prospectus supplement, including the federal, state, local, foreign and other tax consequences;

our election to be taxed as a REIT for federal income tax purposes; and

potential changes in applicable tax laws.

Taxation of Our Company

The following discussion supplements the discussion in our current report on Form 8-K filed with the SEC on October 11, 2007.

Pursuant to the Technical Tax Corrections Act of 2007, which was enacted on December 29, 2007, certain limitations on the utilization of losses allocable to leased property owned by a partnership having both taxable and tax-exempt partners such as our operating partnership will not apply to partnerships based solely on the fact that a partnership has both taxable and tax-exempt partners. Consequently, the limitations on the utilization of losses described in the last paragraph under the heading "Taxation of Our Company - Annual Distribution Requirements" no longer apply with respect to any of the operating partnership's taxable years.

Federal Income Tax Considerations for Holders of Our Series D Preferred Stock and Common Stock

The following summary describes the principal United States federal income tax consequences to you of purchasing, owning and disposing of our series D preferred stock and our common stock into which it may be

Table of Contents

converted. This summary assumes you purchased shares of series D preferred stock upon initial issuance and that you hold series D preferred stock and common stock as a capital asset (generally, property held for investment within the meaning of Section 1221 of the Code). It does not address all the tax consequences that may be relevant to you in light of your particular circumstances. In addition, this discussion does not address the tax consequences relevant to persons who receive special treatment under the federal income tax law, except where specifically noted. Holders receiving special treatment include, without limitation:

financial institutions, banks and thrifts;

insurance companies;

tax-exempt organizations;

S corporations;

traders in securities that elect to mark to market;

persons holding our stock through a partnership or other pass-through entity;

stockholders subject to the alternative minimum tax;

regulated investment companies and REITs;

foreign corporations or partnerships, and persons who are not residents or citizens of the United States;

broker-dealers or dealers in securities or currencies;

United States expatriates;

persons holding our stock as a hedge against currency risks or as a position in a straddle; or

U.S. stockholders (as defined below) whose functional currency is not the United States dollar.

If you are considering purchasing our series D preferred stock, you should consult your tax advisors concerning the application of United States federal income tax laws to your particular situation as well as any consequences of the purchase, ownership, conversion and disposition of our series D preferred stock and our common stock into which it may be converted arising under the laws of any state, local or foreign taxing jurisdiction.

Edgar Filing: Digital Realty Trust, Inc. - Form 424B5

When we use the term U.S. stockholder, we mean a holder of shares of our series D preferred stock or common stock issued upon conversion of our series D preferred stock who, for United States federal income tax purposes, is:

a citizen or resident of the United States;

a corporation or partnership (or other entity treated as a corporation or partnership for United States federal income tax purposes) or other entity created or organized in or under the laws of the United States or of any state or in the District of Columbia, unless, in the case of a partnership, Treasury Regulations provide otherwise;

an estate the income of which is subject to United States federal income taxation regardless of its source; or

a trust, if a United States court can exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust, or if the trust has a valid election in place to be treated as a United States person.

If you hold shares of our series D preferred stock or common stock issued upon conversion of our Series D preferred stock and are not a U.S. stockholder, you are a non-U.S. stockholder.

S-43

Table of Contents

Taxation of Taxable U.S. Stockholders Generally

Distributions Generally. Distributions out of our current or accumulated earnings and profits will be treated as dividends and, other than with respect to capital gain dividends and certain amounts which have previously been subject to corporate level tax discussed below, will be taxable to our taxable U.S. stockholders as ordinary income when actually or constructively received. See **Tax Rates** below. As long as we qualify as a REIT, these distributions will not be eligible for the dividends-received deduction in the case of U.S. stockholders that are corporations. For purposes of determining whether distributions to holders of our stock are out of current or accumulated earnings and profits, our earnings and profits will be allocated first to our outstanding preferred stock (including the series D preferred stock) and then to our outstanding common stock.

To the extent that we make distributions on our series D preferred stock or common stock in excess of our current and accumulated earnings and profits allocable to such stock, these distributions will be treated first as a tax-free return of capital to a U.S. stockholder. This treatment will reduce the U.S. stockholder's adjusted tax basis in its shares of stock by the amount of the distribution, but not below zero. Distributions in excess of our current and accumulated earnings and profits and in excess of a U.S. stockholder's adjusted tax basis in its shares will be taxable as capital gain. Such gain will be taxable as long-term capital gain if the shares have been held for more than one year.

Dividends we declare in October, November, or December of any year and which are payable to a stockholder of record on a specified date in any of these months will be treated as both paid by us and received by the stockholder on December 31 of that year, provided we actually pay the dividend on or before January 31 of the following year. U.S. stockholders may not include in their own income tax returns any of our net operating losses or capital losses.

Capital Gain Dividends. Dividends that we properly designate as capital gain dividends will be taxable to our taxable U.S. stockholders as a gain from the sale or disposition of a capital asset, to the extent that such gain does not exceed our actual net capital gain for the taxable year. If we properly designate any portion of a dividend as a capital gain dividend then, except as otherwise required by law, we presently intend to allocate a portion of the total capital gain dividends paid or made available to holders of all classes of our stock for the year to the holders of our series D preferred stock and our other classes of stock in proportion to the amount that our total dividends, as determined for United States federal income tax purposes, paid or made available to the holders of our series D preferred stock and our other classes of stock, respectively, for the year bears to the total dividends, as determined for United States federal income tax purposes, paid or made available to holders of all classes of our stock for the year.

Passive Activity Losses and Investment Interest Limitations. Distributions we make and gain arising from the sale or exchange by a U.S. stockholder of our shares will not be treated as passive activity income. As a result, U.S. stockholders generally will not be able to apply any passive losses against this income or gain. A U.S. stockholder may elect to treat capital gain dividends, capital gains from the disposition of our stock and income designated as qualified dividend income, described in **Tax Rates** below, as investment income for purposes of computing the investment interest limitation, but in such case, the stockholder will be taxed at ordinary income rates on such amount. Other distributions made by the Company, to the extent they do not constitute a return of capital, generally will be treated as investment income for purposes of computing the investment interest limitation.

Retention of Net Capital Gains. We may elect to retain, rather than distribute as a capital gain dividend, all or a portion of our net capital gains. If we make this election, we would pay tax on our retained net capital gains. In