



FORM 10-Q

DCT Industrial Trust Inc. – DCT

Filed: August 14, 2007 (period: June 30, 2007)

Quarterly report which provides a continuing view of a company's financial position

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

Form 10-Q

(Mark One)

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

For the quarterly period ended **June 30, 2007**

OR

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

For the transition period from _____ to _____

Commission File Number **001-33201**

DCT INDUSTRIAL TRUST INC.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

82-0538520
(I.R.S. Employer
Identification No.)

518 Seventeenth Street, Suite 1700
Denver, Colorado
(Address of principal executive offices)

80202
(Zip Code)

(303) 597-2400
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of July 31, 2007, 168,422,862 shares of common stock of DCT Industrial Trust Inc., par value \$0.01 per share, were outstanding.

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DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES

Consolidated Balance Sheets
(in thousands, except share and per share information)

	June 30, 2007 (unaudited)	December 31, 2006
ASSETS		
Land	\$ 512,486	\$ 513,143
Buildings and improvements	2,121,483	2,120,821
Intangible lease assets	189,143	198,222
Construction in progress	<u>35,098</u>	<u>32,702</u>
Total Investment in Properties	2,858,210	2,864,888
Less accumulated depreciation and amortization	<u>(256,995)</u>	<u>(199,574)</u>
Net Investment in Properties	2,601,215	2,665,314
Investments in and advances to unconsolidated joint ventures	<u>56,474</u>	<u>42,336</u>
Net Investment in Real Estate	2,657,689	2,707,650
Cash and cash equivalents	45,634	23,310
Notes receivable	25,221	9,205
Deferred loan costs, net	5,498	6,175
Deferred loan costs – financing obligations, net	8,939	16,467
Straight–line rent and other receivables	19,920	17,137
Other assets, net	21,048	27,637
Assets held for sale	<u>—</u>	<u>41,895</u>
Total Assets	<u>\$2,783,949</u>	<u>\$ 2,849,476</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Accounts payable and accrued expenses	\$ 31,142	\$ 27,341
Distributions payable	31,839	30,777
Tenant prepaids and security deposits	13,539	12,329
Other liabilities	3,279	14,135
Intangible lease liability, net	14,872	17,595
Lines of credit	27,000	34,278
Senior unsecured notes	425,000	425,000
Mortgage notes	644,501	641,081
Financing obligations	95,477	191,787
Liabilities related to assets held for sale	<u>—</u>	<u>276</u>
Total Liabilities	<u>1,286,649</u>	<u>1,394,599</u>
Minority interests	285,918	225,920
Stockholders' equity:		
Preferred stock, \$0.01 par value, 50,000,000 shares authorized, none outstanding	—	—
Shares–in–trust, \$0.01 par value, 100,000,000 shares authorized, none outstanding	—	—
Common stock, \$0.01 par value, 350,000,000 shares authorized, 168,354,596 shares issued and outstanding as of June 30, 2007 and December 31, 2006	1,684	1,684
Additional paid–in capital	1,594,620	1,595,808
Distributions in excess of earnings	(388,289)	(357,076)
Accumulated other comprehensive income (loss)	<u>3,367</u>	<u>(11,459)</u>
Total Stockholders' Equity	<u>1,211,382</u>	<u>1,228,957</u>
Total Liabilities and Stockholders' Equity	<u>\$2,783,949</u>	<u>\$ 2,849,476</u>

The accompanying notes are an integral part of these consolidated financial statements.

DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES
Consolidated Statements of Operations
(unaudited, in thousands, except per share information)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2007	2006	2007	2006
REVENUES:				
Rental revenues	\$ 63,008	\$ 49,293	\$127,983	\$ 94,117
Institutional capital management and other fees	<u>572</u>	<u>126</u>	<u>1,318</u>	<u>178</u>
Total Revenues	<u>63,580</u>	<u>49,419</u>	<u>129,301</u>	<u>94,295</u>
OPERATING EXPENSES:				
Rental expenses	7,465	4,556	15,324	8,671
Real estate taxes	8,248	6,356	16,768	12,495
Real estate related depreciation and amortization	28,389	26,353	57,157	49,592
General and administrative	5,677	1,263	9,733	1,942
Asset management fees, related party	<u>—</u>	<u>4,297</u>	<u>—</u>	<u>7,815</u>
Total Operating Expenses	<u>49,779</u>	<u>42,825</u>	<u>98,982</u>	<u>80,515</u>
Operating Income	13,801	6,594	30,319	13,780
OTHER INCOME AND EXPENSE:				
Equity in income (losses) of unconsolidated joint ventures, net	(31)	(129)	43	(182)
Gain on dispositions of real estate interests	9,132	4,044	17,017	8,032
Interest expense	(15,204)	(14,623)	(32,071)	(26,157)
Interest income and other	2,157	2,060	3,139	4,522
Income taxes	<u>(513)</u>	<u>(189)</u>	<u>(984)</u>	<u>(240)</u>
Income (Loss) Before Minority Interests and Discontinued Operations	9,342	(2,243)	17,463	(245)
Minority interests	<u>(1,397)</u>	<u>118</u>	<u>(2,479)</u>	<u>294</u>
Income (Loss) From Continuing Operations	7,945	(2,125)	14,984	49
Income (Loss) From Discontinued Operations	<u>(108)</u>	<u>479</u>	<u>8,208</u>	<u>260</u>
NET INCOME (LOSS)	<u>\$ 7,837</u>	<u>\$ (1,646)</u>	<u>\$ 23,192</u>	<u>\$ 309</u>
INCOME PER COMMON SHARE – BASIC:				
Income (Loss) From Continuing Operations	\$ 0.05	\$ (0.01)	\$ 0.09	\$ 0.00
Income (Loss) From Discontinued Operations	<u>(0.00)</u>	<u>0.00</u>	<u>0.05</u>	<u>0.00</u>
Net Income (Loss)	<u>\$ 0.05</u>	<u>\$ (0.01)</u>	<u>\$ 0.14</u>	<u>\$ 0.00</u>
INCOME PER COMMON SHARE – DILUTED:				
Income (Loss) From Continuing Operations	\$ 0.05	\$ (0.01)	\$ 0.09	\$ 0.00
Income (Loss) From Discontinued Operations	<u>(0.00)</u>	<u>0.00</u>	<u>0.05</u>	<u>0.00</u>
Net Income (Loss)	<u>\$ 0.05</u>	<u>\$ (0.01)</u>	<u>\$ 0.14</u>	<u>\$ 0.00</u>
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
Basic	<u>168,355</u>	<u>150,053</u>	<u>168,355</u>	<u>147,812</u>
Diluted	<u>198,703</u>	<u>150,053</u>	<u>197,711</u>	<u>150,315</u>

The accompanying notes are an integral part of these consolidated financial statements.

DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES

Consolidated Statement of Stockholders' Equity
And Other Comprehensive Income (Loss)
For the Six Months Ended June 30, 2007
(unaudited, in thousands)

	Common Stock		Additional Paid-in Capital	Distributions in Excess of Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
Balance at December 31, 2006	168,355	\$ 1,684	\$1,595,808	\$ (357,076)	\$ (11,459)	\$ 1,228,957
Cumulative impact of change in accounting for uncertainty in income taxes (FIN 48 – see Note 1)	—	—	—	(500)	—	(500)
Comprehensive income:						
Net income	—	—	—	23,192	—	23,192
Net unrealized gain on cash flow hedging derivatives	—	—	—	—	14,196	14,196
Settled hedges	—	—	—	—	327	327
Amortization of cash flow hedging derivatives	—	—	—	—	303	303
Comprehensive income						38,018
Offering costs related to issuance of common stock	—	—	(1,212)	—	—	(1,212)
Amortization of stock-based compensation	—	—	306	—	—	306
Premium related to redemptions of OP Units	—	—	(282)	—	—	(282)
Distributions on common stock	—	—	—	(53,905)	—	(53,905)
Balance at June 30, 2007	<u>168,355</u>	<u>\$ 1,684</u>	<u>\$1,594,620</u>	<u>\$ (388,289)</u>	<u>\$ 3,367</u>	<u>\$ 1,211,382</u>

The accompanying notes are an integral part of these consolidated financial statements.

DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(unaudited, in thousands)

	Six Months Ended June 30,	
	2007	2006
OPERATING ACTIVITIES:		
Net income	\$ 23,192	\$ 309
Adjustments to reconcile net income to net cash provided by operating activities:		
Minority interests	3,857	(298)
Gain on disposition of real estate interests	(13,853)	(3,967)
Gain on dispositions of non-depreciated real estate	(12,725)	(4,065)
(Gain) loss on hedging activities	(1,458)	11
Real estate related depreciation and amortization	57,172	52,109
Distributions of earnings from unconsolidated joint ventures	520	115
Equity in (income) losses of unconsolidated joint ventures, net, and other	(1,140)	(1,559)
Changes in operating assets and liabilities:		
Other assets	3,231	2,239
Accounts payable, accrued expenses and other liabilities	5,658	4,902
Net cash provided by operating activities	64,454	49,796
INVESTING ACTIVITIES:		
Real estate acquisitions	(108,613)	(919,233)
Capital expenditures	(21,862)	(39,177)
Decrease in deferred acquisition costs and deposits	11,783	1,007
Investments in unconsolidated joint ventures, net	(48,895)	(7,262)
Distributions from investments in unconsolidated joint ventures	32,308	—
Proceeds from dispositions of real estate investments	197,473	116,418
Originations of notes receivable	(16,042)	(650)
Other investing activities	(3,183)	688
Net cash provided by (used in) investing activities	42,969	(848,209)
FINANCING ACTIVITIES:		
Net proceeds from (reduction of) lines of credit	(7,278)	132,000
Proceeds from unsecured notes	—	425,000
Principal payments on mortgage notes	(4,811)	(3,112)
Proceeds from financing obligations	—	98,465
Principal payments on financing obligations	(5,947)	(2,723)
Increase in deferred loan costs	(387)	(479)
Increase in deferred loan costs – financing obligation	—	(10,288)
Proceeds from sale of common stock	—	154,471
Offering costs for issuance of common stock	(2,126)	(12,241)
Redemption of common stock	—	(12,870)
Offering costs related to issuance of OP Units	(667)	—
Redemption of OP Units	(2,840)	—
Proceeds from settlement of cash flow hedging derivative	1,544	—
Distributions to common stockholders	(53,890)	(18,483)
Distributions to minority interests	(8,800)	(1,396)
Contributions from minority interests	103	—
Net cash provided by (used in) financing activities	(85,099)	748,344
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	22,324	(50,069)
CASH AND CASH EQUIVALENTS, beginning of period	23,310	94,918
CASH AND CASH EQUIVALENTS, end of period	\$ 45,634	\$ 44,849
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	\$ 35,068	\$ 25,012
Amount issued in common stock pursuant to the distribution reinvestment plan	\$ —	\$ 24,087
Debt assumed in connection with purchase of TIC Interests (see Note 5)	\$ 14,886	\$ —
Assumption of secured debt in connection with real estate acquired	\$ —	\$ 12,369

The accompanying notes are an integral part of these consolidated financial statements.

DCT INDUSTRIAL TRUST INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
(Unaudited)

Note 1 – Organization and Summary of Significant Accounting Policies

Organization

DCT Industrial Trust Inc. is a leading real estate company specializing in the ownership, acquisition, development and management of bulk distribution and light industrial properties located in 24 of the highest volume distribution markets in the United States, and is currently expanding into Mexico. In addition, we manage, and own interests in, industrial properties through our institutional capital management program. We were formed as a Maryland corporation in April 2002 and have elected to be treated as a real estate investment trust (“REIT”) for U.S. federal income tax purposes commencing with our taxable year ended December 31, 2003. We are structured as an umbrella partnership REIT under which substantially all of our current and future business is, and will be, conducted through a majority owned and controlled subsidiary, DCT Industrial Operating Partnership LP (our “operating partnership”), a Delaware limited partnership, for which DCT Industrial Trust Inc. is the sole general partner. As used herein, “DCT Industrial Trust,” “the Company,” “we,” “our” and “us” refer to DCT Industrial Trust Inc. and its consolidated subsidiaries and partnerships except where the context otherwise requires.

As of June 30, 2007, we owned interests in, or managed, 414 industrial real estate buildings comprised of approximately 66.4 million square feet. Our portfolio of consolidated operating properties included 366 industrial real estate buildings, which consisted of 215 bulk distribution properties, 109 light industrial properties and 42 service center properties comprised of approximately 53.2 million square feet. Our portfolio of 366 consolidated operating properties was 92.9% occupied as of June 30, 2007. As of June 30, 2007, we also consolidated five developments properties, seven redevelopment properties and six operating properties held for contribution. In addition, as of June 30, 2007, we had ownership interests ranging from 10% to 20% in 19 unconsolidated properties in institutional joint ventures, or funds, comprised of approximately 6.6 million square feet, and investments in one unconsolidated operating property and four unconsolidated development joint venture properties. We managed six properties where we had no ownership interests.

Summary of Significant Accounting Policies

Interim Financial Information

The accompanying unaudited consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (“GAAP”) and with the instructions to Form 10–Q and Article 10 of Regulation S–X for interim financial information. Accordingly, these statements do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments, consisting only of normal recurring items necessary for their fair presentation in conformity with GAAP. Interim results are not necessarily indicative of results for a full year. The information included in this Form 10–Q should be read in conjunction with our audited consolidated financial statements as of December 31, 2006 and related notes thereto as filed on Form 10–K on March 14, 2007.

Use of Estimates

The preparation of the consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain items in the consolidated statements of operations for three and six months ended June 30, 2006 have been reclassified to conform to 2007 classifications.

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Investment in Real Estate, Valuation and Allocation of Real Estate Acquisitions

We capitalize direct costs associated with, and incremental to, the acquisition, development, redevelopment or improvement of real estate, including asset acquisition costs and leasing costs as well as direct internal costs, if appropriate. Costs associated with acquisition or development pursuits are capitalized as incurred and, if the pursuit is abandoned, these costs are expensed during the period in which the pursuit is abandoned. Such costs considered for capitalization include construction costs, interest, real estate taxes, insurance and other such costs if appropriate. Interest is capitalized on actual expenditures from the period when development or redevelopment commences until the asset is substantially complete based on our current borrowing rates. Costs incurred for maintaining and making repairs to our real estate, which do not extend the life of our assets, are expensed as incurred.

Upon acquisition, the total cost of a property is allocated to land, building, building and land improvements, tenant improvements and intangible lease assets and liabilities pursuant to Statement of Financial Accounting Standards ("SFAS") No. 141, *Business Combinations* ("SFAS 141"). The fair value of identifiable tangible assets such as land, building, building and land improvements and tenant improvements is determined on an "as-if-vacant" basis. Management considers the replacement cost of such assets, appraisals, property condition reports, market data and other related information in determining the fair value of the tangible assets. Pursuant to SFAS 141, the difference between the fair value and the face value of debt assumed in connection with an acquisition is recorded as a premium or discount and amortized to interest expense over the life of the debt assumed. The valuation of assumed liabilities is based on the current market rate for similar liabilities. The allocation of the total cost of a property to an intangible lease asset includes the value associated with customer relationships and in-place leases that may include leasing commissions, legal and other costs. In addition, the allocation of the total cost of a property requires allocating costs to an intangible asset or liability resulting from in-place leases being above or below the market rental rates on the date of the acquisition. Intangible lease assets or liabilities will be amortized over the life of the remaining in-place leases as an adjustment to rental revenues.

We have certain properties which we have acquired or removed from service with the intention to redevelop or reposition the building. Buildings under redevelopment require significant construction activities prior to being placed back into service. Additionally, we may acquire, develop, or redevelop certain properties with the intention to contribute the property to an institutional capital management joint venture, in which we may retain ownership in or manage the assets of the joint venture. We refer to these properties as held for contribution. Land undergoing activities necessary to prepare it for its intended use prior to significant construction activities is classified as pre-development.

Real estate, including land, building, building and land improvements, tenant improvements and leasing costs, and intangible lease assets and liabilities are stated at historical cost less accumulated depreciation and amortization. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the related assets or liabilities as follows:

Description	<u>Standard Depreciable Life</u>
Land	Not depreciated
Building	40 years
Building and land improvements	20 years
Tenant improvements	Lease term
Lease costs	Lease term
Intangible lease assets and liabilities	Average term of leases for property
Above/below market rent assets/liabilities	Lease term

The table above reflects the standard depreciable lives typically used to compute depreciation and amortization. However, such depreciable lives may be different based on the estimated useful life of such assets or liabilities. The cost of assets sold or retired and the related accumulated depreciation and/or amortization is removed from the accounts and the resulting write off or gain, if necessary, is reflected in the consolidated statement of operations during the period in which such sale or retirement occurs.

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Depreciation and Useful Lives of Real Estate Assets

We estimate the depreciable portion of our real estate assets and their related useful lives in order to record depreciation expense. Our management's ability to accurately estimate the depreciable portions of our real estate assets and their useful lives is critical to the determination of the appropriate amount of depreciation expense recorded and the carrying values of the underlying assets. Any change to the estimated depreciable lives of these assets would have an impact on the depreciation expense we recognize. Depreciation is not recorded on buildings currently in pre-development, being developed or redeveloped until the building is substantially completed and placed into service, not later than one year from cessation of major construction activity.

Consolidation

Our consolidated financial statements include the accounts of our company and our consolidated subsidiaries and partnerships which we control either through ownership of a majority voting interest, as the primary beneficiary, or otherwise. Investments in entities in which we do not own a majority voting interest but over which we have the ability to exercise significant influence over operating and financial policies are presented under the equity method. Investments in entities in which we do not own a majority voting interest and over which we do not have the ability to exercise significant influence are carried at the lower of cost or fair value, as appropriate. Our judgments with respect to our level of influence or control of an entity and whether we are the primary beneficiary of a variable interest entity as defined by Financial Accounting Standards Board ("FASB") Interpretation No. 46(R), *Consolidation of Variable Interest Entities* ("FIN No. 46(R)"), involve consideration of various factors including the form of our ownership interest, our representation on the entity's board of directors, the size of our investment (including loans) and our ability to participate in policy making decisions. Our ability to correctly assess our influence or control over an entity affects the presentation of these investments in our consolidated financial statements and, consequently, our financial position and specific items in our results of operations that are used by our stockholders, lenders and others in their evaluation of us.

Generally, we consolidate real estate partnerships and other entities that are not variable interest entities (as defined in FIN No. 46(R)) when we own, directly or indirectly, a majority voting interest in the entity. In June 2005, the FASB ratified Emerging Issues Task Force Issue ("EITF") 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights* ("EITF 04-5"). EITF 04-5 provides an accounting model to be used by a general partner, or group of general partners, to determine whether the general partner(s) controls a limited partnership or similar entity in light of certain rights held by the limited partners and provides additional guidance on what constitutes substantive kick-out rights and substantive participating rights.

Notes Receivable

As of June 30, 2007 and December 31, 2006, we had approximately \$25.2 million and \$9.2 million in notes receivable outstanding. The interest rates on these notes range from approximately 6% to 10%, and the notes mature on dates ranging from July 2008 to July 2014. During the three months ended June 30, 2007, we issued a secured \$16.0 million, 6.0% interest note, maturing on July 1, 2014 to TRT-DCT Industrial Joint Venture I. Interest is due monthly on the unpaid balance. For the three and six months ended June 30, 2007, we recognized interest income from notes receivable of approximately \$212,000 and \$422,000, respectively. For the same periods of 2006 we recognized approximately \$228,000 and \$468,000, respectively, in interest income from notes receivable. All costs associated with executing these notes have been capitalized as deferred loan costs and are included in other assets, net on the accompanying consolidated balance sheets. Such costs are amortized as a reduction in interest income over the term of the applicable outstanding notes receivable.

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Revenue Recognition

We record rental revenues on a straight-line basis under which contractual rent increases are recognized evenly over the full lease term. Certain properties have leases that provide for tenant occupancy during periods where no rent is due or where minimum rent payments increase during the term of the lease. Accordingly, we record receivables from tenants that we expect to collect over the remaining lease term rather than currently, which are recorded as straight-line rents receivable. When we acquire a property, the terms of existing leases are considered to commence as of the acquisition date for the purposes of this calculation. For the three and six months ended June 30, 2007, the total increase to rental revenues due to straight-line rent adjustments, including amounts reported from discontinued operations, was approximately \$1.2 million and \$2.8 million, respectively. The total increase to rental revenues due to straight-line rent adjustments, including amounts reported from discontinued operations, during the same periods in 2006 was approximately \$1.5 million and \$3.9 million, respectively.

Tenant recovery income includes payments and amounts due from tenants for real estate taxes, insurance and other recoverable property operating expenses and is recognized as rental revenues during the same period the related expenses are incurred. Tenant recovery income recognized as rental revenues for the three and six months ended June 30, 2007 was \$12.0 million and \$24.8 million, respectively. For the three and six months ended June 30, 2006, tenant recovery income recognized as rental revenues was approximately \$8.0 million and \$15.8 million, respectively.

In connection with property acquisitions, we may acquire leases with rental rates above or below the market rental rates. Such differences are recorded as an intangible asset or liability pursuant to SFAS 141, and amortized to rental revenues over the life of the related leases. For the three and six months ended June 30, 2007, the total net decrease to rental revenues due to the amortization of above and below market rents, including amounts reported from discontinued operations, were approximately \$0.2 million and \$0.7 million, respectively. The total net decrease to rental revenues due to the amortization of above and below market rents, including amounts reported from discontinued operations, for the same periods of 2006 were approximately \$0.3 million and \$0.7 million, respectively.

Early lease termination fees are recorded in rental revenues when such amounts are earned and the unamortized balances of assets and liabilities associated with the early termination of leases are fully amortized to their respective revenue and expense line items on our consolidated statements of operations over the shorter of the expected life of such assets and liabilities or the remaining lease term. During the three and six months ended June 30, 2007, the early termination of leases, including amounts reported as discontinued operations, resulted in a decrease in revenues associated with SFAS 141 intangible assets and liabilities of \$0.1 million and \$0.4 million, respectively, and additional amortization expense of \$62,000 and \$127,000, respectively. During the three and six months ended June 30, 2006, the early termination of leases, including amounts reported as discontinued operations, resulted in the recognition of early termination fee revenues of \$0.4 million and \$0.4 million, respectively, and no additional amortization expenses.

We earn revenues from asset management fees, acquisition fees and fees for other services pursuant to joint venture and other agreements. These may include acquisition fees based on the sale or contribution of assets and are included in the statements of operations in institutional capital management and other fees. We recognize revenues from asset management fees, acquisition fees and fees for other services when the related fees are earned and are realized or realizable.

New Accounting Pronouncements

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS 159") which expands the use of the fair value measurement to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. We will adopt the provisions of SFAS 159 during the first quarter of 2008. We do not believe such adoption will have a material impact on our consolidated financial statements.

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In December 2006, the FASB issued FASB Staff Position (“FSP”) on EITF No. 00–19, *Accounting for Registration Payment Arrangements* (“FSP EITF 00–19–2”). FSP EITF 00–19–2 addresses an issuer’s accounting for registration payment arrangements, specifying that the contingent obligation to make future payments or otherwise transfer consideration under a registration payment arrangement, whether issued as a separate agreement or included as a provision of a financial instrument or other agreement, should be separately recognized and measured in accordance with FASB Statement No. 5, *Accounting for Contingencies*. This FSP further clarifies that a financial instrument subject to a registration payment arrangement should be accounted for in accordance with other applicable generally accepted accounting principles without regard to the contingent obligation to transfer consideration pursuant to the registration payment arrangement. This FSP is effective for new and modified registration payment arrangements. Registration payment arrangements that were entered into before the FSP was issued would become subject to its guidance for fiscal years beginning after December 15, 2006 by recognizing a cumulative–effect adjustment in retained earnings as of the year of adoption. We adopted FSP EITF 00–19–2 in the first quarter of 2007 and the adoption did not have a material impact on our consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (“SFAS 157”) which defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosures about fair–value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. As SFAS 157 does not require any new fair value measurements or remeasurements of previously computed fair values, we do not believe adoption of this statement will have a material effect on our consolidated financial statements.

In July 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109* (“FIN 48”). This interpretation clarifies the accounting for uncertainty in income taxes recognized in an entity’s financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on derecognition, classification of interest and penalties, accounting in interim periods, disclosure and transition.

The Company is subject to the provisions of FIN 48 as of January 1, 2007, and has analyzed its various federal and state filing positions, including the assertion that the Company is not taxable. The Company believes that its income tax filing positions are well documented and supported. As a result of the implementation of FIN 48, the Company recognized a \$0.5 million liability for unrecognized tax benefits, which includes approximately \$41,000 for accrued interest and penalties, and was accounted for as an increase to the January 1, 2007 balance of distributions in excess of earnings. The Company recognizes potential accrued interest and penalties related to unrecognized tax benefits as income tax expense. To the extent interest and penalties are not assessed with respect to uncertain tax positions, amounts accrued will be reduced and reflected as a reduction of the overall income tax expense. All years of the Company’s operations remain open for examination.

Note 2 – Real Estate

Our consolidated real estate assets consist of operating properties, operating properties held for contribution, development and redevelopment properties, properties in pre–development and land held for future development. Our real estate assets, presented at historical cost, include the following as of June 30, 2007 and December 31, 2006 (in thousands):

	June 30, 2007	December 31, 2006
Operating properties	\$2,683,857	\$ 2,754,076
Properties under redevelopment	47,856	21,518
Properties held for contribution	41,198	32,142
Properties under development	54,968	26,289
Properties in pre–development including land held	<u>30,331</u>	<u>30,863</u>
Total Investment in Properties	2,858,210	2,864,888
Less accumulated depreciation and amortization	<u>(256,995)</u>	<u>(199,574)</u>
Net Investment in Properties	<u>\$2,601,215</u>	<u>\$ 2,665,314</u>

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Acquisition Activity

During the three months ended June 30, 2007, we acquired seven operating properties located in three markets, comprised of approximately 1.5 million square feet for a total cost of approximately \$68.0 million, which includes acquisition costs. During the six months ended June 30, 2007, we acquired 12 operating properties located in six markets, comprised of approximately 2.5 million square feet for a total cost of approximately \$107.9 million, which includes acquisition costs. These properties were acquired from unrelated third parties using existing cash balances and short-term borrowings. For all properties acquired and consolidated, the results of operations for such properties are included in our consolidated statements of operations from the dates of acquisition.

Disposition Activity

During the three months ended June 30, 2007, we disposed of three operating properties comprised of approximately 905,000 square feet located in three markets, which were contributed to institutional joint ventures in which we retain ownership interests for a total contribution value of approximately \$46.5 million (see discussion below).

During the six months ended June 30, 2007, we disposed of 12 operating properties comprised of approximately 3.1 million square feet located in ten markets. We sold three properties comprised of approximately 266,000 square feet to unrelated third parties for total gross proceeds of approximately \$54.4 million, which resulted in a gain of approximately \$9.6 million. The remaining nine properties comprised of approximately 2.8 million square feet were contributed to institutional joint ventures in which we retain ownership interests for a total contribution value of approximately \$151.4 million (see discussion below).

Contributions of Properties to Institutional Capital Management Joint Ventures

TRT-DCT Industrial Joint Venture I

On September 1, 2006, we entered into our first joint venture agreement with Dividend Capital Total Realty Trust Inc., "DCTRT", TRT-DCT Industrial Joint Venture I, G.P., "TRT-DCT Venture I," pursuant to which we anticipate TRT-DCT Venture I will own up to \$208.0 million of industrial properties. As of June 30, 2007, this joint venture owned approximately \$144.5 million in real estate assets. This joint venture is funded as follows: (i) an equity contribution from DCTRT to the joint venture (which we estimate to be not less than approximately 90% of the joint venture's required equity capitalization); (ii) an equity contribution from us to the joint venture (which we estimate to be approximately 10% of the joint venture's required equity capitalization); and (iii) secured debt financing to be obtained by the joint venture with a targeted loan-to-value of no less than 55.0% and no more than 75.0%. During the three months ended June 30, 2007, we issued a secured \$16.0 million, 6.0% interest note, maturing on July 1, 2014 to TRT-DCT Venture I. Our actual ownership percentage may vary depending on amounts of capital contributed and the timing of contributions and distributions.

As co-general partner, we make the initial determination as to whether an asset will be acquired by TRT-DCT Venture I, and this determination is then subject to DCTRT's review and approval. With respect to our own assets, if the proposed asset has been owned by us for four months or less and no significant leasing, development or repositioning of the asset has occurred, the purchase price for the asset is equal to our total gross cost basis and, if the proposed asset has been owned by us for more than four months or significant leasing, development or repositioning of the asset has occurred, the purchase price for the asset is equal to the asset's fair market value as determined by an unaffiliated appraiser plus incremental third-party costs including legal, due diligence and debt financing expenses. However, we have no obligation to sell an asset if the appraised value is less than our cost basis. Assets that are acquired from third parties are valued at the acquisition's total gross cost, which includes the purchase price, due diligence costs and closing costs. We will receive an acquisition fee of 50 basis points in connection with all assets that are contributed by us or acquired by TRT-DCT Venture I from third parties.

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During the three months ended June 30, 2007, we contributed one property to TRT–DCT Venture I comprised of approximately 604,000 square feet with a contribution value of approximately \$31.2 million. The contribution of the one property into TRT–DCT Venture I during the second quarter resulted in a total gain of approximately \$7.8 million, of which approximately \$7.0 million was recognized in our earnings for the three months ended June 30, 2007. The remaining gain of approximately \$0.8 million reduces our basis in the investment and is recognized into earnings over the weighted average life of the property’s real estate assets. During the six months ended June 30, 2007, we contributed four properties to TRT–DCT Venture I comprised of approximately 1.4 million square feet with a combined gross contribution value of approximately \$84.2 million. The contribution of the four properties into TRT–DCT Venture I during 2007 resulted in a gain of approximately \$12.1 million, of which approximately \$10.9 million was recognized in our earnings during the six months ended June 30, 2007. The remaining gain of approximately \$1.2 million reduces our basis in the investment and is recognized into earnings over the weighted average life of each property’s real estate assets.

TRT–DCT Industrial Joint Venture II

On March 27, 2007, we entered into our second joint venture agreement with DCTRT, TRT–DCT Industrial Joint Venture II, G.P., “TRT–DCT Venture II,” pursuant to which we anticipate TRT–DCT Venture II will own up to \$175.0 million of industrial properties. As of June 30, 2007, this joint venture owned approximately \$67.8 million of real estate assets. TRT–DCT Venture II is structured and funded in a manner similar to TRT–DCT Venture I.

During the three months ended June 30, 2007, we contributed two properties to TRT–DCT Venture II comprised of approximately 0.3 million square feet with a combined contribution value of \$15.3 million. The contribution of the two properties into TRT–DCT Venture II resulted in a total gain of approximately \$2.3 million, of which approximately \$2.0 million was recognized in our earnings during the three months ended June 30, 2007. The remaining gain of approximately \$0.3 million reduces our basis in the investment and is recognized into earnings over the weighted average life of each property’s real estate assets. During the six months ended June 30, 2007, we contributed five properties to TRT–DCT Venture II comprised of approximately 1.4 million square feet with a combined gross contribution value of approximately \$67.2 million. The contribution of the five properties into TRT–DCT Venture II resulted in a total gain of approximately \$6.7 million, of which approximately \$6.0 million was recognized in our earnings during the six months ended June 30, 2007. The remaining gain of approximately \$0.7 million reduces our basis in the investment and is recognized into earnings over the weighted average life of each property’s real estate assets.

Discontinued Operations

As of June 30, 2007, there were no potential sales of our properties to a third party that were considered probable and, as such, no properties were classified as held for sale in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (“SFAS 144”). However, three properties sold during the six months ended June 30, 2007 and seven properties sold during the year ended December 31, 2006 to third parties were classified as discontinued operations. See Note 11 for additional information.

Intangible Assets

Aggregate net amortization of intangible assets recognized pursuant to SFAS 141 in connection with property acquisitions (excluding assets and liabilities related to above and below market rents) was approximately \$7.6 million and \$15.6 million for the three and six months ended June 30, 2007, respectively, and \$7.9 million and \$14.8 million for the same periods in 2006, respectively. Our intangible assets and liabilities included the following as of June 30, 2007 and December 31, 2006 (in thousands):

	June 30, 2007			December 31, 2006		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Intangible lease assets	\$167,615	\$ (72,610)	\$ 95,005	\$175,211	\$ (56,997)	\$118,214
Above market rent	26,908	(13,605)	13,303	28,093	(10,996)	17,097
Below market rent	(23,862)	8,990	(14,872)	(24,197)	6,602	(17,595)

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The following table describes the estimated net amortization of such intangible assets and liabilities for the next five years. In addition, the table describes the net increase (decrease) to rental revenues due to the amortization of above and below market rents for the next 5 years (in thousands):

For the years ending December 31,	Estimated Net Amortization of Intangible Lease Assets	Estimated Net Increase (Decrease) to Rental Revenues Related to Amortization of Above and Below Market Rents
Remainder of 2007	\$ 14,709	\$ 40
2008	25,530	213
2009	17,364	43
2010	10,953	(248)
2011	7,167	295
Total	<u>\$ 75,723</u>	<u>\$ 343</u>

Note 3 – Investments in and Advances to Unconsolidated Joint Ventures

We enter into joint ventures primarily for purposes of developing industrial real estate and establishing funds or other commingled investment vehicles with institutional partners. The following describes our net equity investment in unconsolidated joint ventures as of June 30, 2007 and December 31, 2006:

Unconsolidated Joint Ventures	DCT Ownership Percentage as of June 30, 2007	Number of Buildings	Net Equity Investment as of	
			June 30, 2007	December 31, 2006
(in thousands)				
Institutional Funds:				
DCT Fund I LLC	20%	6	\$ 3,062	\$ 3,426
TRT–DCT Venture I	10%	8	2,745	5,704
TRT–DCT Venture II	12.5%	5	6,895	—
Developments:				
SouthCreek IV Distribution Facility	94.5%	1	6,793	6,280
Panattoni Investments	0.5%	3	251	251
Sycamore Canyon	90%	1	4,381	4,109
Stirling Capital Investments (SCLA) ⁽¹⁾	50%	2	28,923	19,246
Logistics Way	95%	1	3,424	3,320
Total		<u>27</u>	<u>\$ 56,474</u>	<u>\$ 42,336</u>

⁽¹⁾ Although we contributed 100% of the initial cash equity capital required by the venture, our partners retain certain participation rights in the venture's available cash flows.

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Note 4 – Hedging Activities

During June 2006, we entered into an eight-month, LIBOR-based, forward-starting swap to mitigate the effect on cash outflows attributable to changes in LIBOR related to the \$275.0 million variable rate, unsecured notes issued in June 2006. This swap expired in February 2007. Concurrent with the \$275.0 million note issuance, we also entered into a forward-starting swap to hedge our exposure to variability in the cash outflows of a future fixed rate debt issuance due to fluctuations in the USD-LIBOR swap rate. On June 13, 2007, this swap was settled. In total, we received net cash proceeds of approximately \$1.5 million related to this instrument. Both of these forward-starting interest rate swaps were designated as cash flow hedges.

Net unrealized gains of approximately \$5.2 million and \$5.3 million were recorded during the three and six months ended June 30, 2007, respectively, and net unrealized gains of approximately \$4.5 million and \$6.0 million were recorded during the three and six months ended June 30, 2006, respectively, to stockholders' equity and other comprehensive income (loss) as a result of the change in fair value of the outstanding hedges. Upon settlement of the swap on June 13, 2007 (discussed above), we recorded a realized gain of approximately \$1.8 million, offset by approximately \$0.3 million related to the ineffectiveness due to the change in estimated timing of the anticipated debt issuance of the \$275.0 million forward-starting swap. Gains and losses resulting from hedging ineffectiveness and hedge settlements are recorded as increases and decreases, respectively, to interest income and other in our accompanying consolidated statements of operations.

As of June 30, 2007 and December 31, 2006, the accumulated other comprehensive income (loss) balance pertaining to the hedges were gains of approximately \$3.4 million and \$11.5 million, respectively. Amounts reported in accumulated other comprehensive loss related to derivatives will be amortized to interest expense as interest payments are made on our current fixed-rate debt and anticipated debt issuances. During the next 12 months, we estimate that approximately \$0.6 million will be amortized from other comprehensive loss to interest expense resulting in an increase in our interest expense.

Note 5 – Our Operating Partnership's Private Placement

Prior to October 10, 2006, our operating partnership offered undivided tenancy-in-common interests ("TIC Interests") in certain of our properties to accredited investors in a private placement exempt from registration under the Securities Act of 1933, as amended, and, as of June 30, 2007, the historical cost of those properties included in our operating partnership's private placement was \$111.5 million. These TIC Interests may have served as replacement properties for investors seeking to complete like-kind exchange transactions under Section 1031 of the Internal Revenue Code of 1986, as amended (the "Code").

The TIC Interests are 100% leased by our operating partnership pursuant to master leases and such leases contain purchase options whereby our operating partnership has the right, but not the obligation, to acquire the TIC Interests from the investors at a point in time in exchange for units of limited partnership interest in our operating partnership ("OP Units") under Section 721 of the Code. In October 2006, we discontinued our operating partnership's private placement of TIC Interests.

During the three and six months ended June 30, 2006 we raised approximately \$48.4 million and \$98.5 million, respectively, from the sale of TIC Interests in certain of our properties. The amount of gross proceeds associated with the sales of TIC Interests are recorded in financing obligations in the accompanying consolidated balance sheets pursuant to SFAS No. 98 *Accounting for Leases* ("SFAS No. 98"). We have leased back the portion of the building sold to the unrelated third-party investors and, in accordance with SFAS No. 98, a portion of the rental payments made to such investors under the lease agreements are recognized as interest expense using the interest method.

During the three and six months ended June 30, 2007, we incurred approximately \$1.5 million and \$3.6 million, respectively, of rental payments under various lease agreements with certain of the third-party investors. During the same periods of 2006, we incurred approximately \$3.5 million and \$6.3 million, respectively, of rental payments under various lease agreements with certain of the third-party investors. A portion of such amounts was accounted for as a reduction of the outstanding principal balance of the financing obligations and a portion was accounted for as interest expense in the accompanying consolidated financial statements. Included in interest expense was approximately \$1.3 million and \$3.2 million for the three and six months ended June 30, 2007, respectively, and \$2.9 million and \$5.0 million for the same periods in 2006, respectively, of interest expense related to the financing obligation. The various lease agreements in place as of June 30, 2007 contain expiration dates ranging from March 2021 to August 2021.

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Prior to October 10, 2006, our operating partnership paid certain up–front fees and reimbursed certain related expenses to Dividend Capital Advisors LLC (our “Former Advisor”), Dividend Capital Securities LLC (our “Former Dealer Manager”) and Dividend Capital Exchange Facilitators LLC (our “Former Facilitator”), an affiliate of our Former Advisor, for raising capital through our operating partnership’s private placement. Our Former Advisor was obligated to pay all of the offering and marketing related costs associated with the private placement. However, our operating partnership was obligated to pay our Former Advisor a non–accountable expense allowance, which equaled 2% of the gross equity proceeds raised through the private placement. In addition, our operating partnership was obligated to pay our Former Dealer Manager a dealer manager fee of up to 1.5% of gross equity proceeds raised and a commission of up to 5% of the gross equity proceeds raised through the private placement. Our Former Dealer Manager has re–allowed such commissions and a portion of such dealer manager fee to participating broker dealers. Our operating partnership was also obligated to pay a transaction facilitation fee to our Former Facilitator of up to 1.5% of the gross equity proceeds raised through the private placement. We terminated these arrangements with our Former Dealer Manager and our Former Facilitator on October 10, 2006, in connection with the consummation of the Internalization.

During the three and six months ended June 30, 2006 our operating partnership incurred up–front fees of approximately \$4.8 million and \$9.7 million, respectively, payable to our Former Advisor and other affiliates for effecting these transactions which are accounted for as deferred loan costs. Such deferred loan costs are included in other assets, net in the accompanying consolidated balance sheets and amortized to interest expense over the life of the financing obligation. If our operating partnership elects to exercise any purchase option as described above and issue OP Units, the unamortized portion of up–front fees and expense reimbursements paid to affiliates will be recorded against minority interests as a selling cost of the OP Units. If our operating partnership does not elect to exercise any such purchase option, we will not meet the standards set forth in SFAS No. 98 in order to recognize the sale of such TIC Interests.

During the six months ended June 30, 2007, our operating partnership exercised purchase options to acquire certain TIC Interests it had previously sold in 14 industrial properties located in Tennessee and Texas. In connection with the exercise of these options, our operating partnership issued an aggregate of approximately 6.8 million OP Units valued at approximately \$76.9 million to acquire such TIC Interests. Related to the purchase of one of these buildings, we assumed \$14.9 million of a secured note with an interest rate of 5.0% that was previously reflected in financing obligations.

During the six months ended June 30, 2006, our operating partnership exercised purchase options to acquire certain TIC Interests it had previously sold in two properties located in Indiana and Georgia. In connection with the exercise of these options, our operating partnership issued an aggregate of approximately 2.1 million OP Units valued at approximately \$22.4 million to acquire such TIC Interests.

Table of Contents**Note 6 – Minority Interests**

Minority interests consisted of the following as of June 30, 2007 and December 31, 2006 (in thousands):

	June 30, 2007	December 31, 2006
OP Units:		
Net investment	\$317,085	\$ 251,094
Distributions	(15,614)	(5,661)
Share of cumulative net loss	(17,258)	(21,227)
Sub-total	284,213	224,206
Cabot non-voting common stock:		
Net investment	63	63
Distributions	(4)	(4)
Share of cumulative net loss	(1)	(2)
Sub-total	58	57
Joint venture partner interest:		
Net investment	1,761	1,658
Distributions	(1)	(1)
Share of cumulative net loss	(113)	—
Sub-total	1,647	1,657
Total	<u>\$285,918</u>	<u>\$ 225,920</u>

OP Units

At June 30, 2007 and December 31, 2006, we owned approximately 85% and 88%, respectively, of the outstanding equity interests of our operating partnership, with the remaining equity interest in our operating partnership owned by third-party investors and Dividend Capital Advisors Group LLC, our Former Advisor's parent. Subject to certain agreements, OP Units are redeemable at the option of the unitholder after a fixed period. We have the option of redeeming the OP Units with cash or with shares of our common stock on a one-for-one basis, subject to adjustment. As of June 30, 2007 and December 31, 2006, we had issued approximately 15.2 million and 8.6 million OP Units, respectively, to unrelated third-party investors in connection with our operating partnership's private placement (see Note 5 for additional information).

Note 7 – Stockholders' Equity**Common Stock**

In December 2006, we completed a listing on the New York Stock Exchange and prior to then, since December 2002, we conducted four prior consecutive public offerings of our common stock on a continuous basis and raised approximately \$1.6 billion of net proceeds. On January 23, 2006, we closed the primary offering component of our fourth continuous public offering, but we continued to offer shares pursuant to our former distribution reinvestment plan through our 2006 third quarter distribution. Our former distribution reinvestment plan was terminated on December 23, 2006. During the six months ended June 30, 2007, there were no shares of common stock issued and, for the six months ended June 30, 2006, we raised approximately \$161.4 million of net proceeds from the sale of our common stock.

As of June 30, 2007, approximately 168.4 million shares of common stock were issued and outstanding. The net proceeds from the sale of these securities were transferred to our operating partnership for a number of OP Units equal to the shares of common stock sold in our public offerings. Our operating partnership has used these proceeds to fund the acquisition and development of our properties.

Dividend Reinvestment and Stock Purchase Plan

In April 2007, we began offering shares of our common stock through our new Dividend Reinvestment and Stock Purchase Plan (the "Plan"). The Plan permits stockholders to acquire additional shares with quarterly dividends and to make additional cash investments to buy shares directly. Shares of common stock may be purchased in the open market, through privately negotiated transactions, or directly from us as newly issued shares of common stock. All shares issued under the Plan were acquired in the open market.

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Note 8 – Related Party Transactions

Our Former Advisor

Through October 9, 2006, our day-to-day activities were managed by our Former Advisor, under the supervision of our board of directors pursuant to the terms and conditions of an advisory agreement. On October 10, 2006, our operating partnership acquired our Former Advisor in the transaction we refer to as the Internalization. As a result of the Internalization, on October 10, 2006, our Former Advisor became our wholly-owned subsidiary and we no longer incur the cost of the advisory fees and other amounts payable under the advisory agreement.

The responsibilities of our Former Advisor included the selection of our investment properties, the negotiations for these investments and the asset management and leasing of these properties. Pursuant to the advisory agreement, we paid certain acquisition and asset management fees to our Former Advisor. The amount of such acquisition fees was equal to 1% of the aggregate purchase price of all properties we acquired in excess of \$170.0 million. During the three and six months ended June 30, 2006 our Former Advisor earned approximately \$9.0 million and \$10.2 million, respectively, for acquisition fees which were accounted for as part of the historical cost of the acquired properties. Additionally, we paid our Former Advisor an asset management fee equal to 0.75% per annum of the total undepreciated cost of the properties we owned in excess of \$170.0 million. During the three and six months ended June 30, 2006 we incurred asset management fees of \$4.3 million and \$7.8 million, respectively.

Pursuant to the advisory agreement, our Former Advisor was obligated to advance all of our offering costs subject to its right to be reimbursed for such costs by us in an amount up to 2% of the aggregate gross offering proceeds raised in our prior continuous public offerings of common stock. Such offering costs included, but were not limited to, actual legal, accounting, printing and other expenses attributable to preparing the SEC registration statements, qualification of the shares for sale in the states and filing fees incurred by our Former Advisor, as well as reimbursements for marketing, salaries and direct expenses of its employees while engaged in registering and marketing the shares, other than selling commissions and the dealer manager fee.

During the three and six months ended June 30, 2006, our Former Advisor incurred approximately \$0.5 million and \$1.4 million, respectively, of offering costs and, during the same period, we reimbursed our Former Advisor approximately \$0.5 million and \$1.8 million, respectively, for such costs, which included unreimbursed costs from prior periods. These costs were considered a cost of raising capital and as such, were included as a reduction of additional paid-in capital on the accompanying consolidated balance sheets when such reimbursement obligations were incurred. We closed the primary offering component of our fourth continuous public offering on January 23, 2006, and as of December 31, 2006, we had reimbursed our Former Advisor for all of the then existing unreimbursed offering costs.

Our Former Advisor was obligated to pay all of the offering and marketing related costs associated with our operating partnership's private placement. However, our operating partnership was obligated to pay our Former Advisor a non-accountable expense allowance which equaled 2% of the gross equity proceeds raised through our operating partnership's private placement. During the three and six months ended June 30, 2006 our operating partnership incurred approximately \$0.9 million and \$1.9 million, respectively, payable to our Former Advisor for such expense allowance.

In accordance with the advisory agreement we were obligated, subject to certain limitations, to reimburse our Former Advisor for certain other expenses incurred on our behalf for providing services contemplated in the advisory agreement, provided that our Former Advisor did not receive a specific fee for the activities which generated the expenses to be reimbursed. For the three and six months ended June 30, 2006 we reimbursed approximately \$304,000 and \$465,000, respectively, for such costs.

As of December 31, 2006, we owed our Former Advisor \$213,000 for various fees and reimbursements as described above, which is included in accounts payable and accrued expenses on the accompanying consolidated balance sheet. All liabilities with our Former Advisor were settled as of June 30, 2007.

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Our Former Dealer Manager

Our prior continuous public offerings of shares of common stock and our operating partnership's private placement were managed by our Former Dealer Manager pursuant to the terms of certain dealer manager agreements. We terminated these dealer manager agreements on October 10, 2006 in connection with the consummation of the Internalization. Our Former Dealer Manager is owned by Dividend Capital Securities Group LLLP, in which Tom Wattles, Evan Zucker and James Mulvihill and their affiliates indirectly own limited partnership interests.

We previously entered into a dealer manager agreement with our Former Dealer Manager pursuant to which we paid a dealer manager fee of up to 2.0% of gross offering proceeds raised pursuant to our prior continuous public offerings of common stock to our Former Dealer Manager as compensation for managing such offerings. Our Former Dealer Manager had discretionary authority to re-allow a portion of such fees to broker-dealers who participated in an offering. We also paid up to a 6% sales commission of gross offering proceeds raised pursuant to our prior continuous public offerings of common stock. For the three and six months ended June 30, 2006 we incurred \$0.1 million and \$11.0 million, respectively, payable to our Former Dealer Manager for dealer manager fees and sales commissions. As of December 31, 2006, all sales commissions had been re-allowed to participating broker-dealers. Such amounts are considered a cost of raising capital and as such were included as a reduction of additional paid-in capital on the accompanying consolidated balance sheets. We terminated this dealer manager agreement on October 10, 2006, in connection with the consummation of the Internalization.

We also previously entered into a dealer manager agreement with our Former Dealer Manager pursuant to which we paid a dealer manager fee of up to 1.5% of the gross equity proceeds raised through our operating partnership's private placement. We also have paid our Former Dealer Manager a sales commission of up to 5.0% of the gross equity proceeds raised through our operating partnership's private placement. For the three and six months ended June 30, 2006 we incurred up-front fees of approximately \$3.1 million and \$6.2 million, respectively, payable to our Former Dealer Manager for dealer manager fees and sales commissions. As of December 31, 2006, substantially all of the sales commissions were re-allowed to participating broker-dealers who are responsible for affecting sales. Such amounts are included in deferred loan costs on the accompanying consolidated balance sheets. We terminated this dealer manager agreement on October 10, 2006 in connection with the consummation of the Internalization.

As of December 31, 2006, we owed our Former Dealer Manager \$159,000 for various fees, which is included in accounts payable and accrued expenses on the accompanying consolidated balance sheet. All liabilities with our Former Dealer Manager were settled as of June 30, 2007.

Our Former Facilitator

Our Former Facilitator has been responsible for the facilitation of transactions associated with our operating partnership's private placement. We terminated our arrangements with our Former Facilitator, including the agreement described below, on October 10, 2006 in connection with the consummation of the Internalization. Our Former Facilitator was considered a related party as it is indirectly majority owned and/or controlled by Tom Wattles, Evan Zucker and James Mulvihill and their affiliates.

We previously entered into an agreement with our Former Facilitator whereby we paid a transaction facilitation fee associated with our operating partnership's private placement. We paid our Former Facilitator up to 1.5% of the gross equity proceeds raised through our operating partnership's private placement for transaction facilitation. For the three and six months ended June 30, 2006 we incurred approximately \$0.7 million and \$1.5 million, respectively, payable to our Former Facilitator for such fees. In accordance with SFAS No. 98, these fees, as well as the other fees associated with our operating partnership's private placement, were recorded as deferred loan costs and amortized over the life of the financing obligation (see Note 5 for additional information).

[Table of Contents](#)**Note 9 – Earnings per Share**

We determine basic earnings per common share by dividing net income attributable to common stockholders by the weighted average number of shares of common stock and common stock equivalents outstanding during the period. We determine diluted earnings per common share by taking into account the effects of potentially issuable common stock, but only if the issuance of stock would be dilutive, including the presumed exchange of OP Units for shares of common stock. The following table sets forth the computation of our basic and diluted earnings per common share (in thousands except per share information):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Numerator				
Income (Loss) From Continuing Operations	\$ 7,945	\$ (2,125)	\$ 14,984	\$ 49
Minority interests' share of net income related to potentially dilutive shares	1,376	—	2,562	8
Numerator for diluted earnings per share – adjusted income (loss) from continuing operations	<u>\$ 9,321</u>	<u>\$ (2,125)</u>	<u>\$ 17,546</u>	<u>\$ 57</u>
Income (Loss) From Discontinued Operations	\$ (108)	\$ 479	\$ 8,208	\$ 260
Minority interests' share of net income related to potentially dilutive shares	—	—	1,407	—
Numerator for diluted earnings per share – adjusted income (loss) from discontinued operations	<u>\$ (108)</u>	<u>\$ 479</u>	<u>\$ 9,615</u>	<u>\$ 260</u>
Adjusted net income attributable to common stockholders	<u>\$ 9,213</u>	<u>\$ (1,646)</u>	<u>\$ 27,161</u>	<u>\$ 317</u>
Denominator				
Weighted average common shares outstanding – basic	168,355	150,053	168,355	147,812
Potentially dilutive common shares	30,348	—	29,356	2,503
Weighted average common shares outstanding – diluted	<u>198,703</u>	<u>150,053</u>	<u>197,711</u>	<u>150,315</u>
Net Income (Loss) per Common Share – Basic				
Income (Loss) From Continuing Operations	\$ 0.05	\$ (0.01)	\$ 0.09	\$ 0.00
Income (Loss) From Discontinued Operations	(0.00)	0.00	0.05	0.00
Net Income (Loss)	<u>\$ 0.05</u>	<u>\$ (0.01)</u>	<u>\$ 0.14</u>	<u>\$ 0.00</u>
Net Income (Loss) per Common Share – Diluted				
Income (Loss) From Continuing Operations	\$ 0.05	\$ (0.01)	\$ 0.09	\$ 0.00
Income (Loss) From Discontinued Operations	(0.00)	0.00	0.05	0.00
Net Income (Loss)	<u>\$ 0.05</u>	<u>\$ (0.01)</u>	<u>\$ 0.14</u>	<u>\$ 0.00</u>

Potentially Dilutive Shares

We have excluded from diluted earnings per share the weighted average common share equivalents related to approximately 358,000 and 8,000 stock options for the three and six months ended June 30, 2007, because their effect would be anti-dilutive. No anti-dilutive common share equivalents were excluded from the diluted earnings per share for the three and six months ended June 30, 2006. For purposes of calculating diluted earnings per share in accordance with SFAS No. 128, *Earnings per Share*, we treat the dilutive impact of the unvested portion of restricted shares as common stock equivalents.

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Note 10 – Segment Information

We consider each operating property to be an individual operating segment that has similar economic characteristics to all our other operating properties, which excludes the results from discontinued operations and includes six properties held for contribution. Our operating segments are aggregated into reportable segments based upon the property type. Prior to the quarter ended September 30, 2006, our management evaluated rental revenues and property net operating income aggregated by geographic location, or market, to analyze performance. During the quarter ended September 30, 2006, our management concluded that rental revenues and property net operating income aggregated by property type was a more appropriate way to analyze performance. Certain reclassifications have been made to conform to the current presentation. The following table sets forth the rental revenues and property net operating income of our property type segments in continuing operations for the three and six months ended June 30, 2007 and 2006 (in thousands).

	Three Months Ended June 30,				Six Months Ended June 30,			
	Rental Revenues		Property NOI ⁽¹⁾		Rental Revenues		Property NOI ⁽¹⁾	
	2007	2006	2007	2006	2007	2006	2007	2006
Bulk distribution	\$50,290	\$40,195	\$38,693	\$31,765	\$102,110	\$76,825	\$77,958	\$60,438
Light industrial and other	12,718	9,098	8,602	6,616	25,873	17,292	17,933	12,513
Total	<u>\$63,008</u>	<u>\$49,293</u>	<u>\$47,295</u>	<u>\$38,381</u>	<u>\$127,983</u>	<u>\$94,117</u>	<u>\$95,891</u>	<u>\$72,951</u>

(1) Net operating income (“NOI”) is defined as rental revenues, including reimbursements, less rental expenses and real estate taxes, which excludes depreciation, amortization, general and administrative expenses and interest expense. We consider NOI to be an appropriate supplemental performance measure because NOI reflects the operating performance of our properties and excludes certain items that are not considered to be controllable in connection with the management of the property such as depreciation, interest expense, interest income and general and administrative expenses. However, NOI should not be viewed as an alternative measure of our financial performance since it excludes expenses which could materially impact our results of operations. Further, our NOI may not be comparable to that of other real estate companies, as they may use different methodologies for calculating NOI. Therefore, we believe net income, as defined by GAAP, to be the most appropriate measure to evaluate our overall financial performance.

The following table is a reconciliation of our NOI to our reported net income from continuing operations for the three and six months ended June 30, 2007 and 2006 (in thousands).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Property NOI	\$ 47,295	\$ 38,381	\$ 95,891	\$ 72,951
Institutional capital management and other fees	572	126	1,318	178
Real estate related depreciation and amortization	(28,389)	(26,353)	(57,157)	(49,592)
General and administrative expenses	(5,677)	(1,263)	(9,733)	(1,942)
Asset management fees, related party	—	(4,297)	—	(7,815)
Equity in income (losses) of unconsolidated joint ventures, net	(31)	(129)	43	(182)
Gain on dispositions of real estate interests	9,132	4,044	17,017	8,032
Interest expense	(15,204)	(14,623)	(32,071)	(26,157)
Interest income and other	2,157	2,060	3,139	4,522
Income taxes	(513)	(189)	(984)	(240)
Minority interests	(1,397)	118	(2,479)	294
Income (Loss) From Continuing Operations	<u>\$ 7,945</u>	<u>\$ (2,125)</u>	<u>\$ 14,984</u>	<u>\$ 49</u>

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The following table reflects our total assets, net of accumulated depreciation and amortization, by property type segment (in thousands).

	June 30, 2007	December 31, 2006
Property type segments:		
Bulk distribution	\$1,992,927	\$ 2,126,898
Light industrial and other	<u>521,322</u>	<u>528,167</u>
Total segment net assets	2,514,249	2,655,065
Development and redevelopment assets	102,585	47,922
Assets held for sale	—	41,895
Non-segment assets:		
Properties in pre-development including land held	30,331	30,863
Non-segment cash and cash equivalents	27,211	3,361
Other non-segment assets (1)	<u>109,573</u>	<u>70,370</u>
Total assets	<u>\$2,783,949</u>	<u>\$ 2,849,476</u>

(1) Other non-segment assets primarily consists of corporate assets including investments in unconsolidated joint ventures, notes receivable, certain loan costs, including loan costs associated with our financing obligations, and deferred acquisition costs.

Note 11 – Discontinued Operations

In accordance with SFAS No. 144, we report results of operations from real estate assets that meet the definition of a component of an entity and have been sold, or meet the criteria to be classified as held for sale, as discontinued operations. During the three months ended June 30, 2007, no properties were sold to unrelated third parties. During the six months ended June 30, 2007, we sold three properties in our light industrial and other segment comprised of approximately 266,000 square feet to third parties for a net gain of \$9.6 million. During the year ended December 31, 2006, we sold seven properties comprised of approximately 659,000 square feet. These seven properties were sold subsequent to June 30, 2006. For the three and six months ended June 30, 2007 and 2006, discontinued operations includes the results of operations of these properties prior to the date of sale. No properties were sold to unrelated third parties during the three and six months ended June 30, 2006. We included all results of these discontinued operations in a separate component of income on the consolidated statements of operations under the heading Income (Loss) From Discontinued Operations. This treatment resulted in certain reclassifications of 2007 and 2006 financial statement amounts. As of June 30, 2007, we had no properties classified as held for sale.

The following is a summary of the components of Income (Loss) From Discontinued Operations for the three and six months ended June 30, 2007 and 2006 (in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2007	2006	2007	2006
Rental revenues	\$ —	\$ 2,418	\$ 253	\$ 4,274
Rental expenses and real estate taxes	(114)	(531)	(180)	(1,221)
Real estate related depreciation and amortization	—	<u>(1,264)</u>	<u>(15)</u>	<u>(2,517)</u>
Operating income (loss)	(114)	623	58	536
Interest expense	—	(133)	(13)	(280)
Income taxes	<u>(20)</u>	—	<u>(20)</u>	—
Income (loss) before minority interest and gain on dispositions of real estate	(134)	490	25	256
Gain on dispositions of real estate interests	—	—	9,561	—
Minority interests	26	(11)	<u>(1,378)</u>	<u>4</u>
Income (Loss) From Discontinued Operations	<u>\$(108)</u>	<u>\$ 479</u>	<u>\$ 8,208</u>	<u>\$ 260</u>

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

Forward-Looking Information

We make statements in this report that are considered "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which are usually identified by the use of words such as "anticipates," "believes," "estimates," "expects," "intends," "may," "plans," "projects," "seeks," "should," "will," and variations of such words or similar expressions. We intend these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and are including this statement for purposes of complying with those safe harbor provisions. These forward-looking statements reflect our current views about our plans, intentions, expectations, strategies and prospects, which are based on the information currently available to us and on assumptions we have made. Although we believe that our plans, intentions, expectations, strategies and prospects as reflected in or suggested by those forward-looking statements are reasonable, we can give no assurance that the plans, intentions, expectations or strategies will be attained or achieved. Furthermore, actual results may differ materially from those described in the forward-looking statements and will be affected by a variety of risks and factors that are beyond our control including, without limitation:

- the competitive environment in which we operate;
- real estate risks, including fluctuations in real estate values and the general economic climate in local markets and competition for tenants in such markets;
- decreased rental rates or increasing vacancy rates;
- defaults on or non-renewal of leases by tenants;
- acquisition and development risks, including failure of such acquisitions and development projects to perform in accordance with projections;
- the timing of acquisitions and dispositions;
- natural disasters such as hurricanes and earthquakes;
- national, international, regional and local economic conditions;
- the general level of interest rates;
- energy costs;
- the terms of governmental regulations that affect us and interpretations of those regulations, including changes in real estate and zoning laws and increases in real property tax rates;
- financing risks, including the risk that our cash flows from operations may be insufficient to meet required payments of principal, and interest and other commitments;
- lack of or insufficient amounts of insurance;
- litigation, including costs associated with prosecuting or defending claims and any adverse outcomes;
- the consequences of future terrorist attacks;
- possible environmental liabilities, including costs, fines or penalties that may be incurred due to necessary remediation of contamination of properties presently owned or previously owned by us; and
- other risks and uncertainties detailed in Item 1.A of our 2006 Annual Report on Form 10-K.

In addition, our current and continuing qualification as a real estate investment trust, or REIT, involves the application of highly technical and complex provisions of the Internal Revenue Code of 1986, or the Code, and depends on our ability to meet the various requirements imposed by the Code through actual operating results, distribution levels and diversity of stock ownership. We assume no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the consolidated financial statements included elsewhere in this report.

Unless the context otherwise requires, the terms "we," "us," and "our" refer to DCT Industrial Trust Inc. and DCT Industrial Operating Partnership LP, or our operating partnership, and their consolidated subsidiaries.

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Overview

We are a leading real estate company specializing in the ownership, acquisition, development and management of bulk distribution and light industrial properties located in 24 of the highest volume distribution markets in the United States, and are currently expanding into Mexico. In addition, we manage, and own interests in, industrial properties through our institutional capital management program. Our properties primarily consist of high-quality, generic bulk distribution warehouses and light industrial properties leased to corporate tenants. We own our properties through our operating partnership and its subsidiaries. We are the sole general partner of our operating partnership and owned approximately 85% of the outstanding equity interests of our operating partnership as of June 30, 2007. We acquired our first property in June of 2003 and have built a portfolio of 366 consolidated operating properties through June 30, 2007.

Our primary business objectives are to maximize sustainable long-term growth in earnings and Funds From Operations, or FFO, and to maximize total return to our stockholders. In our pursuit of these objectives, we will:

- acquire high-quality industrial properties;
- pursue development opportunities, including through joint ventures;
- expand our institutional capital management programs;
- actively manage our existing portfolio to maximize operating cash flows;
- sell non-core assets that no longer fit our investment criteria; and
- expand our operations into selected domestic and international markets, including Mexico.

In order to achieve these objectives, we have raised capital through common stock issuances, our operating partnership's private placement (as more fully described below) and issued and assumed debt. Prior to October 10, 2006, our day-to-day operations were managed by Dividend Capital Advisors LLC, or our Former Advisor, under the supervision of our board of directors pursuant to the terms and conditions of an advisory agreement with our Former Advisor. On October 10, 2006, our operating partnership acquired our Former Advisor in the transaction we refer to as the Internalization. As a result of the Internalization, our Former Advisor is now our wholly-owned subsidiary and we no longer incur the cost of the advisory fees and other amounts payable under the advisory agreement resulting in our being a self-administered and self-advised REIT.

Outlook

The primary source of our operating revenues and earnings is rents received from tenants under leases at our properties including reimbursements from tenants for certain operating costs. We seek earnings growth primarily through increasing rents and operating income at existing properties, acquiring and developing additional high-quality properties in major distribution markets, increasing fee revenues from our institutional capital management program, generating profits from our development activities and repositioning our portfolio including selling certain non-core assets and contributing assets to our joint ventures, funds or other commingled investment vehicles with institutional partners.

We believe that our near-term operating income in our existing properties will increase through rental rate growth on leases that are expiring, as well as an increase in our occupancy rates. We expect strong growth in operating earnings from development and acquisitions in our target markets and selected new markets, which may be partially offset by disposing or contributing existing properties. We also believe our focus on our target distribution markets from which companies distribute nationally, regionally and/or locally mitigates the risk of any individual tenant reconfiguring distribution networks and changing the balance of supply and demand in a market. Finally, developing and maintaining excellent relationships with third-party logistics companies facilitates our ability to lease them space in our portfolio.

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While we no longer incur the costs of the various fees and expenses previously paid to our Former Advisor as a result of becoming self-advised, our expenses include the compensation and benefits of our officers and the other employees and consultants, as well as other general expenses, previously paid by our Former Advisor or its affiliates.

The principal risks to our business plan include:

- our ability to acquire properties that meet our quantitative and qualitative criteria and whether we can successfully integrate such acquisitions;
- our ability to attract institutional partners in our institutional capital management program on terms that we find acceptable;
- our ability to locate development opportunities and to successfully develop such properties on time and within budget and then to successfully lease such properties;
- our ability to sell or contribute assets at prices we find acceptable which generates funding for our business plan;
- our ability to retain and attract talented management; and
- our ability to lease space to customers at rates which provide acceptable returns.

We believe our investment focus on the largest and most active distribution markets in the United States and Mexico and our monitoring of market and submarket demand and supply imbalances helps mitigate some of these risks.

We also expect the following key trends to affect our industry positively:

- the continued restructuring of corporate supply chains which may impact local demand for distribution space as companies relocate their operations consistent with their particular requirements or needs;
- the growth or continuing importance of industrial markets located near seaports, airports and major intermodal facilities; and
- continuing advancements in technology and information systems which enhance companies' abilities to control their investment in inventories.

These key trends may gradually change the characteristics of the facilities needed by our tenants. However, we believe the buildings in our portfolio are designed to be reconfigured and can accommodate gradual changes that may occur.

For the financing of our capital needs, we are not aware of any material trends or uncertainties, favorable or unfavorable, other than national economic conditions affecting real estate generally, that we anticipate will have a material impact on either capital resources or the revenues or income to be derived from the operation of real estate properties. Our financing needs will depend largely on our ability to acquire properties as the majority of our cash generated from operations will be used for payment of distributions and to finance other activities. We expect the funding of additional cash needs to come from new borrowings and/or proceeds from the sale or contribution of properties.

Significant Transactions During 2007

The following discussion describes certain significant transactions that occurred during the six months ended June 30, 2007.

Acquisition Activity

During the six months ended June 30, 2007, we acquired 12 operating properties located in six markets, comprised of approximately 2.5 million square feet for a total cost of approximately \$107.9 million, which includes acquisition costs. These properties were acquired from unrelated third parties using existing cash balances and short-term borrowings. For all properties acquired and consolidated, the results of operations for such properties are included in our consolidated statements of operations from the dates of acquisition.

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Disposition Activity

During the six months ended June 30, 2007, we disposed of 12 operating properties comprised of approximately 3.1 million square feet located in ten markets. We sold three properties comprised of approximately 266,000 square feet to unrelated third parties for total gross proceeds of approximately \$54.4 million. The remaining nine properties comprised of approximately 2.8 million square feet were contributed to institutional joint ventures in which we retain ownership interests for a total contribution value of approximately \$151.4 million (see discussion below).

Contributions of Properties to Institutional Capital Management Joint Ventures

TRT–DCT Industrial Joint Venture I

During the six months ended June 30, 2007, we contributed four properties to TRT–DCT Industrial Joint Venture I comprised of approximately 1.4 million square feet with a combined gross contribution value of approximately \$84.2 million.

TRT–DCT Industrial Joint Venture II

During the six months ended June 30, 2007, we contributed five properties to TRT–DCT Industrial Joint Venture II comprised of approximately 1.4 million square feet with a combined gross contribution value of approximately \$67.2 million.

Major Capital Deployment Activities

Mexico

During the six months ended June 30, 2007, we began construction on six buildings comprised of approximately 859,000 square feet located in four submarkets in the metropolitan area of Monterrey, Nuevo Leon, Mexico. Construction is expected to be completed during the remainder of 2007 and leasing activities have commenced.

SCLA

We entered into a joint venture agreement with Stirling Airports International, LLC, or Stirling, an unrelated third party, to be the master developer of up to 4,350 acres in Victorville, California, part of the Inland Empire submarket in Southern California. The development project is located at the former George Air Force Base which closed in 1992 and is now known as Southern California Logistics Airport, or SCLA. We refer to this joint venture as the SCLA joint venture. Stirling entered into two master development agreements which gave it certain rights to be the exclusive developer of the SCLA development project for the next 13 years (including extensions) and assigned these rights to the SCLA joint venture upon the closing of the venture. While our exact share of the equity interests in the SCLA joint venture will depend on the amount of capital we contribute and the timing of contributions and distributions, the SCLA joint venture contemplates an equal sharing between us and Stirling of residual profits and cash flows after all priority distributions.

During the six months ended June 30, 2007, the SCLA joint venture began construction on four buildings comprised of approximately 926,000 square feet. One 408,000 square foot pre-leased building is expected to be completed in during the third quarter of 2007.

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Critical Accounting Policies

General

Our discussion and analysis of financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with United States generally accepted accounting principles, or GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities and contingencies as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. We evaluate our assumptions and estimates on an on-going basis. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The following discussion pertains to accounting policies management believes are most "critical" to the portrayal of our financial condition and results of operations that require management's most difficult, subjective or complex judgments.

Revenue Recognition

We record rental revenues on a straight-line basis under which contractual rent increases are recognized evenly over the full lease term. Certain properties have leases that provide for tenant occupancy during periods where no rent is due or where minimum rent payments increase during the term of the lease. Accordingly, we record receivables from tenants that we expect to collect over the remaining lease term rather than currently, which are recorded as straight-line rents receivable. When we acquire a property, the terms of existing leases are considered to commence as of the acquisition date for the purposes of this calculation. For the three and six months ended June 30, 2007, the total increase to rental revenues due to straight-line rent adjustments, including amounts reported from discontinued operations, was approximately \$1.2 million and \$2.8 million, respectively. The total increase to rental revenues due to straight-line rent adjustments, including amounts reported from discontinued operations, during the same periods in 2006 was approximately \$1.5 million and \$3.9 million, respectively.

Tenant recovery income includes payments and amounts due from tenants for real estate taxes, insurance and other recoverable property operating expenses and is recognized as rental revenues during the same period the related expenses are incurred. Tenant recovery income recognized as rental revenues for the three and six months ended June 30, 2007 was \$12.0 million and \$24.8 million, respectively. For the three and six months ended June 30, 2006, tenant recovery income recognized as rental revenues was approximately \$8.0 million and \$15.8 million, respectively.

In connection with property acquisitions, we may acquire leases with rental rates above or below the market rental rates. Such differences are recorded as an intangible asset or liability pursuant to Statement of Financial Accounting Standards, or SFAS, No. 141, *Business Combinations*, or SFAS 141, and amortized to rental revenues over the life of the related leases. For the three and six months ended June 30, 2007 the total net decrease to rental revenues due to the amortization of above and below market rents, including amounts reported from discontinued operations, were approximately \$0.2 million and \$0.7 million, respectively. The total net decrease to rental revenues due to the amortization of above and below market rents, including amounts reported from discontinued operations, for the same periods of 2006 were approximately \$0.3 million and \$0.7 million, respectively.

Early lease termination fees are recorded in rental revenues when such amounts are earned and the unamortized balances of assets and liabilities associated with the early termination of leases are fully amortized to their respective revenue and expense line items on our consolidated statements of operations over the shorter of the expected life of such assets and liabilities or the remaining lease term. During the three and six months ended June 30, 2007, the early termination of leases, including amounts reported as discontinued operations, resulted in a decrease in revenues associated with SFAS 141 intangible assets and liabilities of \$0.1 million and \$0.4 million, respectively, and additional amortization expense of \$62,000 and \$127,000, respectively. During the three and six months ended June 30, 2006, the early termination of leases, including amounts reported as discontinued operations, resulted in the recognition of early termination fee revenues of \$0.4 million and \$0.4 million, respectively, and no additional amortization expenses.

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We earn revenues from asset management fees, acquisition fees and fees for other services pursuant to joint venture and other agreements. These may include acquisition fees based on the sale or contribution of assets and are included in the statements of operations in institutional capital management and other fees. We recognize revenues from asset management fees, acquisition fees and fees for other services when the related fees are earned and are realized or realizable.

Investment in Real Estate, Valuation and Allocation of Real Estate Acquisitions

We capitalize direct costs associated with, and incremental to, the acquisition, development, redevelopment or improvement of real estate, including acquisition costs and leasing costs as well as direct internal costs, if appropriate. Costs associated with acquisition or development pursuits are capitalized as incurred and, if the pursuit is abandoned, these costs are expensed during the period in which the pursuit is abandoned. Such costs considered for capitalization include construction costs, interest, real estate taxes, insurance and other such costs if appropriate. Interest is capitalized on actual expenditures from the period when development or redevelopment commences until the asset is substantially complete based on our current borrowing rates. Costs incurred for maintaining and making repairs to our real estate, which do not extend the life of our assets, are expensed as incurred.

Upon acquisition, the total cost of a property is allocated to land, building, building and land improvements, tenant improvements and intangible lease assets and liabilities pursuant to SFAS 141. The fair value of identifiable tangible assets such as land, building, building and land improvements and tenant improvements is determined on an "as-if-vacant" basis. Management considers the replacement cost of such assets, appraisals, property condition reports, market data and other related information in determining the fair value of the tangible assets. Pursuant to SFAS 141, the difference between the fair value and the face value of debt assumed in connection with an acquisition is recorded as a premium or discount and amortized to interest expense over the life of the debt assumed. The valuation of assumed liabilities is based on the current market rate for similar liabilities. The allocation of the total cost of a property to an intangible lease asset includes the value associated with customer relationships and in-place leases that may include leasing commissions, legal and other costs. In addition, the allocation of the total cost of a property requires allocating costs to an intangible asset or liability resulting from in-place leases being above or below the market rental rates on the date of the acquisition. Intangible lease assets or liabilities will be amortized over the life of the remaining in-place leases as an adjustment to rental revenues.

We have certain properties which we have acquired or removed from service with the intention to redevelop or reposition the building. Buildings under redevelopment require significant construction activities prior to being placed back into service. Additionally, we may acquire, develop, or redevelop certain properties with the intention to contribute the property to an institutional capital management joint venture, in which we may retain ownership in or manage the assets of the joint venture. We refer to these properties as held for contribution. Land undergoing activities necessary to prepare it for its intended use prior to significant construction activities is classified as pre-development.

Real estate, including land, building, building and land improvements, tenant improvements and leasing costs, and intangible lease assets and liabilities are stated at historical cost less accumulated depreciation and amortization. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the related assets or liabilities as follows:

Description	Standard Depreciable Life
Land	Not depreciated
Building	40 years
Building and land improvements	20 years
Tenant improvements	Lease term
Lease costs	Lease term
Intangible lease assets and liabilities	Average term of leases for property
Above/below market rent assets/liabilities	Lease term

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The table above reflects the standard depreciable lives typically used to compute depreciation and amortization. However, such depreciable lives may be different based on the estimated useful life of such assets or liabilities. The cost of assets disposed of or retired and the related accumulated depreciation and/or amortization is removed from the accounts and the resulting write off or gain, if necessary, is reflected in the consolidated statement of operations during the period in which such sale or retirement occurs.

Depreciation and Useful Lives of Real Estate Assets

We estimate the depreciable portion of our real estate assets and their related useful lives in order to record depreciation expense. Our management's ability to accurately estimate the depreciable portions of our real estate assets and their useful lives is critical to the determination of the appropriate amount of depreciation expense recorded and the carrying values of the underlying assets. Any change to the estimated depreciable lives of these assets would have an impact on the depreciation expense we recognize. Depreciation is not recorded on buildings currently in pre-development, being developed or redeveloped until the building is substantially completed and placed into service, not later than one year from cessation of major construction activity. If the useful life estimate was reduced by one year for all buildings and building and land improvements in continuing operations, depreciation expense would have increased \$1.6 million.

Impairment of Long-Lived Assets

Long-lived assets held and used are carried at cost and evaluated for impairment in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, or SFAS No. 144. SFAS No. 144 provides that such an evaluation should be performed when events or changes in circumstances indicate such an evaluation is warranted. Examples include the point at which we deem the long-lived asset to be held for sale, downturns in the economy, etc. Impairment of long-lived assets is considered a "critical accounting estimate" because the evaluation of impairment and the determination of fair values involve a number of management assumptions relating to future economic events that could materially affect the determination of the ultimate value, and therefore, the carrying amounts of our real estate. Such assumptions include, but are not limited to, projecting vacancy rates, rental rates, property operating expenses, capital expenditures and debt financing rates, among other things. The capitalization rate is also a significant driving factor in determining the property valuation which requires management's judgment of factors such as market knowledge, historical experience, lease terms, tenant financial strength, economy, demographics, environment, property location, visibility, age, physical condition and investor return requirements, among other things. All of the aforementioned factors are taken as a whole by management in determining the valuation of investment property. The valuation is sensitive to the actual results of any of these uncertain factors, either individually or taken as a whole. Should the actual results differ from management's judgment, the valuation could be negatively affected and may result in a negative impact to our consolidated financial statements.

Principles of Consolidation

Our consolidated financial statements include the accounts of our company and our consolidated subsidiaries and partnerships that we control either through ownership of a majority voting interest, as the primary beneficiary, or otherwise. All significant intercompany accounts and transactions have been eliminated in consolidation. Investments in entities in which we do not own a majority voting interest but over which we have the ability to exercise significant influence over operating and financial policies are presented under the equity method. Investments in entities in which we do not own a majority voting interest and over which we do not have the ability to exercise significant influence are carried at the lower of cost or fair value, as appropriate. Our judgments with respect to our level of influence or control of an entity and whether we are the primary beneficiary of a variable interest entity as defined by Financial Accounting Standards Board, or FASB, Interpretation No. 46(R), *Consolidation of Variable Interest Entities*, or FIN No. 46(R), involve consideration of various factors including the form of our ownership interest, our representation on the entity's board of directors, the size of our investment (including loans) and our ability to participate in policy making decisions. Our ability to correctly assess our influence or control over an entity affects the presentation of these investments in our consolidated financial statements and, consequently, our financial position and specific items in our results of operations that are used by our stockholders, lenders and others in their evaluation of us.

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Generally, we consolidate real estate partnerships and other entities that are not variable interest entities (as defined in FIN No. 46(R)) when we own, directly or indirectly, a majority voting interest in the entity. In June 2005, the FASB ratified Emerging Issues Task Force, or EITF, Issue No. 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights*, or EITF 04-5. EITF 04-5 provides an accounting model to be used by a general partner, or group of general partners, to determine whether the general partner(s) controls a limited partnership or similar entity in light of certain rights held by the limited partners and provides additional guidance on what constitutes substantive kick-out rights and substantive participating rights.

Customer Diversification

As of June 30, 2007, there were no customers that occupied more than 5.0% of our consolidated and unconsolidated operating properties and development properties based on annualized base rent or gross leased square feet. The following table reflects our ten largest customers in all consolidated and unconsolidated operating properties, and development properties based on annualized base rent as of June 30, 2007.

Deutsche Post World Net (DHL & Exel)
Technicolor
Whirlpool Corporation
Bridgestone/Firestone
EGL, Inc.
S.C Johnson & Son, Inc.
The Clorox Sales Company
United Parcel Service (UPS)
Verizon
Ozburn-Hessey Logistics

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New Accounting Pronouncements

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, or SFAS 159, which expands the use of the fair value measurement to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. We will adopt the provisions of SFAS No. 159 during the first quarter of 2008. We do not believe such adoption will have a material impact on our consolidated financial statements.

In December 2006, the FASB issued FASB Staff Position on EITF No. 00–19, *Accounting for Registration Payment Arrangements*, or FSP EITF 00–19–2. This FASB Staff Position, or FSP, addresses an issuer's accounting for registration payment arrangements, specifying that the contingent obligation to make future payments or otherwise transfer consideration under a registration payment arrangement, whether issued as a separate agreement or included as a provision of a financial instrument or other agreement, should be separately recognized and measured in accordance with FASB Statement No. 5, *Accounting for Contingencies*. This FSP further clarifies that a financial instrument subject to a registration payment arrangement should be accounted for in accordance with other applicable generally accepted accounting principles without regard to the contingent obligation to transfer consideration pursuant to the registration payment arrangement. This FSP is effective for new and modified registration payment arrangements. Registration payment arrangements that were entered into before the FSP was issued would become subject to its guidance for fiscal years beginning after December 15, 2006 by recognizing a cumulative-effect adjustment in retained earnings as of the year of adoption. We adopted the FSP in the first quarter of 2007 and the adoption did not have a material impact on our consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, or SFAS 157, which defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosures about fair-value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. As SFAS 157 does not require any new fair value measurements or remeasurements of previously computed fair values, we do not believe adoption of this statement will have a material effect on our consolidated financial statements.

In July 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109*, or FIN 48. This interpretation clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on derecognition, classification of interest and penalties, accounting in interim periods, disclosure and transition.

We are subject to the provisions of FIN 48 as of January 1, 2007, and have analyzed the various federal and state filing positions, including the assertion that we are not taxable. We believe that the income tax filing positions are well documented and supported. As a result of the implementation of FIN 48, we recognized a \$0.5 million liability for unrecognized tax benefits, which includes approximately \$41,000 for accrued interest and penalties and was accounted for as an increase to the January 1, 2007 balance of distributions in excess of earnings. We recognize potential accrued interest and penalties related to unrecognized tax benefits as income tax expense. To the extent interest and penalties are not assessed with respect to uncertain tax positions, amounts accrued will be reduced and reflected as a reduction of the overall income tax expense. All years of our operations remain open for examination.

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Results of Operations

As of June 30, 2007, we consolidated 372 operating properties (including six operating properties held for contribution), seven redevelopment properties and five development properties located in a total of 23 markets throughout the United States. As of June 30, 2006, we consolidated 373 operating properties, ten of which are excluded from continuing operations as they were disposed of as of June 30, 2007, and three development properties located in a total of 23 markets throughout the United States. The net effect of operating properties placed into redevelopment, acquired, contributed or sold is the addition of nine operating properties, or approximately 246,000 square feet, to our continuing operating portfolio as of June 30, 2007 compared to June 30, 2006. On June 9, 2006, we purchased a portfolio of 78 buildings comprised of approximately 7.9 million square feet located in eight markets, as well as a land parcel comprising 9.2 acres located in the Orlando market (collectively referred to as the Cal TIA Portfolio). Upon acquisition, this portfolio was 92.2% leased and occupied. Since the financial results from additional operating properties are only included in our consolidated operations from the acquisition date forward, our revenues and expenses from our continuing operations for the three and six months ended June 30, 2007 reflect a significant increase compared to the revenues and expenses for the three and six months ended June 30, 2006.

The following table illustrates the changes in our consolidated operating properties in continuing operations as of, and for the three and six months ended, June 30, 2007 compared to June 30, 2006, respectively (dollar amounts in thousands).

	As of, and for the Three and Six Months Ended, June 30,			
	2007		2006	
	Bulk Distribution	Light Industrial and Other	Bulk Distribution	Light Industrial and Other
Operating properties in continuing operations ⁽¹⁾ :				
Number of buildings	218	154	214	149
Square feet (in thousands)	46,487	7,370	46,494	7,117
Occupancy at end of period	93.7%	88.4%	92.8%	89.1%
Segment net assets	\$1,992,927	\$ 521,322	\$2,047,258	\$ 517,102
For the three months ended June 30:				
Rental revenues	\$ 50,290	\$ 12,718	\$ 40,195	\$ 9,098
Net operating income ⁽²⁾	\$ 38,693	\$ 8,602	\$ 31,765	\$ 6,616
For the six months ended June 30:				
Rental revenues	\$ 102,110	\$ 25,873	\$ 76,825	\$ 17,292
Net operating income ⁽²⁾	\$ 77,958	\$ 17,933	\$ 60,438	\$ 12,513

⁽¹⁾ Includes six operating properties held for contribution as of June 30, 2007, which are included in continuing operations as they do not meet the criteria to be classified as held for sale, in accordance with SFAS No. 144.

⁽²⁾ Net operating income, or NOI, is defined as rental revenues, including reimbursements, less rental expenses and real estate taxes, which excludes depreciation, amortization, general and administrative expenses and interest expense. We consider NOI to be an appropriate supplemental performance measure because NOI reflects the operating performance of our properties and excludes certain items that are not considered to be controllable in connection with the management of the property such as depreciation, interest expense, interest income and general and administrative expenses. However, NOI should not be viewed as an alternative measure of our financial performance since it excludes expenses which could materially impact our results of operations. Further, our NOI may not be comparable to that of other real estate companies, as they may use different methodologies for calculating NOI. Therefore, we believe net income, as defined by GAAP, to be the most appropriate measure to evaluate our overall financial performance.

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The following table is a reconciliation of our NOI to our reported net income from continuing operations for the three and six months ended June 30, 2007 and 2006 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Property NOI	\$ 47,295	\$ 38,381	\$ 95,891	\$ 72,951
Institutional capital management and other fees	572	126	1,318	178
Real estate related depreciation and amortization	(28,389)	(26,353)	(57,157)	(49,592)
General and administrative expenses	(5,677)	(1,263)	(9,733)	(1,942)
Asset management fees, related party	—	(4,297)	—	(7,815)
Equity in income (losses) of unconsolidated joint ventures, net	(31)	(129)	43	(182)
Gain on dispositions of real estate interests	9,132	4,044	17,017	8,032
Interest expense	(15,204)	(14,623)	(32,071)	(26,157)
Interest income and other	2,157	2,060	3,139	4,522
Income taxes	(513)	(189)	(984)	(240)
Minority interests	(1,397)	118	(2,479)	294
Income (Loss) from Continuing Operations	<u>\$ 7,945</u>	<u>\$ (2,125)</u>	<u>\$ 14,984</u>	<u>\$ 49</u>

The following table reflects our total assets, net of accumulated depreciation and amortization, by property type segment (in thousands).

	June 30, 2007	June 30, 2006
Property type segments:		
Bulk distribution	\$1,992,927	\$2,047,258
Light industrial and other	<u>521,322</u>	<u>517,102</u>
Total segment net assets	2,514,249	2,564,360
Development and redevelopment assets	102,585	51,361
Properties excluded from continuing operations	—	91,246
Non-segment assets:		
Properties in pre-development including land held	30,331	11,291
Non-segment cash and cash equivalents	27,211	31,248
Other non-segment assets (1)	<u>109,573</u>	<u>55,133</u>
Total assets	<u>\$2,783,949</u>	<u>\$2,804,639</u>

(1) Other non-segment assets primarily consists of corporate assets including investments in unconsolidated joint ventures, notes receivable, certain loan costs, including loan costs associated with our financing obligations, and deferred acquisition costs.

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Comparison of the three months ended June 30, 2007 compared to the three months ended June 30, 2006

The following table illustrates the changes in rental revenues, rental expenses and real estate taxes, property net operating income, other income and other expenses for the three months ended June 30, 2007 compared to the three months ended June 30, 2006. Our same store portfolio includes all operating properties that we owned for the entirety of both the current and prior year reporting periods for which the operations had been stabilized. The same store portfolio for the three months ended June 30, 2007 totaled 255 buildings comprised of approximately 39.3 million square feet. A discussion of these changes follows the table (in thousands).

	Three Months Ended June 30,		\$ Change
	2007	2006	
Rental Revenues			
Same store	\$44,254	\$42,424	\$ 1,830
2006/2007 acquisitions and dispositions	18,243	6,708	11,535
Development and redevelopment	176	161	15
Held for contribution	335	—	335
Total rental revenues	<u>63,008</u>	<u>49,293</u>	<u>13,715</u>
Rental Expenses and Real Estate Taxes			
Same store	10,619	9,742	877
2006/2007 acquisitions and dispositions	4,837	1,122	3,715
Development and redevelopment	180	48	132
Held for contribution	77	—	77
Total rental expenses and real estate taxes	<u>15,713</u>	<u>10,912</u>	<u>4,801</u>
Property Net Operating Income ⁽¹⁾			
Same store	33,635	32,682	953
2006/2007 acquisitions and dispositions	13,406	5,586	7,820
Development and redevelopment	(4)	113	(117)
Held for contribution	258	—	258
Total property net operating income	<u>47,295</u>	<u>38,381</u>	<u>8,914</u>
Other Income			
Institutional capital management and other fees	572	126	446
Gain on disposition of real estate assets	118	(21)	139
Gain on dispositions of non-depreciated real estate	9,014	4,065	4,949
Equity in losses of unconsolidated joint ventures, net	(31)	(129)	98
Interest income and other	2,157	2,060	97
Total other income	<u>11,830</u>	<u>6,101</u>	<u>5,729</u>
Other Expenses			
Real estate related depreciation and amortization	28,389	26,353	2,036
General and administrative expenses	5,677	1,263	4,414
Asset management fees, related party	—	4,297	(4,297)
Income taxes	513	189	324
Interest expense	15,204	14,623	581
Total other expenses	49,783	46,725	3,058
Minority interests	(1,397)	118	(1,515)
Income (loss) from discontinued operations	(108)	479	(587)
Net income (loss)	<u>\$ 7,837</u>	<u>\$ (1,646)</u>	<u>\$ 9,483</u>

(1) For a discussion as to why we view net operating income to be an appropriate supplemental performance measure, and a reconciliation of our net operating income for the three months ended June 30, 2007 and 2006 to our reported net income from continuing operations for the three months ended June 30, 2007 and 2006, see page 30 above.

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Rental Revenues

Rental revenues increased by approximately \$13.7 million, or 27.8%, for the three months ended June 30, 2007 compared to the same period in 2006, primarily as a result of the net increase in operating properties due to acquisitions. In particular, on June 9, 2006, we purchased a portfolio of 78 buildings comprised of approximately 7.9 million square feet located in eight markets, as well as a land parcel comprising 9.2 acres located in the Orlando market (collectively referred to as the Cal TIA Portfolio). Upon acquisition, this portfolio was 92.2% leased and occupied and its operations were only included in our consolidated operations from the acquisition date forward. Additionally, tenant recovery income increased by \$4.0 million for the three months ended June 30, 2007 compared to the same period in 2006 primarily due to the increased number of operating properties. Same store rental revenues increased by approximately \$1.8 million, or 4%, for the three months ended June 30, 2007 compared to the same period in 2006 primarily due to increased base rent per square foot and slightly higher average occupancy.

Rental Expenses and Real Estate Taxes

Rental expenses and real estate taxes increased by approximately \$4.8 million, or 44.0%, for the three months ended June 30, 2007 compared to the same period in 2006, primarily as a result of the increased number of operating properties, as well as increased insurance rates and real estate tax rates, and higher asset management fees, all of which are generally recoverable from our tenants. Same store rental expenses and real estate taxes increased by approximately \$0.9 million, or 9%, for the three months ended June 30, 2007 as compared to the same period in 2006, primarily as a result of increased insurance rates, higher real estate tax rates, and higher asset management fees, all of which are generally recoverable from our tenants. Additionally, expenses that are generally not recoverable from our tenants also increased.

Other Income

Other income increased by approximately \$5.7 million for the three months ended June 30, 2007 as compared to the same period in 2006, primarily as a result of approximately \$5.1 million more gain related to dispositions of real estate interests during the three months ended June 30, 2007 compared to the three months ended June 30, 2006. During the three months ended June 30, 2007, we disposed of three operating properties comprised of approximately 905,000 square feet located in three markets, which were contributed to institutional joint ventures in which we retain ownership interests for a total contribution value of approximately \$46.5 million. Additionally, upon settlement of the \$275.0 million forward-starting swap (see additional discussion in Note 4 to the consolidated financial statements), we recorded a realized gain of approximately \$1.8 million, offset by approximately \$0.3 million in interest income and other for the three months ended June 30, 2007.

Other Expenses

Real estate related depreciation and amortization increased by approximately \$2.0 million for the three months ended June 30, 2007 as compared to the same period in 2006, primarily due to the increase in our operating properties due to acquisitions. The increase in general and administrative expenses of \$4.4 million and the decrease in asset management fees of \$4.3 million are primarily attributable to the internalization of our management in October 2006. The increase in interest expense of approximately \$0.6 million is primarily attributable to slightly higher average outstanding debt balances during the three months ended June 30, 2007 compared to the same period in 2006.

Minority Interest

Minority interest in our operating partnership increased from approximately 3% as of June 30, 2006 to approximately 15% as of June 30, 2007, primarily due to issuance of units in our operating partnership, or OP Units, in relation to our Internalization during October 2006, and to unrelated third-party investors in connection with our operating partnership's private placement (see Note 5 for additional information).

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Comparison of the six months ended June 30, 2007 compared to the six months ended June 30, 2006

The following table illustrates the changes in rental revenues, rental expenses and real estate taxes, property net operating income, other income and other expenses for the six months ended June 30, 2007 compared to the six months ended June 30, 2006. Our same store portfolio includes all operating properties that we owned for the entirety of both the current and prior year reporting periods for which the operations had been stabilized. The same store portfolio for the six months ended June 30, 2007 totaled 246 buildings comprised of approximately 36.9 million square feet. A discussion of these changes follows the table (in thousands).

	Six Months Ended June 30,		\$ Change
	2007	2006	
Rental Revenues			
Same store	\$ 84,020	\$82,190	\$ 1,830
2006/2007 acquisitions and dispositions	43,094	11,614	31,480
Development and redevelopment	534	313	221
Held for contribution	335	—	335
Total rental revenues	<u>127,983</u>	<u>94,117</u>	<u>33,866</u>
Rental Expenses and Real Estate Taxes			
Same store	20,415	19,053	1,362
2006/2007 acquisitions and dispositions	11,286	2,034	9,252
Development and redevelopment	314	79	235
Held for contribution	77	—	77
Total rental expenses and real estate taxes	<u>32,092</u>	<u>21,166</u>	<u>10,926</u>
Property Net Operating Income⁽¹⁾			
Same store	63,605	63,137	468
2006/2007 acquisitions and dispositions	31,808	9,580	22,228
Development and redevelopment	220	234	(14)
Held for contribution	258	—	258
Total property net operating income	<u>95,891</u>	<u>72,951</u>	<u>22,940</u>
Other Income			
Institutional capital management and other fees	1,318	178	1,140
Gain on disposition of real estate assets	4,292	3,967	325
Gain on dispositions of non-depreciated real estate	12,725	4,065	8,660
Equity in income (losses) of unconsolidated joint ventures, net	43	(182)	225
Interest income and other	3,139	4,522	(1,383)
Total other income	<u>21,517</u>	<u>12,550</u>	<u>8,967</u>
Other Expenses			
Real estate related depreciation and amortization	57,157	49,592	7,565
General and administrative expenses	9,733	1,942	7,791
Asset management fees, related party	—	7,815	(7,815)
Income taxes	984	240	744
Interest expense	32,071	26,157	5,914
Total other expenses	<u>99,945</u>	<u>85,746</u>	<u>14,199</u>
Minority interests	(2,479)	294	(2,773)
Income from discontinued operations	8,208	260	7,948
Net income (loss)	<u>\$ 23,192</u>	<u>\$ 309</u>	<u>\$22,883</u>

⁽¹⁾ For a discussion as to why we view net operating income to be an appropriate supplemental performance measure, and a reconciliation of our net operating income for the six months ended June 30, 2007 and 2006 to our reported net income from continuing operations for the six months ended June 30, 2007 and 2006, see page 30 above.

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Rental Revenues

Rental revenues increased by approximately \$33.9 million, or 36%, for the six months ended June 30, 2007 compared to the same period in 2006, primarily as a result of the net increase in operating properties due to acquisitions. In particular, on June 9, 2006, we purchased a portfolio of 78 buildings comprised of approximately 7.9 million square feet located in eight markets, as well as a land parcel comprising 9.2 acres located in the Orlando market (collectively referred to as the Cal TIA Portfolio). Upon acquisition, this portfolio was 92.2% leased and occupied and its operations were only included in our consolidated operations from the acquisition date forward. Additionally, tenant recovery income increased by \$9.0 million for the six months ended June 30, 2007 compared to the same period in 2006 primarily due to the increased number of operating properties. Same store rental revenues increased by approximately \$1.8 million, or 2.2%, for the six months ended June 30, 2007 compared to the same period in 2006 primarily due to increased base rent per square foot offset by slightly lower average occupancy.

Rental Expenses and Real Estate Taxes

Rental expenses and real estate taxes increased by approximately \$10.9 million, or 52%, for the six months ended June 30, 2007 compared to the same period in 2006, primarily as a result of the increased number of operating properties, as well as higher insurance costs, increased maintenance costs due to winter weather, and higher asset management fees, all of which are generally recoverable from our tenants. Same store rental expenses and real estate taxes increased by approximately \$1.4 million, or 7.1%, for the six months ended June 30, 2007 as compared to the same period in 2006, primarily related to higher insurance costs, increased maintenance costs due to winter weather, and higher asset management fees, all of which are generally recoverable from our tenants. Additionally, expenses that are generally not recoverable from our tenants also increased.

Other Income

Other income increased by approximately \$9.0 million for the six months ended June 30, 2007 as compared to the same period in 2006, primarily as a result of approximately \$9.0 million more gain related to dispositions of real estate interests and increased institutional capital management and other fees of \$1.1 million, offset by a decrease in interest income of \$1.4 million due to lower average cash balances. During the six months ended June 30, 2007, we disposed of nine operating properties comprised of approximately 2.8 million square feet located in eight markets. Additionally, upon settlement of the \$275.0 million forward-starting swap (see additional discussion in Note 4 to the consolidated financial statements), we recorded a realized gain of approximately \$1.8 million, offset by approximately \$0.3 million in interest income and other for the six months ended June 30, 2007.

Other Expenses

Real estate related depreciation and amortization increased by approximately \$7.6 million for the six months ended June 30, 2007 as compared to the same period in 2006, primarily due to the increase in our operating properties due to acquisitions. The increase in general and administrative expenses of \$7.8 million and the decrease in asset management fees of \$7.8 million are primarily attributable to the internalization of our management in October 2006. The increase in interest expense of approximately \$5.9 million is primarily attributable to higher average outstanding debt balances during the six months ended June 30, 2007 compared to the same period in 2006.

Income from Discontinued Operations

Income from discontinued operations increased primarily due to the gain on sale of three properties that we sold to unrelated third parties during the six months ended June 30, 2007, resulting in \$9.6 million more gain as no properties were sold during the six months ended June 30, 2006.

Minority Interest

Minority interest in our operating partnership increased from approximately 3% as of June 30, 2006 to approximately 15% as of June 30, 2007, primarily due to issuance of OP Units in relation to our Internalization during October 2006, and to unrelated third-party investors in connection with our operating partnership's private placement (see Note 5 for additional information).

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Liquidity and Capital Resources

Overview

We currently expect that our principal sources of working capital and funding for acquisitions and potential capital requirements for expansions and renovation of properties, developments, distributions to investors and debt service will include:

- Cash flows from operations;
- Proceeds from capital recycling, including asset contributions and dispositions;
- Borrowings under our senior unsecured credit facility;
- Other forms of secured or unsecured financings;
- Current cash balances; and
- Capital from our institutional capital management program.

We believe that our sources of capital are adequate and will continue to be adequate to meet our short-term liquidity requirements and capital commitments. These liquidity requirements and capital commitments include operating activities, debt service obligations, regular quarterly equityholder distributions, capital expenditures at our properties, forward purchase commitments (as more fully described below), and future acquisitions.

We expect to utilize the same sources of capital we rely on to meet our short-term liquidity requirements to meet our long-term liquidity requirements. We expect these resources will be adequate to fund our operating activities, debt service obligations and equityholder distributions and will be sufficient to fund our ongoing acquisition and development activities as well as to provide capital for investment in future development and other joint ventures along with additional potential forward purchase commitments. In addition, we may engage in future offerings of common stock or other securities.

Cash Flows

During the six months ended June 30, 2007 and 2006, our cash provided by operating activities increased \$14.7 million, primarily related to increased operating income from our consolidated operating properties offset by increased interest expense related to higher average outstanding indebtedness during the six months ended June 30, 2007. During the six months ended June 30, 2007 our cash provided by investing activities was approximately \$43.0 million and during the six months ended June 30, 2006, our cash used by investing activities was approximately \$848.2 million. We acquired \$810.6 million less in real estate during the six months ended June 30, 2007 than during the same period in 2006. Additionally, we completed the sale or contribution of 12 operating properties compared to six properties during the six months ended June 30, 2006, which resulted in an increase of approximately \$81.1 million in proceeds from dispositions of real estate investments. Finally, our capital expenditures were \$17.3 million less during the six months ended June 30, 2007 compared to the same period in 2006 due to fewer construction projects completed during the six months ended June 30, 2007, and the completion of several large projects started in late 2005 during the six months ended 2006. During the six months ended June 30, 2007, our cash used by financing activities was approximately \$85.1 million and during the six months ended June 30, 2006, our cash provided in financing activities was approximately \$748.3 million. During the six months ended June 30, 2007, we received no proceeds for the sale of our common stock or debt issuances, however during the same period in 2006, we received \$154.5 million and \$425.0 million, respectively, in such proceeds. Additionally, our cash distributions to our equityholders increased by \$42.8 million for the six months ended June 30, 2007 compared to the same period in 2006 related to the increase in common stock and OP Units outstanding as of June 30, 2007.

During the six months ended June 30, 2007, we paid distributions of \$62.7 million, which were satisfied through our existing cash balances. During the six months ended June 30, 2006, payment of distributions of approximately \$44.0 million were satisfied through the issuance of \$24.1 million in common stock pursuant to our previous distribution reinvestment plan and \$19.9 million of existing cash balances.

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Our Operating Partnership's Private Placement

Prior to October 10, 2006, our operating partnership offered undivided tenancy-in-common interests, or TIC Interests, in our properties to accredited investors in a private placement exempt from registration under the Securities Act. These TIC Interests may have served as replacement properties for investors seeking to complete like-kind exchange transactions under Section 1031 of the Code. The TIC Interests are 100% leased by our operating partnership pursuant to master leases and such leases contain purchase options whereby our operating partnership has the right, but not the obligation, to acquire the TIC Interests from the investors at a later point in time in exchange for OP Units under Section 721 of the Code.

The sales of the TIC Interests were included in financing obligations in our accompanying consolidated balance sheets pursuant to SFAS No. 98, *Accounting for Leases*, or SFAS No. 98. We have leased the TIC Interests sold to unrelated third parties, and in accordance with SFAS No. 98, a portion of the rental payments made to third parties under the lease agreements are recognized as a reduction to the related financing obligation and a portion is recognized as interest expense using the interest method.

During the three and six months ended June 30, 2007, we incurred approximately \$1.5 million and \$3.6 million, respectively, of rental payments under various lease agreements with certain of the third-party investors. We incurred approximately \$3.5 million and \$6.3 million, respectively, during the same periods of 2006. A portion of such amounts was accounted for as a reduction of the outstanding principal balance of the financing obligations and a portion was accounted for as interest expense in the accompanying consolidated financial statements. Included in interest expense was approximately \$1.3 million and \$3.2 million for the three and six months ended June 30, 2007, respectively, of interest expense related to the financing obligation. Included in interest expense was approximately \$2.9 million and \$5.0 million, respectively, during the same periods of 2006. The various lease agreements in place as of June 30, 2007 contain expiration dates ranging from March 2021 to August 2021.

The following table sets forth the five-year, future minimum rental payments due to third parties under the various lease agreements (in thousands):

Year Ending December 31,	Future Minimum Rental Payments
Remainder of 2007	\$ 3,628
2008	7,458
2009	7,458
2010	7,545
2011	7,630
Thereafter	71,195
Total	<u>\$ 104,914</u>

During the six months ended June 30, 2007, our operating partnership exercised purchase options to acquire certain TIC Interests it had previously sold in 14 industrial properties located in Tennessee and Texas. In connection with the exercise of these options, our operating partnership issued an aggregate of approximately 6.8 million OP Units valued at approximately \$76.9 million to acquire such TIC Interests. Related to the purchase of one of these buildings, we assumed \$14.9 million of a secured note with an interest rate of 5.0% that was previously reflected in financing obligations. In connection with unexpired call options, we anticipate issuing between eight and nine million OP Units, depending on the average price of our common stock.

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Institutional Capital Management

TRT–DCT Industrial Joint Venture I and II

We have entered into a strategic relationship with Dividend Capital Total Realty Trust, or DCTRT, whereby we have entered into two joint ventures with DCTRT and/or its affiliates to serve as the exclusive vehicles through which DCTRT will acquire industrial real estate assets in certain major markets in which we currently operate until the end of 2008. The exclusivity provisions remain in effect so long as we introduce a certain minimum amount of potential acquisition opportunities within a specified time frame for each joint venture.

Debt Service Requirements

As of June 30, 2007, we had total outstanding debt, excluding premiums and financing obligations related to our operating partnership's private placement, of approximately \$1.1 billion consisting primarily of unsecured notes and secured, fixed–rate, non–recourse mortgage notes. All of these notes require monthly or quarterly payments of interest and many require, or will ultimately require, monthly or quarterly repayments of principal. Currently, cash flows from our operations are sufficient to satisfy these monthly and quarterly debt service requirements and we anticipate that cash flows from operations will continue to be sufficient to satisfy our regular monthly and quarterly debt service. During the three and six months ended June 30, 2007 our debt service, including principal and interest, totaled \$16.9 million and \$36.1 million, respectively. Debt service, including principal and interest for the same periods of 2006, totaled \$13.2 million and \$24.1 million, respectively.

Forward Purchase Commitments

Nexus

In November 2006, we entered into six separate forward purchase commitments with Nexus Desarrollos Industriales, or Nexus, an unrelated third party, to acquire six newly constructed buildings comprised of approximately 859,000 square feet. The six buildings will be located on separate development sites in four submarkets in the metropolitan area of Monterrey, Nuevo Leon, Mexico. The forward purchase commitments obligate us to acquire each of the six facilities from Nexus upon completion, subject to a variety of conditions related to, among other things, the buildings complying with approved drawings and specifications. Timing on the closings under the purchase obligations depends on leasing at each building. Our aggregate purchase price for the six facilities is no less than \$33.8 million and increases as buildings are leased prior to closing. Contemporaneously with the execution of the forward purchase commitments, we provided Nexus with six separate letters of credit aggregating \$33.8 million to secure our future performance under the forward purchase commitments, all subject to a variety of construction and site–related conditions. Construction of all six buildings commenced during the six months ended June 30, 2007, and is estimated to be completed during the third quarter of 2007. Closing on the individual buildings is expected to occur in 2007 and 2008.

Deltapoint

In March 2005, a wholly–owned subsidiary of our operating partnership entered into a joint venture agreement with Deltapoint Park Associates, LLC, an unrelated third–party developer, to acquire 47 acres of land and to develop an 885,000 square foot distribution facility located in Memphis, Tennessee. Deltapoint Park Partners LLC, or Deltapoint, a Delaware limited liability company, was created for the purpose of conducting business on behalf of the joint venture. Pursuant to Deltapoint's operating agreement, we were obligated to make the majority of the initial capital contributions and we received a preferred return on such capital contributions. Subsequent to the closing of a construction loan in May 2005, Deltapoint repaid us our initial capital contributions plus our preferred return, and we ceased to be a member of Deltapoint. Contemporaneously with the closing of the construction loan, our operating partnership entered into a forward purchase commitment agreement whereby we were obligated to acquire the distribution facility from Deltapoint upon the earlier to occur of (i) stabilization of the project, and (ii) May 2007, at a purchase price, mostly dependent upon leasing, based on the originally budgeted development costs of approximately \$26 million. Construction of the facility was completed early in 2006 and we acquired the building 47% occupied on June 29, 2007. The land acquisition is estimated to close during the third quarter of 2007.

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Distributions

The payment of quarterly distributions is determined by our board of directors and may be adjusted at its discretion at any time. We currently pay an annualized distribution rate of \$0.64 per share or OP unit. We believe this level to be appropriate and sustainable based upon the evaluation of existing assets within our portfolio, anticipated acquisitions and dispositions, projected levels of additional capital to be raised, debt to be incurred in the future and our anticipated results of operations.

During the three and six months ended June 30, 2007, our board of directors declared distributions to stockholders totaling approximately \$31.9 million and \$63.8 million, respectively, including distributions to OP unitholders. During the same periods of 2006, our board of directors declared distributions to stockholders totaling approximately \$24.4 million and \$47.7 million, respectively, including distributions to OP unitholders. During the six months ended June 30, 2007, we paid distributions of \$30.8 million on January 8, 2007, for distributions declared in the fourth quarter of 2006, and \$31.9 million on April 19, 2007, for distributions declared in the first quarter of 2007, funded with existing cash balances.

Outstanding Indebtedness

Our outstanding indebtedness consists of secured mortgage debt, unsecured notes and an unsecured revolving credit facility. As of June 30, 2007, outstanding indebtedness, excluding \$64.6 million representing our proportionate share of debt associated with unconsolidated joint ventures, totaled approximately \$1.1 billion. As of December 31, 2006, outstanding indebtedness also totaled approximately \$1.1 billion. As of June 30, 2007, the total historical cost of all our consolidated properties was approximately \$2.9 billion and the total historical cost of all properties securing our fixed rate mortgage debt was approximately \$1.3 billion. As of December 31, 2006, the total historical cost of our properties, including properties held for sale, was approximately \$2.9 billion and the total historical cost of properties securing our fixed rate mortgage debt was approximately \$1.3 billion. Our debt has various covenants and we were in compliance with all of these covenants as of June 30, 2007 and December 31, 2006.

Line of Credit

In December 2006, we amended our senior unsecured revolving credit facility with a syndicated group of banks, increasing the total capacity from \$250.0 million to \$300.0 million and extending the maturity date from December 2008 to December 2010. The facility has provisions to increase its total capacity to \$500.0 million. At our election, the facility bears interest either at LIBOR plus between 0.55% and 1.1%, depending upon our consolidated leverage, or at prime and is subject to an annual facility fee. The facility contains various covenants, including financial covenants with respect to consolidated leverage, tangible net worth, fixed charge coverage, unsecured indebtedness, fixed charge coverage and secured indebtedness. As of June 30, 2007 and December 31, 2006, we were in compliance with all of these covenants. As of June 30, 2007 and December 31, 2006, \$27.0 million and \$34.3 million, respectively, was outstanding under this facility.

Debt Issuances

There were no new debt issuances during the six months ended June 30, 2007. In June 2006, we issued, on a private basis, \$275.0 million of senior unsecured notes requiring monthly interest-only payments at a variable interest rate of LIBOR plus 0.73% which mature in June 2008. In conjunction with this transaction, we entered into a \$275.0 million swap to mitigate the effect of potential changes in LIBOR. This swap expired in February 2007. See Note 4 to our consolidated financial statements for additional information regarding our hedging transactions. In April 2006, we issued, on a private basis, \$50.0 million of senior unsecured notes with a fixed interest rate of 5.53% which mature in April 2011, and \$50.0 million of senior unsecured notes with a fixed interest rate of 5.77% which mature in April 2016. The notes require quarterly interest-only payments until maturity at which time a lump sum payment is due. In January 2006, we issued, on a private basis, \$50.0 million of senior unsecured notes requiring quarterly interest-only payments at a fixed interest rate of 5.68% which mature in January 2014. The proceeds from these note issuances were primarily used to fund acquisitions of properties.

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The following table sets forth the scheduled maturities of our debt, excluding unamortized premiums, as of June 30, 2007 (amounts in thousands).

Year Ending December 31,	Senior Unsecured Notes	Mortgage Notes	Line of Credit	Total
Remainder of 2007	\$ —	\$ 4,159	\$ —	\$ 4,159
2008	275,000	69,926	—	344,926
2009	—	7,441	—	7,441
2010	—	57,871	27,000	84,871
2011	50,000	233,306	—	283,306
2012	—	172,313	—	172,313
Thereafter	100,000	92,269	—	192,269
Total	<u>\$425,000</u>	<u>\$ 637,285</u>	<u>\$27,000</u>	<u>\$1,089,285</u>

Financing Strategy

We do not have a formal policy limiting the amount of debt we incur, although we currently intend to operate so that our indebtedness will not exceed 60% of our total market capitalization at the time of incurrence. Our total market capitalization is defined as the sum of the market value of our outstanding shares of common stock (which may decrease, thereby increasing our debt to total capitalization ratio), including shares of restricted stock that we will issue to certain of our officers under our long-term incentive plan, plus the aggregate value of OP Units not owned by us, plus the book value of our total consolidated indebtedness and our pro rata share of debt related to unconsolidated joint ventures. Since this ratio is based, in part, upon market values of equity, it will fluctuate with changes in the price of our shares of common stock; however, we believe that this ratio provides an appropriate indication of leverage for a company whose assets are primarily real estate. As of June 30, 2007, our debt to total market capitalization ratio was 35.2%. Our charter and our bylaws do not limit the amount or percentage of indebtedness that we may incur. We are, however, subject to certain leverage limitations pursuant to the restrictive covenants of our outstanding indebtedness. For example, under our senior unsecured revolving credit facility, we have agreed that we will not permit our total indebtedness to be more than 60% of our total asset value and our total secured indebtedness to be more than 40% of our total asset value. Our board of directors may from time to time modify our debt policy in light of then-current economic conditions, relative costs of debt and equity capital, market values of our properties, general conditions in the market for debt and equity securities, fluctuations in the market price of our common stock, growth and acquisition opportunities and other factors.

Off-Balance Sheet Arrangements

As of June 30, 2007 and December 31, 2006, respectively, we had no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors. In addition to operating leases, we have \$33.8 million of outstanding letters of credit and we own interests in unconsolidated joint ventures. Based on the provisions of certain joint venture agreements, we are not deemed to have control of these joint ventures sufficient to require or permit consolidation for accounting purposes (for additional information, see Note 1 to our consolidated financial statements). There are no lines of credit, side agreements, or any other derivative financial instruments related to or between our unconsolidated joint ventures and us, and we believe we have no material exposure to financial guarantees, except for during the three months ended June 30, 2007, a wholly owned, consolidated subsidiary issued a secured \$16.0 million, 6.0% interest note, maturing on July 1, 2014 to TRT-DCT Industrial Joint Venture I. The note is guaranteed by us until all related obligations are satisfied. Accordingly, our maximum risk of loss related to these unconsolidated joint ventures is generally limited to the carrying amounts of our investments in the unconsolidated joint ventures, which were \$56.5 million and \$42.3 million as of June 30, 2007 and December 31, 2006, respectively. We have, however, made certain non-recourse guarantees (referred to as standard non-recourse carve outs) with respect to certain debt issuances by these joint ventures, which, under certain limited circumstances, may become full-recourse guarantees.

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Funds From Operations

We believe that net income, as defined by GAAP, is the most appropriate earnings measure. However, we consider FFO as defined by the National Association of Real Estate Investment Trusts, or NAREIT, to be a useful supplemental measure of our operating performance. NAREIT developed FFO as a relative measure of performance of an equity REIT in order to recognize that the value of income-producing real estate historically has not depreciated on the basis determined under GAAP. FFO is generally defined as net income, calculated in accordance with GAAP, plus real estate-related depreciation and amortization, less gain (or loss) from dispositions of real estate held for investment purposes and adjustments to derive our pro rata share of FFO of consolidated and unconsolidated joint ventures. Readers should note that FFO captures neither the changes in the value of our properties that result from use or market conditions, nor the level of capital expenditures and leasing commissions necessary to maintain the operating performance of our properties, all of which have real economic effect and could materially impact our results from operations. Other REITs may not calculate FFO in accordance with the NAREIT definition and, accordingly, our FFO may not be comparable to such other REITs' FFO. Accordingly, FFO should be considered only as a supplement to net income as a measure of our performance.

The following table presents the calculation of our FFO reconciled from net income for the periods indicated below on a historical basis (unaudited, amounts in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2007	2006	2007	2006
Net income (loss) attributable to common shares	\$ 7,837	\$ (1,646)	\$ 23,192	\$ 309
Adjustments:				
Real estate related depreciation and amortization	28,389	27,617	57,172	52,109
Equity in (income) losses of unconsolidated joint ventures, net	31	129	(43)	182
Equity in FFO of unconsolidated joint ventures	415	93	811	150
Gain on disposition of real estate interests	(9,132)	(4,044)	(17,017)	(8,032)
Gain on disposition of real estate interests related to discontinued operations	—	—	(9,561)	—
Gain on dispositions of non-depreciated real estate	9,014	4,065	12,725	4,065
Minority interest in the operating partnership's share of the above adjustments	(4,397)	(795)	(6,602)	(1,942)
Funds from operations attributable to common shares – basic	32,157	25,419	60,677	46,841
FFO attributable to dilutive OP Units	5,774	523	10,571	805
Funds from operations attributable to common shares – diluted	<u>\$ 37,931</u>	<u>\$ 25,942</u>	<u>\$ 71,248</u>	<u>\$ 47,646</u>
Basic FFO per common share	\$ 0.19	\$ 0.17	\$ 0.36	\$ 0.32
Diluted FFO per common share	\$ 0.19	\$ 0.17	\$ 0.36	\$ 0.32
Weighted average common shares outstanding:				
Basic	168,355	150,053	168,355	147,812
Dilutive OP Units	30,348	3,088	29,356	2,503
Diluted	<u>198,703</u>	<u>153,141</u>	<u>197,711</u>	<u>150,315</u>

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss from adverse changes in market prices such as rental rates and interest rates. Our future earnings and cash flows are dependent upon prevailing market rates. Accordingly, we manage our market risk by matching projected cash inflows from operating, investing and financing activities with projected cash outflows for debt service, acquisitions, capital expenditures, distributions to stockholders and OP unit holders, and other cash requirements. The majority of our outstanding debt has fixed interest rates, which minimizes the risk of fluctuating interest rates.

Our exposure to market risk includes interest rate fluctuations in connection with our credit facility and other variable rate borrowings and forecasted fixed rate debt issuances, including refinancing of existing fixed rate debt. Interest rate risk may result from many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors that are beyond our control. To manage interest rate risk for forecasted issuances of fixed rate debt, we primarily use treasury locks and forward-starting swaps as part of our cash flow hedging strategy. These derivatives are designed to mitigate the risk of future interest rate fluctuations by providing a future fixed interest rate for a limited, pre-determined period of time. During the six months ended June 30, 2007 and 2006, such derivatives were in place to hedge the variable cash flows associated with forecasted issuances of debt, which are expected to occur during the period from 2007 through 2012, and to mitigate fluctuations in certain variable rate borrowings. We do not use derivatives for trading or speculative purposes and only enter into contracts with major financial institutions based on their credit rating and other factors.

As of June 30, 2007, derivatives with a fair value of \$5.2 million were included in other assets, net, and as of December 31, 2006, derivatives with a negative fair value of \$9.3 million were included in other liabilities. For the three and six months ended June 30, 2007, \$0.3 million loss for both periods was recorded as a result of ineffectiveness due to the change in estimated timing of the anticipated debt issuances. There was no ineffectiveness recorded during the three and six months ended June 30, 2006. The assets associated with these derivatives would decrease approximately \$6.7 million if the market interest rate of the referenced swap index were to decrease 10% (or 58 basis points) based upon the prevailing market rate as of June 30, 2007.

Similarly, our variable rate debt is subject to risk based upon prevailing market interest rates. As of June 30, 2007, we had approximately \$327.2 million of variable rate debt outstanding. If the prevailing market interest rates relevant to our remaining variable rate debt were to increase 10% (or 61 basis points), our interest expense for the six months ended June 30, 2007 would have increased by approximately \$0.9 million.

As of June 30, 2007, the estimated fair value of our debt was approximately \$1.1 billion based on our estimate of the then-current market interest rates.

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ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) under the Exchange Act, as of June 30, 2007, the end of the period covered by this report. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that our disclosure controls and procedures will detect or uncover every situation involving the failure of persons within DCT Industrial Trust Inc. or its affiliates to disclose material information otherwise required to be set forth in our periodic reports. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of June 30, 2007 in providing reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Changes in Internal Control over Financial Reporting

None.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors set forth in Item 1A. to Part I of our Form 10-K filed on March 14, 2007.

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

Recent Sales of Unregistered Securities

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On May 3, 2007, we held our annual meeting of stockholders (the "2007 annual meeting"). Nine directors were nominated by our board of directors for election by the stockholders at the 2007 annual meeting, each to hold office until the next annual stockholders meeting. A plurality of the shares voted at this meeting approved the election of all nine nominees as described in the table below.

	Votes	
	<u>FOR</u>	<u>WITHHELD</u>
Thomas G. Wattles	129,911,282	11,500,549
Philip L Hawkins	130,302,814	11,109,017
Phillip R. Altinger	130,312,978	11,098,853
Thomas F. August	130,321,389	11,090,442
John S. Gates, Jr.	129,836,198	11,575,633
Tripp H. Hardin	130,324,620	11,087,211
James R. Mulvihill	130,321,501	11,090,330
John C. O'Keefe	130,333,394	11,078,437
Bruce L. Warwick	130,328,180	11,083,651

One other proposal was considered by our stockholders at the 2007 annual meeting:

- *The Accountant Proposal*: the ratification of our selection of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2007;

This proposal was approved by our stockholders at the 2007 annual meeting with the final vote count as follows:

Proposal	Votes		
	<u>FOR</u>	<u>AGAINST</u>	<u>ABSTAIN</u>
Accountant	140,776,414	167,872	467,545

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

a. Exhibits

- +10.1 DCT Industrial Trust Inc. Amended and Restated 2006 Long-Term Incentive Plan
- 10.2 Third Amendment to the Amended and Restated Limited Partnership Agreement of DCT Industrial Operating Partnership LP (incorporated by reference to Exhibit 99.2 to the registration Statement on Form S-3, Commission File No. 333-145253)
- +31.1 Rule 13a-14(a) Certification of Principal Executive Officer
- +31.2 Rule 13a-14(a) Certification of Principal Financial Officer
- +32.1 Section 1350 Certification of Principal Executive Officer
- +32.2 Section 1350 Certification of Principal Financial Officer

+ Filed herewith.

SIGNATURES

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

DCT INDUSTRIAL TRUST INC.

Date: August 14, 2007

/s/ Philip L. Hawkins
Philip L. Hawkins
Chief Executive Officer

Date: August 14, 2007

/s/ Stuart B. Brown
Stuart B. Brown
Chief Financial Officer

EXHIBIT INDEX

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+ Filed herewith.

DCT INDUSTRIAL TRUST INC.
AMENDED AND RESTATED
2006 LONG-TERM INCENTIVE PLAN

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DCT INDUSTRIAL TRUST INC.
AMENDED AND RESTATED
2006 LONG-TERM INCENTIVE PLAN

DCT Industrial Trust Inc. (f/k/a Dividend Capital Trust Inc.), a Maryland corporation, wishes to attract key employees, Directors, consultants and advisors to the Company and Subsidiaries and induce key employees, Directors, consultants and advisors to remain with the Company and Subsidiaries, and encourage them to increase their efforts to make the Company's business more successful whether directly or through Subsidiaries. In furtherance thereof, the DCT Industrial Trust Inc. Amended and Restated 2006 Long-Term Incentive Plan is designed to provide equity-based incentives to key employees, Directors, consultants and advisors of the Company and Subsidiaries. Awards under the Plan may be made to selected key employees, Directors, consultants and advisors of the Company and Subsidiaries in the form of Options (including Stock Appreciation Rights), Restricted Stock, Phantom Shares, Dividend Equivalent Rights or other forms of equity-based compensation.

1. **DEFINITIONS.**

Whenever used herein, the following terms shall have the meanings set forth below:

"Award," except where referring to a particular category of grant under the Plan, shall include Incentive Stock Options, Non-Qualified Stock Options, Restricted Stock, Phantom Shares, Dividend Equivalent Rights and other equity-based Awards as contemplated herein.

"Award Agreement" means a written agreement in a form approved by the Committee to be entered into between the Company and the Participant as provided in Section 3. An Award Agreement may be, without limitation, an employment or other similar agreement containing provisions governing grants hereunder, if approved by the Committee for use under the Plan.

"Board" means the Board of Directors of the Company.

"Cause" means, unless otherwise provided in the Participant's Award Agreement: (i) engaging in (A) willful or gross misconduct or (B) willful or gross neglect; (ii) repeatedly failing to adhere to the directions of superiors or the Board or the written policies and practices of the Company or Subsidiaries or its affiliates; (iii) the commission of a felony or a crime of moral turpitude, dishonesty, breach of trust or unethical business conduct, or any crime involving the Company or Subsidiaries or any affiliate thereof; (iv) fraud, misappropriation or embezzlement; (v) a material breach of the Participant's employment agreement (if any) with the Company or Subsidiaries or its affiliates; (vi) acts or omissions constituting a material failure to perform substantially and adequately the duties assigned to the Participant; (vii) any illegal act detrimental to the Company or Subsidiaries or its affiliates; or (viii) repeated failure to devote substantially all of Participant's business time and efforts to the Company if required by Participant's employment agreement; provided, however, that, if at any particular time the Participant is subject to an effective employment agreement with the Company, then, in lieu of

the foregoing definition, "Cause" shall at that time have such meaning as may be specified in such employment agreement.

"Change in Control" means the happening of any of the following:

(i) any "person," including a "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act, but excluding the Company, any entity controlling, controlled by or under common control with the Company, any trustee, fiduciary or other person or entity holding securities under any employee benefit plan or trust of the Company or any such entity, and, with respect to any particular Participant, the Participant and any "group" (as such term is used in Section 13(d)(3) of the Exchange Act) of which the Participant is a member), is or becomes the "beneficial owner" (as defined in Rule 13(d)(3) under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of either (A) the combined voting power of the Company's then outstanding securities or (B) the then outstanding Shares (in either such case other than as a result of an acquisition of securities directly from the Company); or

(ii) any consolidation or merger of the Company where the shareholders of the Company, immediately prior to the consolidation or merger, would not, immediately after the consolidation or merger, beneficially own (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, shares representing in the aggregate 50% or more of the combined voting power of the securities of the corporation issuing cash or securities in the consolidation or merger (or of its ultimate parent corporation, if any); or

(iii) there shall occur (A) any sale, lease, exchange or other transfer (in one transaction or a series of transactions contemplated or arranged by any party as a single plan) of all or substantially all of the assets of the Company, other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least 50% of the combined voting power of the voting securities of which are owned by "persons" (as defined above) in substantially the same proportion as their ownership of the Company immediately prior to such sale or (B) the approval by shareholders of the Company of any plan or proposal for the liquidation or dissolution of the Company; or

(iv) the members of the Board at the beginning of any consecutive 24-calendar-month period (the "Incumbent Directors") cease for any reason other than due to death to constitute at least a majority of the members of the Board; provided that any Director whose election, or nomination for election by the Company's shareholders, was approved or ratified by a vote of at least a majority of the members of the Board then still in office who were members of the Board at the beginning of such 24-calendar-month period, shall be deemed to be an Incumbent Director.

Notwithstanding the foregoing, no event or condition shall constitute a Change in Control to the extent that, if it were, a 20% tax would be imposed under Section 409A of the Code; provided that, in such a case, the event or condition shall continue to constitute a Change in Control to the maximum extent possible (e.g., if applicable, in respect of vesting without an acceleration of distribution) without causing the imposition of such 20% tax.

“Code” means the Internal Revenue Code of 1986, as amended.

“Committee” means the compensation committee of the Board.

“Common Stock” means the Company’s Common Stock, par value \$.01 per share, either currently existing or authorized hereafter.

“Company” means DCT Industrial Trust Inc. (f/k/a Dividend Capital Trust Inc.), a Maryland corporation.

“Contribution Agreement” means the Contribution Agreement among DCT Industrial Trust Inc., DCT Industrial Operating Partnership LP, and Dividend Capital Advisors Group LLC, dated as of July 21, 2006.

“Director” means a non–employee director of the Company or Subsidiaries.

“Disability” means, unless otherwise provided by the Committee in the Participant’s Award Agreement, the occurrence of an event which would entitle an employee of the Company to the payment of disability income under one of the Company’s approved long–term disability income plans or a long term disability as determined by the Committee in its absolute discretion pursuant to any other standard as may be adopted by the Committee. Notwithstanding the foregoing, no circumstances or condition shall constitute a Disability to the extent that, if it were, a 20% tax would be imposed under Section 409A of the Code; provided that, in such a case, the event or condition shall continue to constitute a Disability to the maximum extent possible (e.g., if applicable, in respect of vesting without an acceleration of distribution) without causing the imposition of such 20% tax.

“Dividend Equivalent Right” means a right awarded under Section 8 to receive (or have credited) the equivalent value of dividends paid on Common Stock.

“Eligible Person” means (i) an officer, Director, employee, consultant or advisor of the Company or Subsidiaries or other person expected to provide significant services (of a type expressly approved by the Committee as covered services for these purposes) to the Company or Subsidiaries or (ii) a joint venture affiliate of the Company or Subsidiaries or employees of the foregoing. In the case of grants directly or indirectly to employees of entities described in clause (ii) of the foregoing sentence, the Committee may make arrangements with such entities in its discretion, in light of tax and other considerations. In connection with any merger, acquisition or other business combination to which the Company or any Subsidiary is a party, the Committee is authorized to designate other persons who may be deemed Eligible Persons for purposes of the Plan (other than with respect to the award of Incentive Stock Options) where such persons are key employees of another party to the business combination (or key employees of any affiliate of such party) but do not become employees of the Company or any Subsidiary following the business combination; provided that the Committee determines that granting substitute Awards under the Plan, in place of outstanding awards held by the recipient under one or more plans of the predecessor employer, constitutes appropriate severance compensation.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Fair Market Value” per Share as of a particular date means (i) if Shares are then listed on a national securities exchange or quoted or reported on the NASDAQ National Market (“NASDAQ”), the closing sales price per Share on the exchange or NASDAQ on such date or, if there were no sales of Shares on such exchange or NASDAQ on such date, on the last preceding date on which there was a sale of Shares on such exchange or NASDAQ, as determined by the Committee, (ii) if Shares are not then listed on a national securities exchange or quoted on NASDAQ but are then traded on an over-the-counter market, the average of the closing bid and asked prices for the Shares in such over-the-counter market on such date or, if there were no sale of Shares on such market on such date, on the last preceding date on which there was a sale of such Shares in such market, as determined by the Committee, or (iii) if Shares are not then listed on a national securities exchange, quoted on NASDAQ or traded on an over-the-counter market, such value as the Committee in its discretion may in good faith determine; provided that, where the Shares are so listed or traded, the Committee may make such discretionary determinations where the Shares have not been traded for 10 consecutive trading days.

“Grantee” means an Eligible Person granted Restricted Stock, Phantom Shares, Dividend Equivalent Rights or such other equity-based Awards (other than an Option) as may be granted pursuant to Section 9.

“Incentive Stock Option” means an “incentive stock option” within the meaning of Section 422(b) of the Code.

“Non-Qualified Stock Option” means an Option which is not an Incentive Stock Option.

“Option” means the right to purchase, at a price and for the term fixed by the Committee in accordance with the Plan, and subject to such other limitations and restrictions in the Plan and the applicable Award Agreement, a number of Shares determined by the Committee.

“Optionee” means an Eligible Person to whom an Option is granted, or the Successors of the Optionee, as the context so requires.

“Option Price” means the price per share of Common Stock, determined by the Board or the Committee, at which an Option may be exercised.

“Participant” means a Grantee or Optionee.

“Performance Goals” has the meaning set forth in Section 10.

“Phantom Share” means a right, pursuant to the Plan, of the Grantee to payment of the Phantom Share Value.

“Phantom Share Value,” per Phantom Share, means the Fair Market Value of a Share or, if so provided by the Committee, such Fair Market Value to the extent in excess of a base value established by the Committee at the time of grant.

“Plan” means the Company’s Amended and Restated 2006 Long-Term Incentive Plan, as set forth herein and as the same may from time to time be amended.

“Restricted Stock” means an award of Shares that are subject to restrictions hereunder.

“Retirement” means, unless otherwise provided by the Committee in the Participant’s Award Agreement, the Termination of Service (other than for Cause) of a Participant on or after the Participant’s attainment of age 65 or on or after the Participant’s attainment of age 55 with five consecutive years of service with the Company or Subsidiaries or its affiliates.

“Securities Act” means the Securities Act of 1933, as amended.

“Settlement Date” means the date determined under Section 7.4(c).

“Shares” means shares of Common Stock of the Company.

“Share Value” means the value of a Share based on the average closing price of a Share, as the Board determines, during a consecutive three-month period commencing on the first day of each January, April, July and October, or such other value as the Board may provide for in advance.

“Stock Appreciation Right” means a right described in Section 5.7.

“Subsidiary” means any corporation, partnership or other entity of which at least 50% of the economic interest in the equity or voting power is owned (directly or indirectly) by the Company. In the event the Company becomes such a subsidiary of another company (directly or indirectly), the provisions hereof applicable to subsidiaries shall, unless otherwise determined by the Committee, also be applicable to such parent company.

“Successor of the Optionee” means the legal representative of the estate of a deceased Optionee or the person or persons who shall acquire the right to exercise an Option by bequest or inheritance or by reason of the death of the Optionee.

“Termination of Service” means a Participant’s termination of employment or other service, as applicable, with the Company and Subsidiaries. Unless otherwise provided in the Award Agreement, cessation of service as an officer, employee, Director or consultant, or other covered positions shall not be treated as a Termination of Service if the Participant continues without interruption to serve thereafter in another one (or more) of such other capacities, and Termination of Service shall be deemed to have occurred when service in the final covered capacity ceases.

2. EFFECTIVE DATE AND TERMINATION OF PLAN.

The effective date of the Plan is the date of closing of the transaction contemplated by the Contribution Agreement. The Plan shall not become effective unless and until it is approved by the requisite percentage of the holders of the Common Stock of the Company. The Plan shall terminate on, and no Award shall be granted hereunder on or after, the 10-year anniversary of the earlier of the approval of the Plan by (i) the Board or (ii) the shareholders of the Company; provided, however, that the Board may at any time prior to that date terminate the Plan.

3. ADMINISTRATION OF PLAN.

(a) The Plan shall be administered by the Committee. The Committee, upon and after such time as it is subject to Section 16 of the Exchange Act, shall consist of at least two individuals each of whom shall be a “nonemployee director” as defined in Rule 16b-3 as promulgated by the Securities and Exchange Commission (“Rule 16b-3”) under the Exchange Act and shall, at such times as the Company is subject to Section 162(m) of the Code (to the extent relief from the limitation of Section 162(m) of the Code is sought with respect to Awards), qualify as “outside directors” for purposes of Section 162(m) of the Code; provided that no action taken by the Committee (including, without limitation, grants) shall be invalidated because any or all of the members of the Committee fails to satisfy the foregoing requirements of this sentence. The acts of a majority of the members present at any meeting of the Committee at which a quorum is present, or acts approved in writing by a majority of the entire Committee, shall be the acts of the Committee for purposes of the Plan. Notwithstanding the other foregoing provisions of this Section 3(a), any Award under the Plan to a person who is a Director shall be made and administered by the Board, or if so delegated by the Board, the Committee. If no Committee is designated by the Board to act for these purposes, the Board shall have the rights and responsibilities of the Committee hereunder and under the Award Agreements.

(b) Subject to the provisions of the Plan, the Committee shall in its discretion as reflected by the terms of the Award Agreements (i) authorize the granting of Awards to Eligible Persons; and (ii) determine the eligibility of Eligible Persons to receive an Award, as well as determine the number of Shares to be covered under any Award Agreement, considering the position and responsibilities of the Eligible Person, the nature and value to the Company of the Eligible Person’s present and potential contribution to the success of the Company whether directly or through Subsidiaries and such other factors as the Committee may deem relevant.

(c) The Award Agreement shall contain such other terms, provisions and conditions not inconsistent herewith as shall be determined by the Committee. An amendment to an Award Agreement or other action by the Committee that constitutes a repricing of an Option (or a Phantom Share described in Section 7.4(c)(ii)) shall be considered an amendment of the Plan for purposes of Section 13 (and, for the avoidance of doubt, any repricings will therefore require shareholder approval). In the event that any Award Agreement or other agreement hereunder provides (without regard to this sentence) for the obligation of the Company or any affiliate thereof to purchase or repurchase Shares from a Participant or any other person, then, notwithstanding the provisions of the Award Agreement or such other agreement, such obligation shall not apply to the extent that the purchase or repurchase would not be permitted under Maryland law. The Participant shall take whatever additional actions and execute whatever additional documents the Committee may in its reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the express provisions of the Plan and the Award Agreement.

(d) The Committee, in its discretion (taking into account, without limitation, considerations under Section 16 of the Exchange Act), may delegate to the Chief Executive Officer of the Company or his or her delegate, all or part of the Committee’s authority and duties with respect to awards, including, without limitation, the granting of awards to non-executive officers, where relief from the limitation of Section 162(m) of the Code is not sought. Any such

delegation by the Committee may, in the sole discretion of the Committee, include a limitation as to the amount of awards that may be awarded during the period of the delegation and may contain guidelines as to the determination of the option exercise price, or price of other awards and the vesting criteria. The Committee may revoke or amend the terms of a delegation at any time but such action shall not invalidate any prior actions of the Committee's delegate that were consistent with the terms of the Plan.

4. SHARES AND UNITS SUBJECT TO THE PLAN.

(a) Subject to adjustments as provided in Section 14, the total number of Shares subject to Awards granted under the Plan, in the aggregate, may not exceed 8,000,000. Subject to adjustments pursuant to Section 14, in no event may any Optionee receive Options for more than 2,000,000 Shares on an annual basis. Shares distributed under the Plan may be treasury Shares or authorized but unissued Shares. Any Shares that have been granted as Restricted Stock or that have been reserved for distribution in payment for Options, Phantom Shares or other equity-based Awards but are later forfeited or for any other reason are not payable under the Plan may again be made the subject of Awards under the Plan.

(b) Shares subject to Dividend Equivalent Rights, other than Dividend Equivalent Rights based directly on the dividends payable with respect to Shares subject to Options or the dividends payable on a number of Shares corresponding to the number of Phantom Shares awarded, shall be subject to the limitation of Section 4(a). Notwithstanding Section 4(a), except in the case of Awards intended to qualify for relief from the limitations of Section 162(m) of the Code, there shall be no limit on the number of Phantom Shares or Dividend Equivalent Rights to the extent they are paid out in cash that may be granted under the Plan. If any Phantom Shares, Dividend Equivalent Rights or other equity-based Awards under Section 9 are paid out in cash, then, notwithstanding the first sentence of Section 4(a) above (but subject to the second sentence thereof) the underlying Shares may again be made the subject of Awards under the Plan.

(c) The certificates, if any, and other documentation or records for Shares issued hereunder may include any legend which the Committee deems appropriate to reflect any rights of first refusal or other restrictions on transfer hereunder or under the Award Agreement, or as the Committee may otherwise deem appropriate.

5. PROVISIONS APPLICABLE TO STOCK OPTIONS.

5.1. Grant of Option. Subject to the other terms of the Plan, the Committee shall, in its discretion as reflected by the terms of the applicable Award Agreement: (i) determine and designate from time to time those Eligible Persons to whom Options are to be granted and the number of Shares to be optioned to each Eligible Person; (ii) determine whether to grant Options intended to be Incentive Stock Options, or to grant Non-Qualified Stock Options, or both (to the extent that any Option does not qualify as an Incentive Stock Option, it shall constitute a separate Non-Qualified Stock Option); provided that Incentive Stock Options may only be granted to employees; (iii) determine the time or times when and the manner and condition in which each Option shall be exercisable and the duration of the exercise period; (iv) designate each Option as one intended to be an Incentive Stock Option or as a Non-Qualified Stock Option; and (v)

determine or impose other conditions to the grant or exercise of Options under the Plan as it may deem appropriate.

5.2. Option Price. The Option Price shall be determined by the Committee on the date the Option is granted and reflected in the Award Agreement, as the same may be amended from time to time. Any particular Award Agreement may provide for different Option Prices for specified amounts of Shares subject to the Option; provided that the Option Price shall not be less than 100% of the Fair Market Value of a Share on the day the Option is granted.

5.3. Period of Option and Vesting.

(a) Unless earlier expired, forfeited or otherwise terminated, each Option shall expire in its entirety upon the 10th anniversary of the date of grant or shall have such other term as is set forth in the applicable Award Agreement. The Option shall also expire, be forfeited and terminate at such times and in such circumstances as otherwise provided hereunder or under the Award Agreement.

(b) Each Option, to the extent that the Optionee has not had a Termination of Service and the Option has not otherwise lapsed, expired, terminated or been forfeited, shall first become exercisable according to the terms and conditions set forth in the Award Agreement, as determined by the Committee at the time of grant. Unless otherwise provided in the Award Agreement or herein, no Option (or portion thereof) shall ever be exercisable if the Optionee has a Termination of Service before the time at which such Option (or portion thereof) would otherwise have become exercisable, and any Option that would otherwise become exercisable after such Termination of Service shall not become exercisable and shall be forfeited upon such termination. Notwithstanding the foregoing provisions of this Section 5.3(b), Options exercisable pursuant to the schedule set forth by the Committee at the time of grant may be fully or more rapidly exercisable or otherwise vested at any time in the discretion of the Committee. Upon and after the death of an Optionee, such Optionee's Options, if and to the extent otherwise exercisable hereunder or under the applicable Award Agreement after the Optionee's death, may be exercised by the Successors of the Optionee.

5.4. Exercisability Upon and After Termination of Optionee.

(a) The Committee shall provide in the Award Agreement the extent (if any) to which any Option may be exercised upon the Termination of Service of the Optionee.

(b) Except as may otherwise be expressly set forth in this Section 5, and except as may otherwise be expressly provided under the Award Agreement, no provision of this Section 5 or of Section 14 is intended to or shall permit the exercise of the Option to the extent the Option was not exercisable upon Termination of Service.

5.5. Exercise of Options.

(a) Subject to vesting, restrictions on exercisability and other restrictions provided for hereunder or otherwise imposed in accordance herewith, an Option may be exercised, and payment in full of the aggregate Option Price made, by an Optionee by written notice (in the form prescribed by the Committee) to the Company, or pursuant to such alternative

means and procedures as may be approved in advance by the Committee, specifying the number of Shares to be purchased.

(b) Without limiting the scope of the Committee's discretion hereunder, the Committee may impose such other restrictions on the exercise of Options (whether or not in the nature of the foregoing restrictions) as it may deem necessary or appropriate.

5.6. Payment.

(a) The aggregate Option Price shall be paid in full upon the exercise of the Option. Payment must be made by one of the following methods:

(i) a certified or bank cashier's check, or in the discretion of the Committee, a personal check;

(ii) subject to Section 12(e), the proceeds of a Company loan program or third-party sale program or a notice acceptable to the Committee given as consideration under such a program, in each case if permitted by the Committee in its discretion, if such a program has been established and the Optionee is eligible to participate therein;

(iii) if approved (or pre-approved) by the Committee in its discretion, Shares of previously owned Common Stock, having an aggregate Fair Market Value on the date of exercise equal to the aggregate Option Price;

(iv) if approved (or pre-approved) by the Committee in its discretion, through the written election of the Optionee to have Shares withheld by the Company from the Shares otherwise to be received, with such withheld Shares having an aggregate Fair Market Value on the date of exercise equal to the aggregate Option Price; or

(v) by any combination of such methods of payment or any other method acceptable to the Committee in its discretion.

(b) Except in the case of Options exercised by certified or bank cashier's check, the Committee may impose limitations and prohibitions on the exercise of Options as it deems appropriate, including, without limitation, any limitation or prohibition designed to avoid accounting consequences which may result from the use of Common Stock as payment upon exercise of an Option.

(c) Any fractional Shares resulting from an Optionee's exercise that is accepted by the Company shall be paid in cash.

5.7. Stock Appreciation Rights. The Committee, in its discretion, may also grant a Stock Appreciation Right by permitting the Optionee to elect to receive, upon the exercise of an Option, Shares with an aggregate Fair Market Value equal to the excess of the Fair Market Value of the Shares with respect to which the Option is being exercised over the aggregate Option Price, as determined as of the day the Option is exercised; provided that, after consideration of possible accounting issues, the Committee may permit a Stock Appreciation Right to be settled

in a combination of Shares and cash, or exclusively in cash, with an aggregate Fair Market Value (or, to the extent of payment in cash, in an amount) equal to such excess. Without limiting the Committee's discretion hereunder, the Committee is expressly authorized to cause the grant of a Stock Appreciation Right (i) in tandem with an otherwise exercisable underlying Option, by having the method of exercise under this Section 5.7 apply in addition to other methods of exercise as to all or a portion of any particular Award under this Section 5, or (ii) as a free-standing right, by having the method of exercise under this Section 5.7 be the exclusive method of exercise.

5.8. Exercise by Successors. An Option may be exercised, and payment in full of the aggregate Option Price made, by the Successors of the Optionee only by written notice (in the form prescribed by the Committee) to the Company specifying the number of Shares to be purchased. Such notice shall state that the aggregate Option Price will be paid in full, or that the Option will be exercised as otherwise provided hereunder, in the discretion of the Company or the Committee, if and as applicable.

5.9. Nontransferability of Option. Each Option granted under the Plan shall be nontransferable by the Optionee except by will or the laws of descent and distribution of the state wherein the Optionee is domiciled at the time of his death; provided, however, that the Committee may (but need not) permit other transfers, where the Committee concludes that such transferability (i) does not result in accelerated U.S. federal income taxation, (ii) does not cause any Option intended to be an Incentive Stock Option to fail to be described in Section 422(b) of the Code, and (iii) is otherwise appropriate and desirable.

5.10. Deferral. The Committee (taking into account, without limitation, the possible application of Section 409A of the Code, as the Committee may deem appropriate) may establish a program under which Participants will have Phantom Shares subject to Section 7 credited upon their exercise of Options, rather than receiving Shares at that time.

5.11. Certain Incentive Stock Option Provisions.

(a) In no event may an Incentive Stock Option be granted other than to employees of a "subsidiary corporation" or a "parent corporation," as defined in Section 424(f) of the Code, with respect to the Company. The aggregate Fair Market Value, determined as of the date an Option is granted, of the Common Stock for which any Optionee may be awarded Incentive Stock Options which are first exercisable by the Optionee during any calendar year under the Plan (or any other stock option plan required to be taken into account under Section 422(d) of the Code) shall not exceed \$100,000.

(b) If Shares acquired upon exercise of an Incentive Stock Option are disposed of in a disqualifying disposition within the meaning of Section 422 of the Code by an Optionee prior to the expiration of either two years from the date of grant of such Option or one year from the transfer of Shares to the Optionee pursuant to the exercise of such Option, or in any other disqualifying disposition within the meaning of Section 422 of the Code, such Optionee shall notify the Company in writing as soon as practicable thereafter of the date and terms of such disposition and, if the Company (or any affiliate thereof) thereupon has a tax-withholding obligation, shall pay to the Company (or such affiliate) an amount equal to any

withholding tax the Company (or affiliate) is required to pay as a result of the disqualifying disposition.

(c) The Option Price with respect to each Incentive Stock Option shall not be less than 100%, or 110% in the case of an individual described in Section 422(b)(6) of the Code (relating to certain 10% owners), of the Fair Market Value of a Share on the day the Option is granted. Also, in the case of such an individual who is granted an Incentive Stock Option, the term of such Option shall be no more than five years from the date of grant.

6. PROVISIONS APPLICABLE TO RESTRICTED STOCK.

6.1. Grant of Restricted Stock.

(a) In connection with the grant of Restricted Stock, whether or not Performance Goals (as provided for under Section 10) apply thereto, the Committee shall establish one or more vesting periods with respect to the shares of Restricted Stock granted, the length of which shall be determined in the discretion of the Committee. Subject to the provisions of this Section 6, the applicable Agreement and the other provisions of the Plan, restrictions on Restricted Stock shall lapse if the Grantee satisfies all applicable employment or other service requirements through the end of the applicable vesting period.

(b) Subject to the other terms of the Plan, the Committee may, in its discretion as reflected by the terms of the applicable Award Agreement: (i) authorize the granting of Restricted Stock to Eligible Persons; (ii) provide a specified purchase price for the Restricted Stock (whether or not the payment of a purchase price is required by any state law applicable to the Company); (iii) determine the restrictions applicable to Restricted Stock and (iv) determine or impose other conditions, including any applicable Performance Goals, to the grant of Restricted Stock under the Plan as it may deem appropriate.

6.2. Certificates.

(a) Unless otherwise provided by the Committee, each Grantee of Restricted Stock shall be issued Shares of Restricted Stock awarded under the Plan. Such Shares of Restricted Stock shall be registered in the name of the Grantee. Without limiting the generality of Section 4(c), the certificates, if any, and other documentation and records for Shares of Restricted Stock issued hereunder may include any legend which the Committee deems appropriate to reflect any restrictions on transfer hereunder or under the Award Agreement, or as the Committee may otherwise deem appropriate, and, without limiting the generality of the foregoing, shall bear a legend referring to the terms, conditions, and restrictions applicable to such Award, substantially in the following form:

THE TRANSFERABILITY OF THESE SHARES OF STOCK IS SUBJECT TO THE TERMS AND CONDITIONS (INCLUDING FORFEITURE) OF THE DCT INDUSTRIAL TRUST INC. AMENDED AND RESTATED 2006 LONG-TERM INCENTIVE PLAN AND AN AWARD AGREEMENT ENTERED INTO BETWEEN THE REGISTERED OWNER AND DCT INDUSTRIAL TRUST INC. COPIES OF SUCH PLAN AND AWARD AGREEMENT ARE ON FILE IN THE OFFICES OF DCT INDUSTRIAL TRUST INC. AT 518 17th STREET, SUITE 1700, DENVER, COLORADO 80202.

(b) The Committee shall require that any stock certificates or other documentation evidencing such Shares be held in custody by the Company or its designee until the restrictions hereunder shall have lapsed. If and when such restrictions so lapse, any such stock certificates shall be delivered by the Company to the Grantee or his or her designee as provided in Section 6.3.

6.3. Restrictions and Conditions. Unless otherwise provided by the Committee, the Shares of Restricted Stock awarded pursuant to the Plan shall be subject to the following restrictions and conditions:

(i) Subject to the provisions of the Plan and the Award Agreements, during a period commencing with the date of such Award and ending on the date the period of forfeiture with respect to such Shares lapses, the Grantee shall not be permitted voluntarily or involuntarily to sell, transfer, pledge, anticipate, alienate, encumber or assign Shares of Restricted Stock awarded under the Plan (or have such Shares attached or garnished). Subject to the provisions of the Award Agreements and clause (iii) below, the period of forfeiture with respect to Shares granted hereunder shall lapse as provided in the applicable Award Agreement. Notwithstanding the foregoing, unless otherwise expressly provided by the Committee, the period of forfeiture with respect to such Shares shall only lapse as to whole Shares.

(ii) Except as provided in the foregoing clause (i), below in this clause (ii) or in Section 14, or as otherwise provided in the applicable Award Agreement, the Grantee shall have, in respect of the Shares of Restricted Stock, all of the rights of a shareholder of the Company, including the right to vote the Shares and the right to receive any cash dividends. Certificates, if any, for Shares (not subject to restrictions) shall be delivered to the Grantee or his or her designee promptly after, and only after, the period of forfeiture shall lapse without forfeiture in respect of such Shares of Restricted Stock.

(iii) Except as otherwise provided in the applicable Award Agreement, if the Grantee has a Termination of Service by the Company and Subsidiaries for Cause during the applicable period of forfeiture, then all Shares still subject to restriction shall thereupon, and with no further action, be forfeited by the Grantee.

7. PROVISIONS APPLICABLE TO PHANTOM SHARES.

7.1. Grant of Phantom Shares. Subject to the other terms of the Plan, the Committee shall, in its discretion as reflected by the terms of the applicable Award Agreement: (i) authorize the granting of Phantom Shares to Eligible Persons and (ii) determine or impose other conditions to the grant of Phantom Shares under the Plan as it may deem appropriate.

7.2. Term. The Committee may provide in an Award Agreement that any particular Phantom Share shall expire at the end of a specified term.

7.3. Vesting.

(a) Subject to Section 7.3(b), Phantom Shares shall vest as provided in the applicable Award Agreement.

(b) Unless otherwise determined by the Committee at the time of grant, the Phantom Shares granted pursuant to the Plan shall be subject to the following vesting conditions:

(i) Subject to the provisions of the Award Agreement, if the Grantee has a Termination of Service by the Company and Subsidiaries for Cause, all of the Grantee's Phantom Shares (whether or not such Phantom Shares are otherwise vested) shall thereupon, and with no further action, be forfeited and cease to be outstanding, and no payments shall be made with respect to such forfeited Phantom Shares.

(ii) In the event that a Grantee has a Termination of Service, any and all of the Grantee's Phantom Shares which have not vested prior to or as of such termination shall thereupon, and with no further action, be forfeited and cease to be outstanding and the Participant's vested Phantom Shares shall be settled as set forth in Section 7.4.

7.4. Settlement of Phantom Shares.

(a) Each vested and outstanding Phantom Share shall be settled by the transfer to the Grantee of one Share; provided that the Committee at the time of grant (or, in the appropriate case, as determined by the Committee, thereafter) may provide that, after consideration of possible accounting issues, a Phantom Share may be settled (i) in cash at the applicable Phantom Share Value, (ii) in cash or by transfer of Shares as elected by the Grantee in accordance with procedures established by the Committee or (iii) in cash or by transfer of Shares as elected by the Company.

(b) Payment (whether of cash or Shares) in respect of Phantom Shares shall be made in a single sum by the Company; provided that, with respect to Phantom Shares of a Grantee which have a common Settlement Date, the Committee may permit the Grantee to elect in accordance with procedures established by the Committee (taking into account, without limitation, Section 409A of the Code, as the Committee may deem appropriate) to receive installment payments over a period not to exceed 10 years, rather than a single-sum payment.

(c) Regarding the time at which payment in respect of Phantom Shares will be made or commence:

(i) Unless otherwise provided in the applicable Award Agreement, the "Settlement Date" with respect to a Phantom Share is the first day of the month to follow the date on which the Phantom Share vests; provided that a Grantee may elect, in accordance with procedures to be established by the Committee, that such Settlement Date will be deferred as elected by the Grantee to the first day of the month to follow the Grantee's Termination of Service, or such other time as may be permitted by the Committee. Unless otherwise determined by the Committee, elections under this Section 7.4(c)(i) must, except as may otherwise be permitted under the rules applicable under

Section 409A of the Code, (A) be effective at least one year after they are made, or, in the case of payments to commence at a specific time, be made at least one year before the first scheduled payment and (B) defer the commencement of distributions (and each affected distribution) for at least five years.

(ii) Notwithstanding Section 7.4(c)(i), the Committee may provide that distributions of Phantom Shares can be elected at any time in those cases in which the Phantom Share Value is determined by reference to Fair Market Value to the extent in excess of a base value, rather than by reference to unreduced Fair Market Value.

(iii) Notwithstanding the foregoing, the Settlement Date, if not earlier pursuant to this Section 7.4(c), is the date of the Grantee's death.

(d) Notwithstanding the other provisions of this Section 7, in the event of a Change in Control, the Settlement Date shall be the date of such Change in Control and all amounts due with respect to Phantom Shares to a Grantee hereunder shall be paid as soon as practicable (but in no event more than 30 days) after such Change in Control, unless such Grantee elects otherwise in accordance with procedures established by the Committee.

(e) Notwithstanding any other provision of the Plan, a Grantee may receive any amounts to be paid in installments as provided in Section 7.4(b) or deferred by the Grantee as provided in Section 7.4(c) in the event of an "Unforeseeable Emergency." For these purposes, an "Unforeseeable Emergency," as determined by the Committee in its sole discretion, is a severe financial hardship to the Grantee resulting from a sudden and unexpected illness or accident of the Grantee or "dependent," as defined in Section 152(a) of the Code, of the Grantee, loss of the Grantee's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Grantee. The circumstances that will constitute an Unforeseeable Emergency will depend upon the facts of each case, but, in any case, payment may not be made to the extent that such hardship is or may be relieved:

(i) through reimbursement or compensation by insurance or otherwise,

(ii) by liquidation of the Grantee's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship, or

(iii) by future cessation of the making of additional deferrals under Section 7.4 (b) and (c).

Without limitation, the need to send a Grantee's child to college or the desire to purchase a home shall not constitute an Unforeseeable Emergency. Distributions of amounts because of an Unforeseeable Emergency shall be permitted to the extent reasonably needed to satisfy the emergency need.

7.5. Other Phantom Share Provisions.

(a) Rights to payments with respect to Phantom Shares granted under the Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge,

encumbrance, attachment, garnishment, levy, execution, or other legal or equitable process, either voluntary or involuntary; and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, attach or garnish, or levy or execute on any right to payments or other benefits payable hereunder, shall be void.

(b) A Grantee may designate in writing, on forms to be prescribed by the Committee, a beneficiary or beneficiaries to receive any payments payable after his or her death and may amend or revoke such designation at any time. If no beneficiary designation is in effect at the time of a Grantee's death, payments hereunder shall be made to the Grantee's estate. If a Grantee with a vested Phantom Share dies, such Phantom Share shall be settled and the Phantom Share Value in respect of such Phantom Shares paid, and any payments deferred pursuant to an election under Section 7.4(c) shall be accelerated and paid, as soon as practicable (but no later than 60 days) after the date of death to such Grantee's beneficiary or estate, as applicable.

(c) The Committee may establish a program under which distributions with respect to Phantom Shares may be deferred for periods in addition to those otherwise contemplated by foregoing provisions of this Section 7. Such program may include, without limitation, provisions for the crediting of earnings and losses on unpaid amounts, and, if permitted by the Committee, provisions under which Participants may select from among hypothetical investment alternatives for such deferred amounts in accordance with procedures established by the Committee.

(d) Notwithstanding any other provision of this Section 7, any fractional Phantom Share will be paid out in cash at the Phantom Share Value as of the Settlement Date.

(e) No Phantom Share shall be construed to give any Grantee any rights with respect to Shares or any ownership interest in the Company. Except as may be provided in accordance with Section 8, no provision of the Plan shall be interpreted to confer upon any Grantee any voting, dividend or derivative or other similar rights with respect to any Phantom Share.

7.6. Claims Procedures.

(a) To the extent that the Plan is determined by the Committee to be subject to the Employee Retirement Income Security Act of 1974, as amended, the Grantee, or his beneficiary hereunder or authorized representative, may file a claim for payments with respect to Phantom Shares under the Plan by written communication to the Committee or its designee. A claim is not considered filed until such communication is actually received. Within 90 days (or, if special circumstances require an extension of time for processing, 180 days, in which case notice of such special circumstances should be provided within the initial 90-day period) after the filing of the claim, the Committee will either:

(i) approve the claim and take appropriate steps for satisfaction of the claim; or

(ii) if the claim is wholly or partially denied, advise the claimant of such denial by furnishing to him a written notice of such denial setting forth (A) the specific reason or reasons for the denial; (B) specific reference to pertinent provisions of

the Plan on which the denial is based and, if the denial is based in whole or in part on any rule of construction or interpretation adopted by the Committee, a reference to such rule, a copy of which shall be provided to the claimant; (C) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of the reasons why such material or information is necessary; and (D) a reference to this Section 7.6 as the provision setting forth the claims procedure under the Plan.

(b) The claimant may request a review of any denial of his claim by written application to the Committee within 60 days after receipt of the notice of denial of such claim. Within 60 days (or, if special circumstances require an extension of time for processing, 120 days, in which case notice of such special circumstances should be provided within the initial 60-day period) after receipt of written application for review, the Committee will provide the claimant with its decision in writing, including, if the claimant's claim is not approved, specific reasons for the decision and specific references to the Plan provisions on which the decision is based.

8. PROVISIONS APPLICABLE TO DIVIDEND EQUIVALENT RIGHTS.

8.1. Grant of Dividend Equivalent Rights. Subject to the other terms of the Plan, the Committee shall, in its discretion as reflected by the terms of the Award Agreements, authorize the granting of Dividend Equivalent Rights to Eligible Persons based on the regular cash dividends declared on Common Stock, to be credited as of the dividend payment dates, during the period between the date an Award is granted, and the date such Award is exercised, vests or expires, as determined by the Committee. Such Dividend Equivalent Rights shall be converted to cash or additional Shares by such formula and at such time and subject to such limitation as may be determined by the Committee. With respect to Dividend Equivalent Rights granted with respect to Options intended to be qualified performance-based compensation for purposes of Section 162(m) of the Code, such Dividend Equivalent Rights shall be payable regardless of whether such Option is exercised. If a Dividend Equivalent Right is granted in respect of another Award hereunder, then, unless otherwise stated in the Award Agreement, in no event shall the Dividend Equivalent Right be in effect for a period beyond the time during which the applicable portion of the underlying Award is in effect.

8.2. Certain Terms.

(a) The term of a Dividend Equivalent Right shall be set by the Committee in its discretion.

(b) Unless otherwise determined by the Committee, except as contemplated by Section 8.4, a Dividend Equivalent Right is exercisable or payable only while the Participant is an Eligible Person.

(c) Payment of the amount determined in accordance with Section 8.1 shall be in cash, in Common Stock or a combination of the two, as determined by the Committee.

(d) The Committee may impose such employment-related conditions on the grant of a Dividend Equivalent Right as it deems appropriate in its discretion.

8.3. Other Types of Dividend Equivalent Rights. The Committee may establish a program under which Dividend Equivalent Rights of a type whether or not described in the foregoing provisions of this Section 8 may be granted to Participants. For example, and without limitation, the Committee may grant a dividend equivalent right in respect of each Share subject to an Option or with respect to a Phantom Share, which right would consist of the right (subject to Section 8.4) to receive a cash payment in an amount equal to the dividend distributions paid on a Share from time to time.

8.4. Deferral. The Committee may establish a program (taking into account, without limitation, the possible application of Section 409A of the Code, as the Committee may deem appropriate) under which Participants (i) will have Phantom Shares credited, subject to the terms of Sections 7.4 and 7.5 as though directly applicable with respect thereto, upon the granting of Dividend Equivalent Rights, or (ii) will have payments with respect to Dividend Equivalent Rights deferred. In the case of the foregoing clause (ii), such program may include, without limitation, provisions for the crediting of earnings and losses on unpaid amounts, and, if permitted by the Committee, provisions under which Participants may select from among hypothetical investment alternatives for such deferred amounts in accordance with procedures established by the Committee.

9. OTHER STOCK-BASED AWARDS.

The Committee shall have the right (i) to grant other Awards based upon the Common Stock having such terms and conditions as the Committee may determine, including, without limitation, the grant of shares based upon certain conditions, the grant of convertible preferred shares, convertible debentures and other exchangeable or redeemable securities or equity interests, and the grant of Stock Appreciation Rights, (ii) to grant limited-partnership or any other membership or ownership interests (which may be expressed as units or otherwise) in a Subsidiary or operating or other partnership (or other affiliate of the Company), with any Shares being issued in connection with the conversion of (or other distribution on account of) an interest granted under the authority of this clause (ii) to be subject, for the avoidance of doubt, to Section 4 and the other provisions of the Plan, and (iii) to grant Awards valued by reference to book value, fair value or performance parameters relative to the Company or any Subsidiary or group of Subsidiaries.

10. PERFORMANCE GOALS.

The Committee, in its discretion, may, in the case of Awards (including, in particular, Awards other than Options) intended to qualify for an exception from the limitation imposed by Section 162(m) of the Code ("Performance-Based Awards"), (i) establish one or more performance goals ("Performance Goals") as a precondition to the issuance or vesting of Awards, and (ii) provide, in connection with the establishment of the Performance Goals, for predetermined Awards to those Participants (who continue to meet all applicable eligibility requirements) with respect to whom the applicable Performance Goals are satisfied. The Performance Goals shall be based upon the criteria set forth in Exhibit A hereto which is hereby incorporated herein by reference as though set forth in full. The Performance Goals shall be established in a timely fashion such that they are considered pre-established for purposes of the rules governing performance-based compensation under Section 162(m) of the Code. Prior to

the award or vesting, as applicable, of affected Awards hereunder, the Committee shall have certified that any applicable Performance Goals, and other material terms of the Award, have been satisfied. Performance Goals which do not satisfy the foregoing provisions of this Section 10 may be established by the Committee with respect to Awards not intended to qualify for an exception from the limitations imposed by Section 162(m) of the Code.

11. TAX WITHHOLDING.

11.1. In General. The Company shall be entitled to withhold from any payments or deemed payments any amount of tax withholding determined by the Committee to be required by law. Without limiting the generality of the foregoing, the Committee may, in its discretion, require the Participant to pay to the Company at such time as the Committee determines the amount that the Committee deems necessary to satisfy the Company's obligation to withhold federal, state or local income or other taxes incurred by reason of (i) the exercise of any Option, (ii) the lapsing of any restrictions applicable to any Restricted Stock, (iii) the receipt of a distribution in respect of Phantom Shares or Dividend Equivalent Rights or (iv) any other applicable income-recognition event (for example, an election under Section 83(b) of the Code).

11.2. Share Withholding.

(a) Upon exercise of an Option, if approved (or pre-approved) by the Committee in its discretion, the Optionee may make a written election to have Shares then issued withheld by the Company from the Shares otherwise to be received, or to deliver previously owned Shares, in order to satisfy the liability for such withholding taxes. In the event that the Optionee makes, and the Committee permits, such an election, the number of Shares so withheld or delivered shall have an aggregate Fair Market Value on the date of exercise sufficient to satisfy the applicable withholding taxes. Where the exercise of an Option does not give rise to an obligation by the Company to withhold federal, state or local income or other taxes on the date of exercise, but may give rise to such an obligation in the future, the Committee may, in its discretion, make such arrangements and impose such requirements as it deems necessary or appropriate.

(b) Upon lapsing of restrictions on Restricted Stock (or other income-recognition event), the Grantee may, if approved (or pre-approved) by the Committee in its discretion, make a written election to have Shares withheld by the Company from the Shares otherwise to be released from restriction, or to deliver previously owned Shares (not subject to restrictions hereunder), in order to satisfy the liability for such withholding taxes. In the event that the Grantee makes such an election, the number of Shares so withheld or delivered shall have an aggregate Fair Market Value on the date of exercise sufficient to satisfy the applicable withholding taxes.

(c) Upon the making of a distribution in respect of Phantom Shares or Dividend Equivalent Rights, the Grantee may, if approved (or pre-approved) by the Committee in its discretion, make a written election to have amounts (which may include Shares) withheld by the Company from the distribution otherwise to be made, or to deliver previously owned Shares (not subject to restrictions hereunder), in order to satisfy the liability for such withholding taxes. In the event that the Grantee makes such an election, any Shares so withheld or delivered

shall have an aggregate Fair Market Value on the date of exercise sufficient to satisfy the applicable withholding taxes.

11.3. Withholding Required. Notwithstanding anything contained in the Plan or the Award Agreement to the contrary, the Participant's satisfaction of any tax-withholding requirements imposed by the Committee shall be a condition precedent to the Company's obligation as may otherwise be provided hereunder to provide Shares to the Participant and to the release of any restrictions as may otherwise be provided hereunder, as applicable; and the applicable Option, Restricted Stock, Phantom Shares or Dividend Equivalent Rights shall be forfeited upon the failure of the Participant to satisfy such requirements with respect to, as applicable, (i) the exercise of the Option, (ii) the lapsing of restrictions on the Restricted Stock (or other income-recognition event) or (iii) distributions in respect of any Phantom Share or Dividend Equivalent Right.

12. REGULATIONS AND APPROVALS.

(a) The obligation of the Company to sell Shares with respect to an Award granted under the Plan shall be subject to all applicable laws, rules and regulations, including all applicable federal and state securities laws, and the obtaining of all such approvals by governmental agencies as may be deemed necessary or appropriate by the Committee.

(b) The Committee may make such changes to the Plan as may be necessary or appropriate to comply with the rules and regulations of any government authority or to obtain tax benefits applicable to an Award.

(c) Each grant of Options, Restricted Stock, Phantom Shares (or issuance of Shares in respect thereof) or Dividend Equivalent Rights (or issuance of Shares in respect thereof), or other Award under Section 9 (or issuance of Shares in respect thereof), is subject to the requirement that, if at any time the Committee determines, in its discretion, that the listing, registration or qualification of Shares issuable pursuant to the Plan is required by any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the issuance of Options, Shares of Restricted Stock, Phantom Shares, Dividend Equivalent Rights, other Awards or other Shares, no payment shall be made, or Phantom Shares or Shares issued or grant of Restricted Stock or other Award made, in whole or in part, unless listing, registration, qualification, consent or approval has been effected or obtained free of any conditions in a manner acceptable to the Committee.

(d) In the event that the disposition of stock acquired pursuant to the Plan is not covered by a then current registration statement under the Securities Act, and is not otherwise exempt from such registration, such Shares shall be restricted against transfer to the extent required under the Securities Act, and the Committee may require any individual receiving Shares pursuant to the Plan, as a condition precedent to receipt of such Shares, to represent to the Company in writing that such Shares are acquired for investment only and not with a view to distribution and that such Shares will be disposed of only if registered for sale under the Securities Act or if there is an available exemption for such disposition.

(e) Notwithstanding any other provision of the Plan, the Company shall not be required to take or permit any action under the Plan or any Award Agreement which, in the good-faith determination of the Company, would result in a material risk of a violation by the Company of Section 13(k) of the Exchange Act.

(f) In the case of any Award that constitutes deferred compensation within the meaning of Section 409A of the Code, including any grants of Phantom Shares, any payment to a "specified employee" within the meaning of Section 409A of the Code on account of separation of service of such specified employee shall be made no earlier than six months and a day after such specified employee's separation from service or the date of such specified employee's death, if earlier.

13. INTERPRETATION AND AMENDMENTS; OTHER RULES.

The Committee may make such rules and regulations and establish such procedures for the administration of the Plan as it deems appropriate. Without limiting the generality of the foregoing, the Committee may (i) determine the extent, if any, to which Options, Phantom Shares or Shares (whether or not Shares of Restricted Stock) or Dividend Equivalent Rights shall be forfeited (whether or not such forfeiture is expressly contemplated hereunder); (ii) interpret the Plan and the Award Agreements hereunder, with such interpretations to be conclusive and binding on all persons and otherwise accorded the maximum deference permitted by law, provided that the Committee's interpretation shall not be entitled to deference on and after a Change in Control except to the extent that such interpretations are made exclusively by members of the Committee who are individuals who served as Committee members before the Change in Control; and (iii) take any other actions and make any other determinations or decisions that it deems necessary or appropriate in connection with the Plan or the administration or interpretation thereof. In the event of any dispute or disagreement as to the interpretation of the Plan or of any rule, regulation or procedure, or as to any question, right or obligation arising from or related to the Plan, the decision of the Committee, except as provided in clause (ii) of the foregoing sentence, shall be final and binding upon all persons. Unless otherwise expressly provided hereunder, the Committee, with respect to any grant, may exercise its discretion hereunder at the time of the Award or thereafter. The Board may amend the Plan as it shall deem advisable, except that no amendment may adversely affect a Participant with respect to an Award previously granted without such Participant's written consent unless such amendments are required in order to comply with applicable laws; provided, however, that the Plan may not be amended without shareholder approval in any case in which amendment in the absence of shareholder approval would cause the Plan to fail to comply with any applicable legal requirement or applicable exchange or similar rule.

14. CHANGES IN CAPITAL STRUCTURE.

(a) If (i) the Company or Subsidiaries shall at any time be involved in a merger, consolidation, dissolution, liquidation, reorganization, exchange of shares, sale of all or substantially all of the assets or stock of the Company or Subsidiaries or a transaction similar thereto, (ii) any stock dividend, stock split, reverse stock split, stock combination, reclassification, recapitalization or other similar change in the capital structure of the Company or Subsidiaries, or any distribution to holders of Common Stock other than ordinary cash

dividends (but including special or extraordinary cash dividends), shall occur or (iii) any other event shall occur which in the judgment of the Committee necessitates action by way of adjusting the terms of the outstanding Awards, then:

(x) the maximum aggregate number and kind of Shares which may be made subject to Options and Dividend Equivalent Rights under the Plan, the maximum aggregate number and kind of Shares of Restricted Stock that may be granted under the Plan, the maximum aggregate number of Phantom Shares and other Awards which may be granted under the Plan shall be equitably and proportionately adjusted by the Committee in its discretion; and

(y) the Committee shall take any such action as in its discretion shall be necessary to maintain each Optionees' rights hereunder (including under their Award Agreements) so that they are substantially in their respective Options, Phantom Shares and Dividend Equivalent Rights substantially proportionate to the rights existing in such Options, Phantom Shares and Dividend Equivalent Rights prior to such event, including, without limitation, adjustments in (A) the number of Options, Phantom Shares and Dividend Equivalent Rights (and other Awards under Section 9) granted, (B) the number and kind of shares or other property to be distributed in respect of Options, Phantom Shares and Dividend Equivalent Rights (and other Awards under Section 9 as applicable), (C) the Option Price and Phantom Share Value, and (D) performance-based criteria established in connection with Awards (to the extent consistent with Section 162(m) of the Code, as applicable); provided that, in the discretion of the Committee, the foregoing clause (D) may also be applied in the case of any event relating to a Subsidiary if the event would have been covered under this Section 14(a) had the event related to the Company.

To the extent that such action shall include an increase or decrease in the number of Shares (or units of other property then available) subject to all outstanding Awards, the number of Shares (or units) available under Section 4 shall be increased or decreased, as the case may be, proportionately, as may be determined by the Committee in its discretion.

(b) Any Shares or other securities distributed to a Grantee with respect to Restricted Stock or otherwise issued in substitution of Restricted Stock shall be subject to the restrictions and requirements imposed by Section 6, including depositing any certificates therefor with the Company.

(c) If the Company shall be consolidated or merged with another corporation or other entity, each Grantee who has received Restricted Stock that is then subject to restrictions imposed by Section 6.3(a) may be required to deposit with the successor corporation the certificates, if any, for the stock or securities or the other property that the Grantee is entitled to receive by reason of ownership of Restricted Stock in a manner consistent with Section 6.2(b), and such stock, securities or other property shall become subject to the restrictions and requirements imposed by Section 6.3(a), and the certificates therefor or other evidence thereof shall bear a legend similar in form and substance to the legend set forth in Section 6.2(a).

(d) If a Change in Control shall occur, then the Committee, as constituted immediately before the Change in Control, may make such adjustments as it, in its discretion, determines are necessary or appropriate in light of the Change in Control, provided that the Committee determines that such adjustments do not have an adverse economic impact on the Participant as determined at the time of the adjustments.

(e) The judgment of the Committee with respect to any matter referred to in this Section 14 shall be conclusive and binding upon each Participant without the need for any amendment to the Plan.

15. MISCELLANEOUS.

15.1. No Rights to Employment or Other Service. Nothing in the Plan or in any grant made pursuant to the Plan shall confer on any individual any right to continue in the employ or other service of the Company or Subsidiaries or interfere in any way with the right of the Company or Subsidiaries and its shareholders to terminate the individual's employment or other service at any time.

15.2. Right of First Refusal; Right of Repurchase. At the time of grant, the Committee may provide in connection with any grant made under the Plan that Shares received hereunder shall be subject to a right of first refusal pursuant to which the Company shall be entitled to purchase such Shares in the event of a prospective sale of the Shares, subject to such terms and conditions as the Committee may specify at the time of grant or (if permitted by the Award Agreement) thereafter, and to a right of repurchase, pursuant to which the Company shall be entitled to purchase such Shares at a price determined by, or under a formula set by, the Committee at the time of grant or (if permitted by the Award Agreement) thereafter, subject to such other terms and conditions as the Committee may specify at the time of grant.

15.3. No Fiduciary Relationship. Nothing contained in the Plan (including without limitation Sections 7.5(c) and 8.4, and no action taken pursuant to the provisions of the Plan, shall create or shall be construed to create a trust of any kind, or a fiduciary relationship between the Company or Subsidiaries, or their officers or the Committee, on the one hand, and the Participant, the Company, Subsidiaries or any other person or entity, on the other.

15.4. No Fund Created. Any and all payments hereunder to any Participant shall be made from the general funds of the Company (or, if applicable, a participating subsidiary), no special or separate fund shall be established or other segregation of assets made to assure such payments, and the Phantom Shares (including for purposes of this Section 15.4 any accounts established to facilitate the implementation of Section 7.4(c)) and any other similar devices issued hereunder to account for Plan obligations do not constitute Common Stock and shall not be treated as (or as giving rise to) property or as a trust fund of any kind; provided, however, that the Company may establish a mere bookkeeping reserve to meet its obligations hereunder or a trust or other funding vehicle that would not cause the Plan to be deemed to be funded for tax purposes or for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended. The obligations of the Company under the Plan are unsecured and constitute a mere promise by the Company to make benefit payments in the future and, to the extent that any person acquires a right to receive payments under the Plan from the Company, such right shall be

no greater than the right of a general unsecured creditor of the Company. (If any affiliate of the Company is or is made responsible with respect to any Awards, the foregoing sentence shall apply with respect to such affiliate.) Without limiting the foregoing, Phantom Shares and any other similar devices issued hereunder to account for Plan obligations are solely a device for the measurement and determination of the amounts to be paid to a Grantee under the Plan, and each Grantee's right in the Phantom Shares and any such other devices is limited to the right to receive payment, if any, as may herein be provided.

15.5. Notices. All notices under the Plan shall be in writing, and if to the Company, shall be delivered to the Board or mailed to its principal office, addressed to the attention of the Board; and if to the Participant, shall be delivered personally, sent by facsimile transmission or mailed to the Participant at the address appearing in the records of the Company. Such addresses may be changed at any time by written notice to the other party given in accordance with this Section 15.5.

15.6. Exculpation and Indemnification. The Company shall indemnify and hold harmless the members of the Board and the members of the Committee from and against any and all liabilities, costs and expenses incurred by such persons as a result of any act or omission to act in connection with the performance of such person's duties, responsibilities and obligations under the Plan, if such person acts in good faith and in a manner that he or she reasonably believes to be in, or not opposed to, the best interests of the Company, to the maximum extent permitted by law.

15.7. Captions. The use of captions in this Plan is for convenience. The captions are not intended to provide substantive rights.

15.8. Governing Law. THE PLAN SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF MARYLAND WITHOUT REGARD TO ANY PRINCIPLES OF CONFLICTS OF LAW WHICH COULD CAUSE THE APPLICATION OF THE LAWS OF ANY JURISDICTION OTHER THAN THE STATE OF MARYLAND.

ADOPTED: JULY 21, 2006

APPROVED BY STOCKHOLDERS: OCTOBER 6, 2006

AMENDED AND RESTATED: MAY 3, 2007

EXHIBIT A

PERFORMANCE CRITERIA

Performance-Based Awards intended to qualify as “performance based” compensation under Section 162(m) of the Code, may be payable upon the attainment of objective performance goals that are established by the Committee and relate to one or more Performance Criteria, in each case on specified date or over any period, up to 10 years, as determined by the Committee. Performance Criteria may (but need not) be based on the achievement of the specified levels of performance under one or more of the measures set out below relative to the performance of one or more other corporations or indices.

“Performance Criteria” means the following business criteria (or any combination thereof) with respect to one or more of the Company, any Participating Company or any division or operating unit thereof:

- (i) pre-tax income;
- (ii) after-tax income;
- (iii) net income (meaning net income as reflected in the Company’s financial reports for the applicable period, on an aggregate, diluted and/or per share basis);
- (iv) operating income;
- (v) cash flow;
- (vi) earnings per share;
- (vii) return on equity;
- (viii) return on invested capital or assets;
- (ix) cash or funds available for distribution;
- (x) appreciation in the fair market value of the Common Stock;
- (xi) return on investment;
- (xii) total return to shareholders (meaning the aggregate Common Stock price appreciation and dividends paid (assuming full reinvestment of dividends) during the applicable period);
- (xiii) net earnings growth;
- (xiv) stock appreciation (meaning an increase in the price or value of the Common Stock after the date of grant of an award and during the applicable period);

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- (xv) related return ratios;
 - (xvi) increase in revenues;
 - (xvii) net earnings;
 - (xviii) changes (or the absence of changes) in the per share or aggregate market price of the Company's Common Stock;
 - (xix) number of securities sold;

(xx) earnings before any one or more of the following items: interest, taxes, depreciation or amortization for the applicable period, as reflected in the Company's financial reports for the applicable period;

(xxi) total revenue growth (meaning the increase in total revenues after the date of grant of an award and during the applicable period, as reflected in the Company's financial reports for the applicable period);

(xxii) the Company's published ranking against its peer group of real estate investment trusts based on total shareholder return;

(xxiii) funds from operations;

(xxiv) same-store sales from period to period;

(xxv) objectively determinable capital deployment;

(xxvi) realized gains on assets; and

(xxvii) objectively determinable expense management.

Performance Goals may be absolute amounts or percentages of amounts or may be relative to the performance of other companies or of indexes, and may be on an aggregate, per-share or other similar basis.

To the extent permitted by Section 162(m) of the Code, unless the Committee provides otherwise at the time of establishing the Performance Goals, for each fiscal year of the Company, there shall be objectively determinable adjustments, as determined in accordance with GAAP, to any of the Performance Criteria described above for one or more of the items of gain, loss, profit or expense: (A) determined to be extraordinary or unusual in nature or infrequent in occurrence, (B) related to the disposal of a segment of a business, (C) related to a change in accounting principle under GAAP, (D) related to discontinued operations that do not qualify as a segment of a business under GAAP, and (E) attributable to the business operations of any entity acquired by the Company during the fiscal year.

**Certification Pursuant to Rule 13a-14(a)
Under the Securities Exchange Act of 1934, As Amended**

I, Philip L. Hawkins, certify that:

1. I have reviewed this quarterly report on Form 10-Q of DCT Industrial Trust Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 14, 2007

By: /s/ Philip L. Hawkins
Philip L. Hawkins
Chief Executive Officer

Certification Pursuant to Rule 13a-14(a)
Under the Securities Exchange Act of 1934, As Amended

I, Stuart B. Brown, certify that:

1. I have reviewed this quarterly report on Form 10-Q of DCT Industrial Trust Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 14, 2007

By: /s/ Stuart B. Brown
Stuart B. Brown
Chief Financial Officer

**Certification Pursuant to 18 U.S.C. Section 1350
(As Adopted Pursuant to Section 906 of the Sarbanes–Oxley
Act of 2002)**

Pursuant to section 906 of the Sarbanes–Oxley Act of 2002, the undersigned officer of DCT Industrial Trust Inc., a Maryland corporation (the “Company”), does hereby certify with respect to the Quarterly Report of the Company on Form 10–Q for the period ended June 30, 2007, as filed with the Securities and Exchange Commission (the “Report”) that, to his knowledge:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 14, 2007

/s/ Philip L. Hawkins
Philip L Hawkins
Chief Executive Officer

**Certification Pursuant to 18 U.S.C. Section 1350
(As Adopted Pursuant to Section 906 of the Sarbanes–Oxley
Act of 2002)**

Pursuant to section 906 of the Sarbanes–Oxley Act of 2002, the undersigned officer of DCT Industrial Trust Inc., a Maryland corporation (the “Company”), does hereby certify with respect to the Quarterly Report of the Company on Form 10–Q for the period ended June 30, 2007, as filed with the Securities and Exchange Commission (the “Report”) that, to his knowledge:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 14, 2007

/s/ Stuart B. Brown
Stuart B. Brown
Chief Financial Officer

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