ALTAIR NANOTECHNOLOGIES INC
Form SC 14F1
January 25, 2011

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

SCHEDULE 14F-1

Information Statement
Pursuant to Section 14(f) of the
Securities Exchange Act of 1934
and Rule 14f-1 Promulgated Thereunder

ALTAIR NANOTECHNOLOGIES, INC.
(Exact name of registrant as specified in its corporate charter)

Commission File No.: 001-12497

Canada	33-1084375
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

204 Edison Way
Reno, NV 89502
(Address of Principal Executive Offices, including Zip Code)

(775) 858-3750
(Registrant's Telephone Number, Including Area Code)

With a copy to:

Bryan T. Allen
Matthew B. Tenney
Parr Brown Gee & Loveless, P.C.
185 South State Street, Suite 800
Salt Lake City, Utah 84111
(801) 532-7840

Approximate Date of Mailing: January 25, 2011

NOTICE OF CHANGE IN THE MAJORITY OF THE BOARD OF DIRECTORS

ALTAIR NANOTECHNOLOGIES, INC.
204 Edison Way
Reno, NV 89502

INFORMATION STATEMENT
PURSUANT TO SECTION 14(f) OF THE
SECURITIES EXCHANGE ACT OF 1934
AND RULE 14f-1 PROMULGATED THEREUNDER

THIS INFORMATION STATEMENT IS BEING PROVIDED SOLELY FOR
INFORMATIONAL PURPOSES AND NOT IN CONNECTION WITH ANY
VOTE OF THE SHAREHOLDERS OF ALTAIR NANOTECHNOLOGIES, INC.

WE ARE NOT ASKING YOU FOR A PROXY AND
YOU ARE REQUESTED NOT TO SEND US A PROXY

This Information Statement is being furnished pursuant to Section 14(f) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and Rule 14f-1 promulgated thereunder, in connection with an anticipated change in the majority of the membership of the Board of Directors (the “Board”) of Altair Nanotechnologies Inc. (the “Corporation”) resulting from the proposed acquisition by Canon Investment Holdings Limited (“Canon”) of 51% of the Corporation’s outstanding common shares on a fully diluted basis in a common share issuance (the “Common Share Issuance”) pursuant to the terms of the Share Subscription Agreement dated as of September 20, 2010 by and between Canon and the Corporation (the “Share Subscription Agreement”).

A special meeting of the Corporation’s shareholders was held on December 27, 2010 to, among other things, consider and approve the Common Share Issuance, as more fully described in the Corporation’s definitive proxy statement filed with the Securities and Exchange Commission on November 15, 2010. The Corporation’s shareholders approved the Common Share Issuance at the special meeting, and the closing is expected to occur if and when all conditions precedent to closing are waived or satisfied. Under the Share Subscription Agreement, the Corporation has agreed to take actions such that at the closing of the Common Share Issuance, the Corporation’s Board shall consist of nine directors, five of whom are designated by Canon, three of whom are independent directors, and one of whom is an executive of the Corporation.

No action or vote is required by our shareholders in connection with the actions contemplated in this Information Statement. Shareholders are not required to take any action with respect to the appointment of the new directors. However, Section 14(f) of the Exchange Act and Rule 14f-1 promulgated thereunder, requires that we file with the Securities and Exchange Commission and mail to our shareholders of record the information set forth in this Information Statement at least ten days prior to the date of a change in a majority of our directors occurs otherwise than at a meeting of our shareholders.

All descriptions of the Common Share Issuance, anticipated consequences and anticipated related events and transactions set forth in this Information Statement are forward-looking statements. Such statements can be identified by the use of the forward-looking words "anticipate," "estimate," "project," "likely," "believe," "intend," "expect," or similar v

These forward-looking statements involve substantial known and unknown risks, uncertainties and other factors which may cause actions contemplated in the future not to be completed or may cause the actual terms and consequences to be materially different from those anticipated in the descriptions in this Information Statement.

You should not place undue reliance on these forward-looking statements, which speak only as of the date that they were made. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to reflect actual results, later events or circumstances or to reflect the occurrence of unanticipated events.

CHANGES TO THE BOARD OF DIRECTORS

The Corporation's directors are elected annually for a one-year term or until their respective successors are duly elected and qualified or until their earlier resignation or removal.

Our Board currently consists of seven directors, each of whom was elected by our shareholders at our annual meeting held on May 24, 2010. We have agreed to expand the size of our Board to nine directors, five of whom are to be designated by Canon, three of whom are to be independent directors, and one of whom is to be an executive of the Corporation, as a condition to the closing of the Common Share Issuance (the "Closing"). Consequently, a majority of the board will be appointed at the Closing without shareholder approval. We anticipate that, of our current directors, Hossein Asrar Haghighi, George Hartman, Jon Bengtson and Robert G. van Schoonenberg will resign from our Board at the time of closing of the Common Share Issuance. Terry M. Copeland, Alexander Lee and Pierre Lortie will remain on our Board. In addition, the Corporation has determined to appoint Sean Shao to our Board as an independent director at the Closing.

We have been informed by Canon that it intends to designate the individuals listed immediately below to serve on our Board (the "Canon Nominees"), none of whom currently serve or have ever served as an officer or director of the Corporation. Set forth below is certain information with respect to each of the Canon Nominees, including their principal occupations for the past five years:

Yincang Wei

Age:	51
Principal Occupation:	Chairman, Canon Investment Holdings Limited, Zhuhai Yintong Energy Company Ltd. and Guangdong Yintong Investment Holdings Group Co., Ltd.
Experience:	Mr. Wei Yincang has served as the chairman of Canon Investment Holdings Limited, Zhuhai Yintong Energy Company Ltd. and Guangdong Yingtong Investment Holdings Group Co., Ltd. from 2004 until the present time. Prior to that, Mr. Wei served as the chairman of Nan-Ming-He Iron Ore Limited, a company engaged in the business of iron mine operations. Mr. Wei also previously served in various senior management positions at Hebei Yinda Transportation Industrial Group, Hong Kong Dalong Investment Holdings Limited, Transportation Industrial Group Corporation, and Transportation Safety Equipment Factory.

	Mr. Wei graduated from Xi'an Highway University with a degree in engineering. Mr. Wei has also pursued further education in Transportation Management and Vehicle Inspection and Testing at Xi'an Highway University.
Specific Qualifications	Mr. Wei will be appointed to the Board pursuant to a covenant in an agreement between the Corporation and Canon. Pursuant to the covenant, the Board of the Corporation is required, except where legal or fiduciary duties would require otherwise, to appoint five directors nominated by Canon at the Closing.

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Guohua Sun	
Age:	34
Principal Occupation:	General Manager, Canon Investment Holdings Limited and Guangdong Yintong Investment Holdings Group Co., Ltd; Director, Zhuhai Yintong Energy Company Ltd.
Experience:	Mr. Sun has served as the General Manager of Canon Investment Holdings Limited and Guangdong Yintong Investment Holdings Group Co., Ltd. from April 2005 to the present and also currently serves as a director of Zhuhai Yintong Energy Company Ltd. Prior to that, Mr. Sun served as General Manager of Beijing Yinda Transportation Investment Limited from 2003 to 2005, prior to that time, as Vice General Manager from 2001 to 2003. Mr. Sun also served as Vice General Manager of Nan-Ming-He Iron Ore Limited from 2001 to 2003. Mr. Sun graduated with a degree in business administration from Handan University and with a master's degree in business administration from the University of Wales.
Specific Qualifications	Mr. Sun will be appointed to the Board pursuant to a covenant in an agreement between the Corporation and Canon. Pursuant to the covenant, the Board of the Corporation is required, except where legal or fiduciary duties would require otherwise, to appoint five directors nominated by Canon at the Closing.
Guohua Wei	
Age:	32
Principal Occupation:	Executive Director, Zhuhai Jiamei Energy Technology Co., Ltd.; Head of Administrative Department at Canon Investment Holdings Limited and Guangdong Yintong Investment Holdings Group Co., Ltd.
Experience:	Since 2007, Mr. Wei has served as Executive Director of Zhuhai Jiamei Energy Technology Co., Ltd. and as Head of Administrative Department of Canon Investment Holdings Limited and Guangdong Yintong Investment Holdings Group Co., Ltd. Mr. Wei previously served as GM Assistant of Zhuhai Huayin Investment Company Limited from 2004 to 2007 and as GM Assistant of Beijing Yinda Transportation Investment Limited from 2001 to 2004. Mr. Wei earned a degree in business administration from Beijing Canada Delter International Business College. Mr. Wei also earned his master's degree in business administration from the University of Wales.
Specific Qualifications	Mr. Wei will be appointed to the Board pursuant to a covenant in an agreement between the Corporation and Canon. Pursuant to the

	covenant, the Board of the Corporation is required, except where legal or fiduciary duties would require otherwise, to appoint five directors nominated by Canon at the Closing.
Jun Liu	
Age:	55
Principal Occupation:	General Manager, Vantech Enviro Plastics Corp. Canada
Experience:	Mr. Liu currently serves as the General Manager of Vantech Enviro Plastics Corp. Canada, a company focused on the development and production of plastic film products. Mr. Liu previously served as Marketing and Sales Director for Morgan Grandview Group (Canada) from November 2008 to October 2009. In this position Mr. Liu had primary responsibility for marketing development, business management, and product sales in Canada and the United States. Mr. Liu served as Account Manager and then as Authorized Supervisor at JNE (Canada) from September 2004 to December 2007. Mr. Liu earned his bachelor's degree in chemistry from Beijing University and a certificate of executive in marketing strategy from the State University of New York at Buffalo.
Specific Qualifications	Mr. Liu will be appointed to the Board pursuant to a covenant in an agreement between the Corporation and Canon. Pursuant to the covenant, the Board of the Corporation is required, except where legal or fiduciary duties would require otherwise, to appoint five directors nominated by Canon at the Closing.

Liming Zou	
Age:	47
Principal Occupation:	Chief Executive Officer, YuView Holdings Ltd.
Experience:	Since 2009, Mr. Zou has served as the Chief Executive Officer of YuView Holdings Ltd. Mr. Zou previously served as Vice President for Asian Coast Development Ltd. from 2007 to 2008. In this position Mr. Zou had primary responsibility for marketing and business development in China. Mr. Zou served as Executive Director of SI-TECH Information Technology Ltd. from 2005 to 2007, where he was responsible for corporate financing and mergers & acquisitions. From 2004 to 2005, Mr. Zou served as a Director of Confederal Finance Corp. Mr. Zou earned his bachelor's degree in science from Beijing University of Post and Telecommunications and earned his master's degree in science from the Graduate School of China Academy of Posts & Telecommunications. He also earned a master's degree in business administration from the Richard Ivey School of Business at the University of Western Ontario, Canada.
Specific Qualifications	Mr. Zou will be appointed to the Board pursuant to a covenant in an agreement between the Corporation and Canon. Pursuant to the covenant, the Board of the Corporation is required, except where legal or fiduciary duties would require otherwise, to appoint five directors nominated by Canon at the Closing.

Of the foregoing, Mr. Yincang Wei is the uncle of Mr. Guohua Wei.

Set forth below is certain information with respect to the three independent directors and the executive director of the Corporation that will be designated by the Corporation to serve on our Board at the closing of the Common Share Issuance, and each of the executive officers of the Corporation, including their principal occupations for the past five years:

Terry M. Copeland	
Age:	58
Director Since:	2008
Committees:	None
Principal Occupation:	President and Chief Executive Officer of the Corporation
Experience:	Dr. Copeland was appointed President of the Corporation in February 2008 and Chief Executive Officer and a director of the Corporation in June 2008. Dr. Copeland joined the Corporation in November 2007 as Vice President, Operations for the Power and Energy business unit of Altairnano, Inc. Prior to joining the Corporation, Dr. Copeland worked as a general manufacturing and technical consultant from 2004 through the end

	of 2007. From 2000 through 2003, Dr. Copeland was the Vice President of Product Development at Millennium Cell, Inc., a development stage company working with alternative fuels. From 1992 through 2000, Dr. Copeland worked for Duracell, a leading consumer battery company, where he held positions as Director of Product Development (1998 to 2000), Plant Manager (1995 to 1998) and Director of Engineering (1992 to 1995). Dr. Copeland also worked for E.I. DuPont De Nemours & Co., Inc. from 1978 to 1992, where his positions included research engineer, technical manager and manufacturing manager. Dr. Copeland earned a bachelor's degree in chemical engineering from the University of Delaware and earned a doctor of philosophy degree in chemical engineering from the Massachusetts Institute of Technology.
Specific Qualifications	Dr. Copeland's continued tenure as a director is based upon his status as the Chief Executive Officer of the Corporation, his expertise and experience in the battery industry and his management and leadership experience.

Alexander Lee	
Age:	43
Director Since:	2009
Committees:	Member of Compensation, Governance and Nominating Committee
Principal Occupation:	Managing Director of Al Yousuf, LLC
Experience:	Mr. Lee is the Managing Director of Al Yousuf, LLC, a Dubai-based company that operates a range of businesses in the electronics, information technology, transportation and real estate sectors. Mr. Lee joined Al Yousuf, LLC as a Managing Director in December 2009. From September 2009 to October 2009, Mr. Lee was President and Chief Operating Officer of Phoenix Cars, LLC, an Al Yousuf, LLC entity that in September 2009 acquired assets from Phoenix MC, Inc., a developer of electric vehicles which filed for Chapter 11 bankruptcy in April 2009. From February 2009 to August 2009, Mr. Lee was the President and Chief Operating Officer of Phoenix MC, Inc. Mr. Lee joined Phoenix MC, Inc. in January 2008 as its Executive Vice President, and he served as its Executive Vice President and Chief Operating Officer from March 2008 to February 2009. Prior to Phoenix MC, Inc., Mr. Lee worked at Rapiscan Systems, a developer, manufacturer and distributor of x-ray, gamma-ray and computed tomography products. Mr. Lee was Vice President of Strategic Planning at Rapiscan from February 2006 to December 2007. Mr. Lee joined Rapiscan as the head of its government contracts and proposals group in October 2003. Mr. Lee earned a bachelor of arts degree from Brown University and a juris doctorate degree from the King Hall School of Law at University of California Davis.
Specific Qualifications	Mr. Lee's appointment to the Board is pursuant to a covenant in an agreement between the Corporation and Al Yousuf, LLC. Pursuant to the covenant, the Board of the Corporation is required, except where legal or fiduciary duties would require otherwise, to appoint a director nominated by Al Yousuf.

Pierre Lortie	
Age:	63
Director Since:	2006
Committees:	Chairman of the Board and Member of Audit Committee
Principal Occupation:	Senior Business Advisor to Fraser Milner Casgrain LLP
Experience:	Since May 2006, Mr. Lortie has served as Senior Business Advisor to Fraser Milner Casgrain LLP, one of Canada's leading full service business law firms serving both Canadian and international

	clients. From June 2004 to December 2005, Mr. Lortie was the President of the Transition Committee of the Agglomeration of Montreal. Since April 2004, Mr. Lortie has also served as the President of G&P Montrose, a management consulting company. Mr. Lortie worked at Bombardier from April 1990 to December 2003, where he served as President and Chief Operating Officer of Bombardier's transportation, capital, international and regional aircraft aerospace groups. Mr. Lortie has held several positions in the technology field, including Chairman of the Centre for Information Technology Innovation and Vice Chairman of Canada's National Advisory Board on Science and Technology. Mr. Lortie was a representative of the Prime Minister of Canada on the APEC Business Advisory Council from 1999 to 2004. Mr. Lortie was appointed Member of the Order of Canada in 2001 and was elected as a Director of the Canadian Academy of Engineering in 2010. A professional engineer, Mr. Lortie holds a bachelor's degree in applied sciences in engineering physics from Université Laval, a degree in applied economics from the Université de Louvain, Belgium, and a master of business administration degree with honors from the University of Chicago. Additionally, he has received a doctorate honoris causa in law from Bishop's University. He also holds the professional designation ICD.D from the Institute of Corporate Directors.
Other Directorships	Group Canam (TSX-V: CAM), a company that designs and fabricates construction products and solutions (2004 to present), Consolidated Thompson Iron Mines Ltd. (TSX: CLM), an iron ore mining company (August 2009 to present) and Tembec Inc (TSX: TMB), a large, diversified and integrated forest products company (January 2011 to present).
Specific Qualifications	Mr. Lortie's continued tenure as a director is based on his strength and experience in business strategy, his leadership experience as President and Chief Operating Officer of Bombardier's transportation, international and regional aircraft aerospace groups and his international experience.

Sean Shao	
Age:	53
Principal Occupation:	Director of Various Corporations
Experience:	Mr. Sean Shao currently serves as (i) independent director and chairman of the audit committee of: Xueda Education Group, a Chinese personalized tutoring services company listed on NYSE; American Dairy, Inc., a Chinese dairy products company listed on NYSE; China Biologic Products, Inc., a biopharmaceutical company listed on NASDAQ; Renhuang Pharmaceuticals, Inc., a Chinese pharmaceutical company listed on AMEX; China Recycling Energy Corporation, an energy recycling system design company listed on NASDAQ and Yongye International, Inc., a Chinese agricultural company listed on NASDAQ; (ii) independent director of AsiaInfo-Linkage, Inc., a Chinese telecom software solutions provider listed on NASDAQ and China Medicine Corporation, a distributor and developer of medicines listed on bulletin board ; (iii) independent director and chairman of the nominating committee of Agria Corporation, a Chinese agricultural company listed on NYSE; and (iv) independent director and chairman of the audit committee and compensation committee of China Nuokang Bio-Pharmaceutical, Inc., a biopharmaceutical company listed on NASDAQ. Mr. Shao served as the chief financial officer of Trina Solar Limited from 2006 to 2008. In addition, Mr. Shao served from 2004 to 2006 as the chief financial officer of ChinaEdu Corporation, an educational service provider, and of Watchdata Technologies Ltd., a Chinese security software company. Prior to that, Mr. Shao worked at Deloitte Touche Tohmatsu CPA Ltd. for approximately a decade. Mr. Shao received a bachelor’s degree in art from East China Normal University in 1982 and a master’s degree in health care administration from the University of California at Los Angeles in 1988. Mr. Shao is a member of the American Institute of Certified Public Accountants.
Specific Qualifications	Mr. Shao’s appointment as a director is based on his accounting and financial services expertise, his management experience and his experience in overseeing public companies with ties to both the United States and China.

Executive Officers

The executive officers of the Corporation are Terry M. Copeland, John C. Fallini, Bruce J. Sabacky, Stephen A. Balogh, C. Robert Pedraza, Daniel Voelker and Thomas Kieffer. Information regarding Dr. Copeland is presented in "Directors" immediately above. Certain information regarding Messrs. Fallini, Sabacky, Balogh, Pedraza, Voelker and Kieffer follows.

John C. Fallini	
Age:	61
Principal Occupation:	Chief Financial Officer and Secretary of the Corporation
Experience:	Mr. Fallini joined the Corporation in April 2008 as the Chief Financial Officer and was appointed as Secretary of the Corporation in February 2009. Prior to joining the Corporation, Mr. Fallini served as the chief financial officer for Alloptic, Inc., a private corporation that produces passive optical network access equipment for the telecommunications and cable TV industries, from January 2007 to April 2008. From March 2003 through January 2007, Mr. Fallini was an independent consultant specializing in financial services and providing interim CFO support to companies in a number of different industries. From 2000 through 2003, Mr. Fallini served as the chief financial officer for Informative, Inc., a private corporation that sold customer voice management software that allowed real time dialogue with customers via the internet. From 1998 to 2000 Mr. Fallini served as the chief operating officer of Butterfields, the fourth largest fine arts auctioneer in the world, and from 1976 to 1998 Mr. Fallini served in a variety of management positions with Pacific Bell in both the regulated and deregulated sides of the company. Mr. Fallini obtained a bachelor of science degree in engineering and applied science from the University of California, Los Angeles and a master of business administration degree in finance with high honors from Oklahoma City University.

Bruce J. Sabacky	
Age:	59
Principal Occupation:	Chief Technology Officer of the Corporation
Experience:	Dr. Sabacky was appointed was appointed Chief Technology Officer of the Corporation in June 2006. Dr. Sabacky was appointed Vice President of Research and Engineering for Altairnano, Inc., the operating subsidiary through which the Corporation conducts its nanotechnology business, in October 2003. Dr. Sabacky joined Altairnano, Inc. in January 2001 as Director of Research and Engineering. Prior to that, he was the manager of process development at BHP Minerals Inc.'s Center for Minerals Technology from 1996 to 2001, where he was instrumental in developing the nanostructured materials

technology. Dr. Sabacky was the technical superintendent for Minera Escondida Ltd. from 1993 to 1996 and was a principal process engineer with BHP from 1991 to 1993. Prior to that, he held senior engineering positions in the minerals and metallurgical industries.

Dr. Sabacky obtained a bachelor of science and a master of science degree in metallurgical engineering from the South Dakota School of Mines and Technology and a doctor of philosophy degree in materials science & mineral engineering with minors in chemical engineering and mechanical engineering from the University of California, Berkeley.

Stephen A. Balogh	
Age:	63
Principal Occupation:	Vice President of Human Resources for the Corporation
Experience:	Mr. Balogh joined the Corporation as Vice President, Human Resources in July 2006. In 2001, Mr. Balogh founded PontusOne, providing executive search and consulting services to technology companies, where he continued to work through 2007. Before founding PontusOne, Mr. Balogh was a managing partner of David Powell, Inc., a Silicon Valley based executive search firm from 1997 to 2001. Previously, Mr. Balogh served more than twenty three years in various managerial positions at Raychem Corporation, a multibillion-dollar, international material science company. In his last position, he served as Raychem's corporate vice president of human resources from 1990 through 1996. From 1984 to 1990 at Raychem, Mr. Balogh was general manager for Chemelex, a worldwide division of Raychem. His extensive global business experience with Raychem includes expatriate assignments in both Brussels and Paris. Mr. Balogh holds a bachelor of science degree and a Dean's Certificate of Advanced Engineering Study in chemical engineering from Cornell University and a masters of business administration degree from the Stanford Graduate School of Business.
C. Robert Pedraza	
Age:	48
Principal Occupation:	Vice President of Corporate Strategy for the Corporation
Experience:	Mr. Pedraza joined the corporation in July 2005 as Vice President - Strategy and Business Development. He was then appointed as Vice President, Corporate Strategy in June 2008. Mr. Pedraza founded Tigré Trading, an institutional equity trading boutique which facilitated transactions for hedge funds and assisted in fund raising from July 2002 through May 2005. Prior to that Mr. Pedraza held senior sales roles with Fidelity Investments Institutional Services Company, Alliance Capital Management L.P., Compass Bancshares, Inc. and Prudential-Bache Securities, Inc. Mr. Pedraza received his bachelor's degree in business and economics from Lehigh University where he was a recipient of the Leonard P. Pool Entrepreneurial Scholarship. He also completed the Graduate Marketing Certificate Program at the Southern Methodist University Cox School of Business.

Daniel S. Voelker

Age:	57
Principal Occupation:	Vice President of Engineering & Operations for the Corporation
Experience:	Mr. Voelker joined the Corporation as Vice President, Operations for Power & Energy Systems in April 2008, and was promoted to Vice President, Engineering & Operations in November 2008. Mr. Voelker was the vice president of business development and sales for Wes-Tech Automation Solutions, a systems integration business supplying the automotive industry, where he also served as the vice president of operations during his employment from June 2004 through April 2008. From May 1999 through June 2004, Mr. Voelker served DT Industries, Inc in several key leadership roles, including director of engineering, director of program management, and finally as the general manager of DT's Chicago operation. From November 1982 through April 1999, Mr. Voelker served Duracell in increasing levels of responsibility during more than sixteen years with the company. His job responsibilities included project engineer, systems engineering manager, plant engineering manager for Duracell's lithium manufacturing operation, and director of equipment engineering for Duracell world-wide. He played a key role in Duracell product launches of lithium battery products and lithium plant startup, the on-cell battery tester, ultra alkaline batteries, as well as key capacity expansion initiatives for alkaline batteries globally. Mr. Voelker graduated from the University of Nebraska with a bachelor's degree in mechanical engineering.

Tom Kieffer

Age:	52
Principal Occupation:	Vice President of Marketing and Sales for the Corporation
Experience:	Prior to joining the Corporation in March 2010, Mr. Kieffer served as the executive director of customer support excellence and brand from 2005 through March 2009 for Cummins Inc., responsible for corporate brand strategy and identity. Cummins Inc. is a global corporation that designs, manufactures, distributes and services engines and related technologies, including electrical power generation systems, fuel systems, controls, air handling, filtration and emission solutions with 2008 revenues of $14 billion. From 2001 through the end of 2005, Mr. Kieffer was executive director of engine business marketing for Cummins Inc., and from 1999 through 2000, Mr. Kieffer was executive director of engine business automotive marketing for Cummins Inc. From 1996 to 1998, Mr. Kieffer was general manager responsible for Cummins Inc's $250 million global commercial relationship with PACCAR, a major truck manufacturer. From 1993 through 1995, Mr. Kieffer was director of industrial markets with responsibility for Cummins

Inc.'s Original Equipment Manufacturers (OEM) and North American field sales organizations servicing construction, mining, and agriculture markets.

Mr. Kieffer obtained a bachelor of science in industrial engineering from Purdue University, West Lafayette, Indiana and a master of business administration from Indiana University, Bloomington, Indiana.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Corporation's officers, directors and persons who own more than 10% of the Corporation's common stock to file reports concerning their ownership of common shares with the SEC and to furnish the Corporation with copies of such reports. Based solely upon the Corporation's review of the reports required by Section 16 and amendments thereto furnished to the Corporation, the Corporation believes that all reports required to be filed pursuant to Section 16(a) of the Exchange Act during 2010 were filed with the SEC on a timely basis, except for the following: (1) Alexander Lee was required to file a Form 3 on December 28, 2009, such Form 3 was filed on February 3, 2010; (2) Stephen A. Balogh was required to file a Form 4 on January 20, 2010, such Form 4 was filed on January 21, 2010; (3) Terry M. Copeland was required to file a Form 4 on January 20, 2010, such Form 4 was filed on January 21, 2010; (4) John C. Fallini was required to file a Form 4 on January 20, 2010, such Form 4 was filed on January 21, 2010; (5) John F. Harvat was required to file a Form 4 on January 20, 2010, such Form 4 was filed on January 21, 2010; (6) C. Robert Pedraza was required to file a Form 4 on January 20, 2010, such Form 4 was filed on January 21, 2010; (7) Bruce Sabacky was required to file a Form 4 on January 20, 2010, such Form 4 was filed on January 21, 2010; (8) Daniel S. Voelker was required to file a Form 4 on January 20, 2010, such Form 4 was filed on January 21, 2010; (9) Thomas P. Kieffer was required to file a Form 4 on June 4, 2010, such Form 4 was filed on June 17, 2010 and was required to file a Form 3 on June 14, 2010, such Form 3 was filed on June 17, 2010; (10) Al Yousuf LLC was required to file a Form 4 on June 23, 2010, such Form 4 was filed on July 8, 2010.

CORPORATE GOVERNANCE

Board Committees

Compensation, Governance and Nominating Committee

The Compensation, Governance and Nominating Committee discharges the Board's responsibilities relating to compensation of the Corporation's directors and officers, oversees and monitors the Corporation's management in the interest and for the benefit of the stockholders and assists the Board by identifying and recommending individuals qualified to become directors. The Compensation, Governance and Nominating Committee has overall responsibility for approving and evaluating the director and officer compensation plans, policies and programs of the Corporation, and may form and delegate authority to subcommittees when it determines that such action is appropriate.

Committee Membership and Independence

The members of the Compensation, Governance and Nominating Committee as of the date of this Information Statement are Robert van Schoonenberg (Chair), Alexander Lee and Jon Bengtson, each of whom is independent under NASDAQ's listing standards. The Compensation, Governance and Nominating Committee met six times during 2010, two times in person and four times by telephone. The Corporation has not yet made a determination as to who the members of the Compensation, Governance and Nominating Committee will be at the closing of the Common Share Issuance. However, it is anticipated that the members of such committee will all be Canon Nominees.

The charter governing operations of the Compensation, Governance and Nominating Committee was adopted in April 2004 and updated in February 2007, and is available at the Corporation's website at www.altairnano.com under "Investors" - "Governance." This charter will be amended as of the closing of the Common Share Issuance in order to eliminate any requirement that the committee members be independent, as long as the Corporation is a "Controlled Company" under NASDAQ Rule 5615 (c)(1).

Nomination of Directors

The purpose of the Compensation, Governance and Nominating Committee related to nomination of directors and corporate governance matters is (i) to recommend to the Board the slate of director nominees for election to the Corporation's Board, individuals to fill Board vacancies occurring between annual meetings of stockholders, and individuals for nomination as members of the standing committees of the Board, and (ii) to develop and recommend to the Board a set of corporate governance principles applicable to the Corporation.

In identifying nominees for directors, the Compensation, Governance and Nominating Committee takes into consideration such factors as it deems appropriate. These factors may include judgment, skill, diversity, experience with businesses and other organizations of comparable size, relationship of work experience and education to the current and proposed lines of business of the Corporation, the interplay of the candidate's experience with the experience of other Board members, the extent to which the candidate would be a desirable addition to the Board and any committees of the Board, and the extent to which the candidate satisfies any objective requirements (such as residence, independence or expertise requirements) applicable to the Board or any committees of the Board. The Compensation, Governance and Nominating Committee considers candidates submitted by shareholders in accordance with the policies set forth in the most recent proxy statement delivered to shareholders and may, but is not required to, consider candidates proposed by management.

Board Diversity

In identifying nominees, the Compensation, Governance and Nominating Committee does not have a formal policy regarding the consideration of gender, race, sexual preference, religion and other traits typically associated with the term “diversity.” The Compensation, Governance and Nominating Committee considers it important that the Board be composed of directors with a diverse range of experience, areas of expertise and skills, but has not adopted any formal policy.

Audit Committee

The Audit Committee operates pursuant to a written charter adopted by the Board, a copy of which may be found on the Corporation’s website at www.altairnano.com under the heading “Investors.” A copy may also be obtained free of charge by mailing a request in writing to: Secretary, Altair Nanotechnologies Inc., 204 Edison Way, Reno, Nevada 89502, U.S.A.

Currently, the Audit Committee is comprised solely of non-employee directors, each of whom has been determined by the Board to be independent under the requirements of the NASDAQ listing standards and National Instrument 52-110 of the Canadian Securities Administrators (“NI 52-110”). From January 2010 through May 23, 2010 the Audit Committee was comprised of Robert van Schoonenberg (Chair), Jon Bengtson, George Hartman and Pierre Lortie. Since May 24, 2010 the Audit Committee is comprised of Jon Bengtson (Chair), Robert van Schoonenberg, George Hartman and Pierre Lortie. The Audit Committee held one meeting in person and four meetings via conference call during the fiscal year ended December 31, 2010. The members of the Audit Committee were in attendance at each meeting except that Mr. Lortie was unable to attend one meeting.

Following the closing of the Common Share Issuance, Pierre Lortie, Alexander Lee and Sean Shao are expected to be members of the Audit Committee.

The Board has determined in its business judgment that each current and each proposed member of the Audit Committee satisfies the requirements with respect to audit committee members set forth in NASDAQ Rule 5605(c)(2)(A) and applicable Canadian securities laws; and the Board has determined that, on the current Audit Committee, Jon Bengtson and, of the proposed Audit Committee members, Sean Shao is an “audit committee financial expert” as such term is defined in Item 407(d)(5)(ii) of Regulation S-K promulgated under the Securities Act, is independent under NASDAQ Rule 5605(a)(2) and Rule 10A-3(b)(1)(ii) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and is, as a result of his past employment experience in finance or accounting, requisite professional certification in accounting or other comparable experience or background, sophisticated with respect to financial matters.

The Audit Committee’s responsibility is to assist the Board in its oversight of (a) the quality and integrity of the Corporation’s financial reports, (b) the independence and qualifications of the Corporation’s independent auditor, and (c) the compliance by the Corporation with legal and regulatory requirements. Management of the Corporation has the responsibility for the Corporation’s financial statements as well as the Corporation’s financial reporting process, principles and internal controls. The Corporation’s independent public accounting firm is responsible for performing an audit of the Corporation’s financial statements and expressing an opinion as to the conformity of such financial statements with accounting principles generally accepted in the United States of America.

The change in our Board at the closing of the Common Share Issuance will not affect the Audit Committee’s role and operations. The charter of the Audit Committee will be amended at Closing in order to eliminate the existing cap on the number of audit committees of other companies on which its members can serve.

Board Leadership Structure and Role in Risk Oversight

The Board believes that different people should hold the positions of chairman of the Board and CEO to aid in the Board's oversight of management. Mr. Lortie currently serves as the Chairman of our Board of Directors in a non-executive capacity. As the Chairman of the Board of Directors, Mr. Lortie has a number of responsibilities, which include setting board meeting agendas in collaboration with the CEO, presiding at Board meetings, executive sessions and the annual stockholders' meeting, assigning tasks to the appropriate committees, and ensuring that information flows openly between management and the Board. The Board believes its administration of its risk oversight function has not affected the Board's leadership structure.

At the closing of Common Share Issuance, the new Board will meet to conduct its business. There is no guarantee that Mr. Lortie will continue as the Chairman of the Board, as a new individual will be selected at that time.

The Board is actively involved in assessing and managing risks that could affect the Corporation. The Board's mandate calls for the Board to periodically assess the processes utilized by management with respect to risk assessment and risk management, including identification by management of the principal risks of the Corporation's business, and the implementation by management of appropriate systems to deal with such risks. The Board fulfills these responsibilities either directly, through delegation to committees of the Board, or, as appropriate, through delegation to individual directors.

When the Board determines to delegate any risk management oversight responsibilities, typically such delegation is made to the standing committees of the Board. The Audit Committee would typically be tasked with oversight of risks to the Corporation such as those relating to the quality and integrity of the Corporation's financial reports, the independence and qualifications of the Corporation's independent auditor and inquiries regarding allegations of ethical, financial and legal issues. The Compensation, Governance and Nominating Committee would typically be tasked with overseeing risks such as relating to employment policies, the Corporation's compensation and benefits systems, the identification and recommendation of individuals qualified to become directors, management of the Corporation and succession planning. Each of these committees satisfies its oversight responsibilities through regular reports from officers of the Corporation responsible for each of these risk areas, regular meetings to discuss and analyze such risks, and, when necessary, consultation with outside advisors.

Following the Closing the Corporation will be a "Controlled Company" under NASDAQ Rule 5615(c). As a result, the Corporation is exempt from, and will no longer comply with, the majority independent board requirement, as set forth in NASDAQ Rule 5615(b).

Meetings of Directors and Attendance at Shareholders Meetings

During the year ended December 31, 2010, the Board held six meetings in person and eight meetings via conference call. Attendance at the meetings is summarized in the following table:

Board Member	Board Meetings Attended	Committee Meetings Attended	% of Board and Committee Meetings Attended
Jon N. Bengtson	13	5 of 5 AC 6 of 6 CC	96%
Terry Copeland	14	N/A	100%
Hossein Asrar Haghighi	14	N/A	100%
George Hartman	14	5 of 5 AC	100%
Alexander Lee	13	5 of 6 CC	90%
Pierre Lortie (1)	14	4 of 5 AC 1 of 1 CC	95%
Robert van Schoonenberg	13	5 of 5 AC 6 of 6 CC	96%

AC – Audit Committee
CC - Compensation, Governance and Nominating Committee
N/A – Not applicable

(1) No longer served on the Compensation Committee after May 2010.

In addition, the Board considered and acted on certain matters throughout the year by executing consent resolutions as required.

The Corporation does not have a policy with respect to the attendance of shareholder meetings by directors. All members of the Board serving as of May 24, 2010 attended the 2010 annual shareholders meeting.

Transactions with Related Persons

Share Subscription Agreement

The Corporation entered into the Share Subscription Agreement with Canon on September 20, 2010 with respect to the Common Share Issuance. Pursuant to the terms of the Share Subscription Agreement, Canon has agreed to acquire the number of common shares such that immediately following Closing it will own 51% of the Corporation's outstanding common shares on a fully diluted basis. The purchase price will be approximately $1.5528 per share. Based upon the number of common shares and the rights to acquire common shares outstanding as of December 31, 2010, we estimate that the number of shares to be purchased will be 31,523,017, at an aggregate purchase price of $48,948,799.16. Mr Yincang Wei, one of the director nominees, is the sole shareholder and the Chairman of Canon. Simultaneous to their execution of the Share Subscription Agreement, the Corporation and Canon also entered into an Investor Rights Agreement, pursuant to which the Corporation has granted certain rights to Canon, including (i) rights to proportional representation on the Board of Directors, (ii) the right to cause the Corporation to file a shelf registration statement two years after closing, together with certain demand and piggy-back registration rights, (iii) certain indemnification rights related to the registration rights, and (iv) an option to purchase common shares of the Corporation at market price in an amount sufficient to maintain proportionate ownership in connection with future dilutive issuances.

In addition, the Corporation, Altairnano, Inc., an indirect subsidiary of the Corporation, and Zhuhai Yintong Energy Company Ltd. ("YTE") entered into a Conditional Supply and Technology Licensing Agreement (the "Supply

Agreement") on September 20, 2010. Pursuant to the Supply Agreement, YTE has agreed to purchase nLTO, 11 Ahr battery cells and a 1 megawatt ALTI-ESS system from the Corporation for an aggregate purchase price of $6.6 million for delivery in 2010 and 2011. The purchases are subject to certain terms and conditions set forth in the Supply Agreement, including the right of YTE to cancel its orders for nLTO if the Share Subscription Agreement terminates under certain circumstances and the conditioning of the purchase of the battery cells and ALTI-ESS upon availability of the products for shipping and the closing of the Common Share Issuance. The Supply Agreement also includes an agreement by the Corporation to license its nLTO manufacturing technology at no cost to the owner of a manufacturing facility in China, as long as the Corporation owns a majority of the owner of such facility. In addition, under the Supply Agreement, the Corporation grants to YTE a license to use the Corporation's battery technology to manufacture batteries during a term commencing on the effective date of the Supply Agreement and continuing as long as YTE purchases at least 60 tons of nLTO annually. The battery technology license is exclusive in China (including Taiwan, Hong Kong and Macau) as long as YTE purchases at least 1,000 tons of nLTO per year after 2010 and is non-exclusive in the remainder of Asia (excluding the Middle East), Australia and New Zealand.YTE is an indirect majority-owned and the primary operating subsidiary of Canon. Mr Yincang Wei and Mr Guohua Sun, each a director nominee, is the Chairman and a Director of YTE, respectively.

Voting Agreements

In connection with the Share Subscription Agreement, Canon entered into Voting Agreements (the "Voting Agreements") with the directors and executive officers of the Corporation and with Al Yousuf LLC, the largest single shareholder of the Corporation. In the Voting Agreements, Altair's executive officers and directors, and Al Yousuf LLC, have agreed to vote all of the Corporation's common shares owned by such person to approve the Common Share Issuance. Each of them has also agreed to not vote any such shares in favor of, or consent to, and to vote against and not consent to, the approval of any (i) Acquisition Proposal (as defined below), (ii) reorganization, recapitalization, liquidation or winding-up of the Corporation or any other extraordinary transaction involving the Corporation, (iii) corporate actions that would frustrate the purposes, or prevent or delay the consummation of the transactions contemplated by the Share Subscription Agreement, or (iv) other matters relating to, or in connection with, any of the foregoing. The Corporation's executive officers and directors, and Al Yousuf LLC, have also granted to Canon an irrevocable proxy appointing Canon as attorney-in-fact and proxy, with full power of substitution, for and in such shareholder's name, to vote, express consent or dissent, or otherwise to utilize such voting power in the manner described in the preceding paragraph, as Canon deems appropriate. Each shareholder revokes any and all previous proxies granted with respect to their shares.

The Voting Agreements terminate upon (a) the earlier of (i) the termination of the Share Subscription Agreement, or (ii) the Closing, or (b) at any time upon written notice by Canon to such executive officer or director. In addition to the termination triggers described in the preceding sentence, the Voting Agreement entered into by Al Yousuf LLC will also terminate if the transactions contemplated by the Share Subscription Agreement have not occurred by January 31, 2011. So long as the Voting Agreements are effective, the officers and directors of the Corporation, and Al Yousuf LLC, have agreed not to grant any proxy or power of attorney or enter into any voting trust or other agreement or arrangement with respect to the voting of any shares, or to acquire, sell, assign, transfer, pledge, encumber, or otherwise dispose of, or enter into any contract, option or other arrangement or understanding with respect to the direct or indirect acquisition or sale, assignment, transfer, pledge, encumbrance or other disposition of, any shares.

An "Acquisition Proposal" is defined as, other than the transactions contemplated by the Share Subscription Agreement, any offer, proposal or inquiry relating to, or any third party indication of interest in:

any acquisition or purchase, direct or indirect, of 15% or more of the Corporation's consolidated assets or 15% or more of any class of equity or voting securities of the Corporation or any of its subsidiaries whose assets, individually or in the aggregate, constitute 15% or more of the Corporation's consolidated assets,

any tender offer (including a self-tender offer) or exchange offer that, if consummated, would result in such third party's beneficially owning 15% or more of any class of equity or voting securities of the Corporation or any of its subsidiaries whose assets, individually or in the aggregate, constitute 15% or more of the Corporation's consolidated assets,

a merger, consolidation, share exchange, business combination, sale of substantially all the assets, reorganization, recapitalization, liquidation, dissolution or other similar transaction involving the Corporation or any of its subsidiaries whose assets, individually or in the aggregate, constitute 15% or more of the Corporation's consolidated assets, or

any other transaction or series of transactions for financing or investment in the Corporation that could reasonably be expected to impede, interfere with, prevent or materially delay the transactions contemplated by the Share Subscription Agreement or that could reasonably be expected to dilute materially the benefits to Canon of the transactions contemplated thereby.

Waiver and Rights Agreement

The Corporation entered into a Waiver and Rights Agreement with Al Yousuf LLC on September 20, 2010. Under the Waiver and Rights Agreement, Al Yousuf LLC has waived its right of first offer with respect to the Common Share Issuance. Al Yousuf LLC has also agreed that, with respect to any underwritten demand registration under its pre-existing registration rights agreement with the Corporation, to the extent Canon exercises piggyback registration rights under the Investor Rights Agreement and there is an underwriter cutback, Canon and Al Yousuf LLC will participate on a pro rata basis proportionate to their share ownership.

The Corporation has agreed that, following the closing of the Common Share Issuance, Al Yousuf LLC will have the right to designate one director until such time as Al Yousuf LLC holds less than 5% of the Corporation's outstanding common shares on a fully-diluted basis. During the period the Corporation has only nine directors, the parties agree that the director appointed by Al Yousuf LLC will be one of the independent directors of the Corporation and serve as a member of the audit committee of the Board.

The Corporation has further agreed that, at its next annual shareholder meeting following the closing of the transactions contemplated by the Share Subscription Agreement or if the Board decided to call a special shareholder meeting, at such shareholder meeting, it will propose to amend its articles to increase the size of the Board to no less than eleven directors and to nominate two new directors to the Board, one of whom to be designated by Canon and the other to be an independent director nominated by the Board pursuant to Altair's then-existing director nomination practice. Canon and Al Yousuf LLC have agreed to vote their common shares in favor of such proposal and the election of the two new directors.

Under the Waiver and Rights Agreement, the parties have agreed that, upon closing of the Common Share Issuance, the lock up provisions applicable to the shares Al Yousuf LLC acquired from the Corporation will terminate. Also, Al Yousuf LLC may elect to first offer to Canon the right to purchase such shares from Al Yousuf LLC in connection with any proposed sale of shares by Al Yousuf LLC.

Policies for Review, Approval or Ratification of Related Party Transactions

The Corporation's Audit Committee has the authority and responsibility to review and approve any proposed transactions between the Corporation (including its subsidiaries) and any person that is an officer, key employee, director or affiliate of the Corporation (or any subsidiary), other than transactions related to the employment and compensation of such persons, which are reviewed and approved by the Compensation, Governance and Nominating Committee. Such policies are set forth in the respective charters of the Audit Committee and the Compensation, Governance and Nominating Committee.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Compensation Discussion and Analysis

Pursuant to Item 402(b) of Regulation S-K promulgated under the United States Securities Act of 1933, as amended (the "Securities Act"), the following discussion is meant to provide an overview of the material elements of the Corporation's compensation policy (the "Compensation Policy"). The following discussion is meant to be a principle-based discussion of the Corporation's compensation policies and provide context to the tables that follow. Specific reference to disclosures in the compensation tables will be discussed in narrative descriptions following the respective compensation tables.

The Corporation recently implemented a consolidation (or reverse split) of its common shares, in which every four (4) outstanding common shares were consolidated into one (1) common share, as of 11:59 p.m. on November 15, 2010 (the "Consolidation"), subject to rounding up of fractional shares. Share and per-share numbers throughout this Compensation Discussion and Analysis have been adjusted to give effect to the Consolidation.

Compensation Philosophy

The objectives of our executive officer compensation policy are to attract and retain talented and dedicated executives, to tie compensation to the achievement of specified short-term and long-term performance objectives, and to align executives' incentives with the creation of shareholder value. The Compensation, Governance and Nominating

Committee approves and annually evaluates the Corporation’s compensation policies applicable to, and the performance of, the Corporation’s executive officers, including the named executive officers.

The following objectives guide compensation decisions:

- Provide a competitive total compensation package that enables the Corporation to attract and retain key executive talent;
- Ensure that compensation policies and practices are consistent with effective risk management;
- Align key elements of compensation with the Corporation's annual and long-term business strategies and objectives; and
- Provide a mix of base compensation and performance-based compensation that directly links executive rewards to the performance of the Corporation and shareholder return.

Elements of Executive Compensation

The principal components of compensation for the Corporation's named executive officers are as follows:

- Base salary;
- Annual incentive bonus; and
- Long-term equity-based incentives, primarily stock options.

Named executive officers are entitled to benefits generally available to all full-time salaried employees of the Corporation. These benefits include up to 5 weeks per-year of paid time off for medical and vacation leave, subsidized group health plan coverage offered to all salaried employees of the Corporation, and eligibility to participate in the Corporation's 401(k) Profit Sharing Plan (the "401(k) Plan"), matching contributions under the 401(k) Plan in an amount up to the greater of 50% of the first $2,500 contributed or 3% of the employee's base salary. As explained in "Termination and Change of Control Agreements" below, certain named executive officers may be entitled to severance payments in connection with a change of control or termination of their employment. Other than as described above, the named executive officers are not provided with special benefits or perquisites such as company cars, enhanced medical plans or dental plans.

Determination of Compensation

In order to evaluate the competitiveness and appropriateness of the Corporation's total compensation and mix of compensation for executive officers, the Compensation, Governance and Nominating Committee reviews data on the base salary, annual incentive bonus and equity-based incentive compensation for various executive positions, as well as the mix of compensation components, of executive officers of a benchmark group of fifteen companies in the alternative energy business sector of reporting public companies with annual revenues of less than $100 million and with a market capitalization of less than $850 million. Equilar, an independent company, produces all compensation reports.

In addition to the benchmark company information, in determining the amount of and mix of compensation, the Compensation, Governance and Nominating Committee considers evaluations of the Chief Executive Officer by each of the directors of the Corporation and each of his direct report executives, the recommendations of the Chief Executive Officer and Vice President of Human Resources with respect to officers other than the Chief Executive Officer, the performance of each executive officer against pre-determined business goals and objectives and the potential role of each executive in the strategic plan of the Corporation. Subject to adjustment upward or downward based upon the various evaluations, the Compensation, Governance and Nominating Committee generally targets base compensation and equity-based incentive awards near the median of the benchmark group and targets annual incentive bonus near the 75th percentile of the benchmark group detailed below:

Active Power	Plug Power

Ballard Power Systems	Quantum Fuel Systems Technology
Beacon Power	Raser Technologies
C&D Technologies	Satcon Technology
Capstone Turbine	Ultralife
Comverge	UQM Technologies
Ener1	Valence Technology
Maxwell Technologies	

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Mix of Compensation

The Compensation, Governance and Nominating Committee believes that a significant percentage of the annual compensation of the named executive officers should be at-risk. During 2010, between approximately 39% and 52% of the named executive officers' potential annual compensation was dependent upon the achievement of corporate goals. In addition, stock options granted to the Corporation's named executive officers for retention and incentive purposes generally vest over a period of four years.

The percentage of compensation at risk increases as the level of position increases, with the top figure in the range set forth above being that of the Corporation's Chief Executive Officer. This provides additional upside potential and downside risk for senior positions, recognizing that these roles have greater influence on the Corporation's performance.

Base Salary

Base salaries for the named executive officers are established based on the scope of their responsibilities, their skills and their historical and potential contributions to the Corporation, as well as the compensation paid by benchmarked companies for similar positions. Generally, base salaries are targeted near the median of the range of salaries for executives in similar positions with similar responsibilities at benchmark companies, in line with our compensation philosophy. Base salaries are reviewed annually, and adjusted from time to time to realign salaries with market levels after taking into account individual responsibilities, performance and experience.

The base salaries of the named executive officers for 2010 and as of the date of this Information Statement are as follows:

Name	2010 Base Salary ($)
Terry M. Copeland, President, Chief Executive Officer	325,000
John C. Fallini, Chief Financial Officer	230,006
Bruce J. Sabacky, Vice President & Chief Technology Officer	225,000
Daniel Voelker, Vice President Engineering and Operations	205,000
Stephen Balogh, Vice President Human Resources	193,800

No adjustments were made to base salaries of the named executive officers during 2010 or, to date, during 2011.

Annual Incentive Bonus

The annual incentive bonus is intended to compensate executives for achieving corporate goals. One hundred percent of each named executive officer's annual incentive bonus is contingent upon the Corporation achieving pre-determined financial and operational goals.

Decisions with respect to annual incentive bonus are made after the end of each fiscal year. At the beginning of each year, the Compensation, Governance and Nominating Committee sets annual performance goals, a target and maximum incentive bonus amount, and a formula for determining the amount, if any, of the bonus each executive officer is entitled to receive. Annual incentive bonuses are paid 60% in cash and 40% in common shares. For purposes of determining the number of common shares an employee is issued as part of a stock bonus, the Corporation uses the volume weighted average market value of the Corporation's common shares for the applicable fiscal year. The Compensation, Governance and Nominating Committee reserves the right to award annual incentive

bonuses above or below formula-determined amounts as it deems appropriate.

Targets and Results for 2010.

During 2010, each named executive officer was eligible for target annual incentive bonuses ranging from 60% to 80% of his base salary, depending on his position. Of these amounts, 100% was tied to the achievement of corporate goals as follows: a total revenue goal of $13 million (40% weighting), order backlog of $44.5 million (30% weighting), current assets at year end, less short-term investments in available for sale securities, $16.9 million (25% weighting) and a safety OSHA incidence rate of 2.65 (5% weighting), all in line with the Corporation's board-approved budget. The Compensation, Governance and Nominating Committee reserved the discretion to award, or to deny, annual incentive bonuses whether or not performance targets were achieved, as it deemed appropriate. Decisions with respect to incentive bonuses for 2010 will be made at a meeting of the Compensation, Governance and Nominating Committee based upon year-end information to be held during the first quarter of 2011.

Name	Minimum/Target Incentive Bonus Opportunity (payout as a % of base salary)	Maximum Incentive Bonus Opportunity (payout as a % of base salary)
Terry M. Copeland, President, Chief Executive Officer	80	120
John C. Fallini, Chief Financial Officer	60	90
Bruce J. Sabacky, Vice President & Chief Technology Officer	60	90
Stephen Balogh, Vice President Human Resources	60	90
Daniel Voelker, Vice President Engineering and Operations	60	90

Bonuses, if any, will be paid 60% in cash and 40% in common shares for each named executive officer.

Targets for 2011 Results.

Target annual incentive bonuses for each named executive officer have not been determined.

Long-Term Equity-Based Incentives

The Corporation's 2005 Stock Incentive Plan (Amended and Restated) (the "2005 Plan") was adopted at the Corporation's Annual Meeting of Shareholders in May 2005 and amended and restated in 2007 to increase the number of eligible shares. Under the 2005 Stock Plan, the Corporation is authorized to issue equity-based awards, including stock options, stock bonuses, restricted stock, stock appreciation rights, and performance-based awards, with respect of up to 2,250,000 common shares (adjusted for the Consolidation). Each of the Compensation, Governance and Nominating Committee and the Board has joint authority to grant awards under the 2005 Plan.

The Corporation had previously authorized its 1998 Stock Option Plan (the "1998 Plan"), under which an aggregate of 45,375 awards continue to be outstanding as of December 31, 2010 (adjusted for the Consolidation); however, awards can no longer be granted under this plan.

The Corporation's long-term equity-based incentive program is focused on rewarding performance that enhances shareholder value. The program involves the periodic grant of options to purchase common shares in order to provide executive officers with the opportunity to purchase an equity interest in the Corporation and to share in the appreciation of the value of the Corporation's common shares.

The Compensation, Governance and Nominating Committee periodically considers whether or not to grant additional stock options in order to maintain the overall competitiveness of the Corporation's compensation package for each named executive officer and to ensure that executives, particularly executives whose other stock options have vested and/or been exercised, have an incentive to remain with the Corporation long term and to increase shareholder value. Factors weighed in determining whether to make, and the amount of, these grants include the above-described review of benchmark compensation data and assessment of past performance, retention considerations, information regarding each named executive officer's existing equity and stock option ownership, potential shareholder dilution and the expense to the Corporation pursuant to Accounting Standards Codification Topic 718 of the Financial Accounting Standards Board ("FASB ASC Topic 718"). Such options generally have an exercise price equal to the market price on the date of grant or the market price on the date of grant plus a premium over that price, a ten-year term and vest over a four-year term.

In addition, from time to time stock option grants are made to newly hired employees based on their level of responsibility and competitive practices.

Annual Grants.

Terry Copeland was awarded an annual grant of options to purchase 100,000 common shares at an exercise price of $4.40 on January 15, 2010 (adjusted to give effect to the Consolidation). All options have a ten-year term and vest 25% per year on the anniversary date of the respective grant.

The other named executive officers were granted annual stock options to purchase an aggregate of 100,000 common shares at an exercise price of $4.40 per share on January 15, 2010 (adjusted to give effect to the Consolidation). The individual annual stock option grants are: Stephen Balogh (22,500 shares); John Fallini (27,500 shares); Bruce Sabacky (22,500 shares), and Daniel Voelker (27,500 shares) (all adjusted to give effect to the Consolidation). The options have a ten-year term and vest 25% annually over a four-year period.

In connection with a promotion, Daniel Voelker was issued stock options to purchase an aggregate of 12,500 common shares at an exercise price of $4.40 per share on June 15, 2010 (adjusted to give effect to the Consolidation). The options have a ten-year term and vest 25% annually over a four-year period.

As a matter of best practice, we will continue to monitor our compensation program to ensure that it continues to align the interests of our executives with those of our long-term stockholders while avoiding unnecessary or excessive risk.

Compensation Adjustments

The Corporation may increase or, subject to contractual or other restrictions decrease an executive's overall compensation at any time during any fiscal year after considering several factors, including level and scope of responsibilities, contribution to overall corporate performance and achievement of personal goals and objectives.

The Compensation, Nominating and Corporate Governance Committee determined that it was appropriate to review and adopt certain compensation practices that discourage unnecessary or excessive risk taking, such as a recoupment or "clawback" policy. In February 2010, our Compensation, Nominating and Corporate Governance Committee approved a recoupment policy under which our Compensation Committee has the sole and absolute authority, to the full extent permitted by applicable law, to require that each executive officer agree to reimburse the Corporation for all or any portion of any annual incentive bonus if:

(1) the payment was predicated upon the achievement of certain financial results that were subsequently the subject of a material financial restatement,

(2) in the view of our Compensation, Governance and Nominating Committee, the executive engaged in fraud or misconduct that caused or partially caused the need for a material financial restatement by us, and

(3) a lower payment would have occurred based upon the restated financial results.

In each such instance, we will, to the extent practicable and allowable under applicable laws, require reimbursement of any bonus in the amount by which the executive's annual bonus for the relevant period exceeded the lower payment that would have been made based on the restated financial results, provided that we will not seek to recover bonuses paid more than one year prior to the date the need for such material financial restatement is determined.

Termination and Change-of-Control Agreements

Severance Provisions in Employment Agreements. The employment agreements of all of the named executive officers provide for termination and change of control benefits as follows:

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If the officer's employment is terminated by the officer for good reason, which includes, among other things, (a) the Corporation requiring the officer to relocate his place of employment without the officer's consent, or (b) a material adverse change in the officer's title, position, and/or duties 90 days before or within one year after a change of control, the officer is entitled to a severance benefit equal to his base salary and health benefits for one year. This one-year base salary severance benefit will be extended to 16 months if either the officer was required to relocate more than 50 miles in order to commence employment and the termination occurs within two years of commencement of employment, or the officer later consents to a relocation of his employment and the termination occurs within two years of such voluntary relocation.

If the officer's employment is terminated by the Corporation without cause, the officer is entitled to a severance benefit equal to his base salary for one year, health benefits for 18 months, and a lump sum bonus payment equal to the product of (a) 60% of his base salary paid for the year in which his termination occurred, multiplied by (b) a fraction, the numerator of which is the number of days that have elapsed during the then-current calendar year and the denominator of which is 365. The one-year base salary severance benefit will be extended to 16 months if either the officer was required to relocate more than 50 miles in order to commence employment and the termination occurs within two years of commencement of employment, or the officer later consents to a relocation of his employment and the termination occurs within two-years of such voluntary relocation.

The officer is not entitled to any severance if his employment is terminated at any time by the Corporation with cause or by the officer without good reason.

Dr. Copeland's current base salary is $325,000 per year; Mr. Fallini's current base salary is $230,006 per year; Mr. Voelker's current base salary is $205,000 per year; Mr. Balogh's current base salary is $193,800 per year; and Mr. Sabacky's current base salary is $225,000 per year.

Acceleration of Vesting of Options. The employment agreements of each of the named executive officers require that all options and other equity awards granted to the named executive officer provide that the award immediately vests as of the effective date of a "Change of Control Event". A "Change of Control Event" is defined in the agreement to mean (a) any capital reorganization, reclassification of the capital stock of the Corporation, consolidation or merger of the Corporation with another corporation in which the Corporation is not the survivor (other than a transaction effective solely for the purpose of changing the jurisdiction of incorporation of the Corporation), (b) the sale, transfer or other disposition of all or substantially all of the Corporation's assets to another entity, (c) the acquisition by a single person (or two or more persons acting as a group, as a group is defined for purposes of Section 13(d)(3) under the Securities Exchange Act of 1934, as amended) of more than 40% of the outstanding common shares. We believe that the closing of the Common Share Issuance will qualify as a Change of Control Event under these agreements.

The following table provides information relating to the number of options that are unvested as of December 31, 2010 that would vest immediately for each named executive officer if a change in control event were to have occurred as of December 31, 2010:

Name	Number of Securities Underlying Unvested Options that Would Vest Upon a Change of Control Event
Terry Copeland, President, Chief Executive Officer and Director	176,560
John C. Fallini, Chief Financial Officer	65,000
Bruce J. Sabacky, Vice President & Chief Technology Officer	50,624
Stephen Balogh, Vice President Human Resources	49,374

Daniel Voelker, Vice President Engineering and Operations	83,750

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Explanation of Change of Control Policies. The Compensation, Governance and Nominating Committee believes that providing a reasonable severance arrangement tied to termination without cause is essential to attracting and retaining talented executive officers. In addition, the Compensation, Governance and Nominating Committee believes that the severance arrangements provided to certain of its named executive officers serve the best interests of the Corporation and its shareholders by ensuring that, if a hostile or friendly change of control is under consideration, its executives will feel secure enough about their post-transaction financial future that they will advise the Board about the potential transaction without consideration, or with lessened consideration, of any adverse effect of the transaction on their future employment and compensation. The Compensation, Governance and Nominating Committee believes that its inclusion of a "double trigger," i.e. both a change of control and a subsequent termination or adverse action, is appropriate with respect to severance payments because it reasonably balances the needs of the executive and of the Corporation. The provision protects the executive if his status is changed following a change of control but protects the Corporation and its successors because it does not provide for severance payments if the Corporation or successor permits the employee to remain in the same position in the same place. The Corporation has no other severance agreements in place with its named executive officers.

Stock Ownership Guidelines

Our stock ownership guidelines (effective January 1, 2010) are designed to encourage our named executive officers and non-employee directors to achieve and maintain an equity stake in the Corporation and more closely align his or her interests with those of our stockholders.

Upon recommendation of the Compensation, Governance and Nominating Committee, the Board has adopted stock ownership guidelines for directors. Under these guidelines, non-employee directors are required to own, within one year of becoming a director, a number of common shares equal to at least 5,000 shares (adjusted to give effect to the Consolidation). Shares counted towards this guideline include any shares held by the director directly or through a broker, including shares vested under restricted stock grants.

The Board also has adopted, on recommendation of the Compensation, Governance and Nominating Committee, stock ownership guidelines applicable to the Corporation's executive officers. Under these guidelines, the Corporation's Chief Executive Officer is expected to hold an investment level of at least 6,250 common shares and other executive officers are expected to hold at least 3,750 common shares (all adjusted to give effect to the Consolidation). Executives are expected to comply with these guidelines within three years.

In addition, the guidelines include retention requirements for stock option exercises under which executives must retain certain common shares acquired upon exercise of a stock option. Executive officers who do not yet satisfy the ownership guidelines must retain 50% of the shares acquired on exercise remaining after the sale of shares sufficient to cover the exercise price of the option and taxes.

An annual review will be conducted by the Compensation, Governance and Nominating Committee to assess compliance with the guidelines and to review the guideline policy.

Role of Executive Officers in Determining Executive Pay

The Compensation, Governance and Nominating Committee makes all decisions with respect to base compensation, annual incentive compensation and the award of stock options to the executive officers of the Corporation, including all named executive officers. Such authority may not be delegated to another person other than, as appropriate, the entire Board.

At the end of each fiscal year, the Corporation's Vice President of Human Resources and Chief Executive Officer are responsible for evaluating the performance of each named executive officer (and other officers) against corporate and individual performance objectives and for submitting a report to the Compensation, Governance and Nominating Committee detailing the results of their evaluations. In connection with this report, each of the Vice President of Human Resources and Chief Executive Officer make recommendations to the Compensation, Governance and Nominating Committee with respect to compensation matters related to the prior year, including employee-specific recommendations but not with respect to himself. In addition, each of the two officers makes recommendations to the Compensation, Governance and Nominating Committee with respect to compensation matters related to the upcoming year, including employee-specific recommendations (but not with respect to himself) and strategic and design recommendations. The Compensation, Governance and Nominating Committee considers these recommendations, and the report of these officers, among other factors by the Compensation, Governance and Nominating Committee as it makes prior-year and coming-year compensation decisions.

Compensation Consultant

The Compensation, Governance and Nominating Committee retains Radford, an AON Consulting Corporation ("Radford") to provide ongoing advice and information regarding design and implementation of the Corporation's executive compensation programs. Radford also provides information and updates to the Compensation, Governance and Nominating Committee about regulatory and other technical developments that may affect the Corporation's executive compensation programs. In addition, Radford provides the Committee with competitive market information, analyses and trends on base salary, short-term incentives and long-term incentives.

The Compensation, Nominating & Governance Committee believes that Radford provides candid, direct and objective advice to the Committee, which is not influenced by any other services provided by Radford. To ensure independence:

· the Compensation, Nominating & Governance Committee directly hired and has the authority to terminate Radford;
· Radford is engaged by and reports directly to the committee chair;
· Radford has direct access to all members of the Compensation, Nominating & Governance Committee during and between meetings; and
· interactions between Radford and management generally are limited to discussions on behalf of the Compensation, Nominating & Governance Committee and information presented to the committee for approval.

Neither Radford, nor any of its affiliates, provides any other services to the Corporation.

Tax and Accounting Considerations

Accounting Treatment

The Corporation previously adopted Standard of Financial Accounting Standards No. 123(R), Share-Based Payment (as well as its successor, Accounting Standards Codification Topic 718 of the Financial Accounting Standards Board), which requires companies to expense the costs of stock-based compensation in their financial statements. Accordingly, the Corporation began recording stock-based compensation expense in the income statement in 2006. The fair value of each award is estimated on the date of grant, using the Black-Scholes option-pricing model. Once the fair value of each award is determined, it is expensed in the income statement over the vesting period.

Deductibility of Executive Compensation

Section 162(m) of the United States Internal Revenue Code of 1986, as amended (the "Code"), imposes a $1 million annual limit on the amount that a public company may deduct for compensation paid during a tax year to the Corporation's Chief Executive Officer or to any of the Corporation's four other most highly compensated executive officers who are still employed at the end of the tax year. The limit does not apply to compensation that meets the requirements of Code Section 162(m) for "qualified performance-based" compensation (i.e., compensation paid only if the executive meets pre-established, objective goals based upon performance criteria approved by the Corporation's shareholders).

The Compensation, Governance and Nominating Committee reviews and considers the deductibility of executive compensation under Section 162(m) of the Code. In certain situations, the Compensation, Governance and Nominating Committee may approve compensation that will not meet the requirements of Code Section 162(m) in order to ensure competitive levels of total compensation for its executive officers. Stock option grants in 2009 and 2010 were intended to constitute "qualified performance-based compensation" under Section 162(m); however, the

Corporation's 2010 annual performance bonus would not have been, and the Corporation's 2011 annual performance bonus will not be, "qualified performance-based compensation" because the Corporation does not have shareholder-approved performance criteria for its cash incentive plan. In 2010, none of the named executive officers, received base pay, annual bonus and other compensation in an amount in excess of the $1 million deduction limit.

Executive Compensation

The Corporation has implemented the Consolidation. Share and per-share numbers throughout this Executive Compensation section have been adjusted to give effect to the Consolidation.

(a) Summary Compensation Table

The following table provides details with respect to the total compensation of the Corporation's named executive officers during the years ended December 31, 2010, 2009 and 2008:

	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards (1) ($)	Non-Equity Incentive Plan Compen-sation (2) ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compen-sation (3) ($)	Total ($)
	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Terry Copeland, President,	2010	325,000	Nil	Nil	269,880	Nil	Nil	9,750	604,630
Chief Executive Officer	2009	325,000	Nil	Nil	229,057	Nil	Nil	9,750	563,807
and Director	2008	322,302	Nil	Nil	373,451	Nil	Nil	6,750	702,503
John C. Fallini,	2010	230,006	Nil	Nil	74,217	Nil	Nil	2,919	307,142
Chief Financial	2009	230,006	Nil	Nil	83,294	Nil	Nil	Nil	313,300
Officer	2008	167,197	Nil	Nil	232,029	Nil	Nil	3,715	402,941
Bruce J. Sabacky,	2010	225,000	Nil	Nil	60,723	Nil	Nil	6,750	292,473
Vice President &	2009	225,000	Nil	Nil	83,294	Nil	Nil	6,750	315,044
Chief Technology Officer	2008	225,001	Nil	Nil	199,232	Nil	Nil	6,750	430,983
Stephen Balogh,	2010	193,800	Nil	Nil	60,723	Nil	Nil	5,814	260,337
Vice President	2009	192,123	Nil	Nil	83,294	Nil	Nil	5,814	281,231
Human Resources	2008	192,868	Nil	Nil	131,355	Nil	Nil	5,814	330,037
Daniel Voelker,	2010	205,000	Nil	Nil	89,229	Nil	Nil	6,150	300,379
Vice President	2009	205,000	Nil	Nil	166,587	Nil	Nil	6,150	377,737
Engineering and Operations	2008	*	*	*	*	*	*	*	*

* Compensation information not reported because such person was not a named executive officer during this calendar year.

(1) The amounts in column (f) represents the grant date fair value of the stock option awards determined in accordance with Accounting Standards Codification Topic 718 of the Financial Accounting Standards Board ("FASB ASC Topic 718") pursuant to the Corporation's stock incentive plans. Assumptions used in the calculation

of these amounts are included in Note 11 to the Corporation's audited financial statements for the year ended December 31, 2009 included in the Corporation's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 12, 2010 and in Note 11 to the Corporation's audited financial statements for the year ended December 31, 2008 included in the Corporation's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 16, 2009.

(2) Represents cash portion of annual incentive bonus earned with respect to indicated fiscal year. Bonuses are generally paid in the subsequent fiscal year.

(3) Reflects value of matching contributions made by the Corporation in connection with the 401(k) Plan.

(b) Grant of Plan-Based Awards Table

The following table provides details with respect to plan-based awards, if any, granted to the named executive officers during the year ended December 31, 2010 (with share and exercise price numbers adjusted to give effect to the Consolidation):

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)		Estimated Future Payouts Under Equity Incentive Plan Awards(1)		All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Under-Lying Options (#)(2)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($)(3)
		Target ($)	Maximum ($)	Target (#)	Maximum (#)				
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Terry Copeland, President, Chief	1/15/10	Nil	Nil	Nil	Nil	Nil	100,000	4.40	269,880
Executive Officer and Director		156,000	234,000	154,083	231,124	Nil	Nil	Nil	Nil
John C. Fallini,	1/15/10	Nil	Nil	Nil	Nil	Nil	27,500	4.40	74,217
Chief Financial Officer		82,802	124,203	81,785	122,677	Nil	Nil	Nil	Nil
Bruce J. Sabacky,	1/15/10	Nil	Nil	Nil	Nil	Nil	22,500	4.40	60,723
Chief Technology Officer		81,000	121,500	80,005	120,007	Nil	Nil	Nil	Nil
Stephen Balogh, Vice	1/15/10	Nil	Nil	Nil	Nil	Nil	22,500	4.40	60,723
President Human Resources		69,768	104,652	68,911	103,366	Nil	Nil	Nil	Nil
Daniel Voelker Vice President	1/15/10	Nil	Nil	Nil	Nil	Nil	40,000	4.40	89,229
Engineering and Operations		73,800	110,700	72,893	109,340	Nil	Nil	Nil	Nil

(1) Amounts reflect potential, not actual, bonus amounts calculated based on the 2010 annual incentive bonus plan. The target was based on achieving 100% of the Corporation performance goal, and the maximum is based on achieving 125% of the Corporation performance goal, which also is the bonus cap. The named executive officers were not entitled to receive a bonus at a threshold below the target. No bonus amounts will be paid out under the 2010 annual incentive bonus plan, as targets were not achieved.

(2) These options were issued in connection with the 2010 annual grant of options. As such, the vesting terms were set at 25% to vest in 2011, 25% to vest in 2012, 25% to vest in 2013, and 25% to vest in 2014.

(3) The amounts in column (j) represent the grant date fair value of stock and option awards determined in accordance with ASC 718 “Stock Compensation” pursuant to the Stock Incentive Plans.

(c) Outstanding Equity Awards at Fiscal Year-End Table

The following table provides information regarding equity awards held by the named executive officers as of December 31, 2010 (with shares and exercise price numbers adjusted to retroactively give effect to the Consolidation):

Name	Option Awards Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Un-Exercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date
(a)	(b)	(c)	(d)	(e)	(f)
Terry Copeland, President,	37,500(1)	Nil	Nil	16.56	11/15/2017
Chief Executive Officer	9,376(2)	9,374(2)	Nil	14.88	1/15/2018
and Director	6,250(3)	6,250(3)	Nil	8.72	4/15/2018
	9,376(4)	9,374 (4)	Nil	7.20	7/15/2018
	17,188(5)	51,562(5)	Nil	4.88	1/15/2019
	Nil	100,000(6)	Nil	4.40	1/15/2020
John C. Fallini,	18,750(3)	18,750(3)	Nil	8.72	4/15/2018
Chief Financial Officer	6,250(5)	18,750(5)	Nil	4.88	1/15/2019
	Nil	27,500(6)	Nil	4.40	1/15/2020
Bruce J. Sabacky,	6,250(7)	Nil	Nil	16.28	3/10/2015
Vice President &	5,376(8)	Nil	Nil	13.68	3/10/2016
Chief Technology Officer	10,000(9)	Nil	Nil	13.68	3/10/2016
	2,64210)	Nil	Nil	10.52	1/15/2017
	18,750(11)	Nil	Nil	10.52	1/15/2017
	9,376(2)	9,374(2)	Nil	14.88	1/15/2018
	6,250(5)	18,750(5)	Nil	4.88	1/15/2019
	Nil	22,500(6)	Nil	4.40	1/15/2020
Stephen Balogh,	5,000(9)	Nil	Nil	13.68	3/10/2016
Vice President	12,500(7)	Nil	Nil	11.84	7/26/2016
Human Resources	1,115(10)	Nil	Nil	10.52	1/15/2017
	18,750(11)	Nil	Nil	10.52	1/15/2017
	8,126(2)	8,124(2)	Nil	14.88	1/15/2018
	6,250(5)	18,750(5)	Nil	4.88	1/15/2019
	Nil	22,500(6)	Nil	4.40	1/15/2020
Daniel Voelker,	6,250(3)	6,250(3)	Nil	8.72	4/15/2018
Vice President	12,500(5)	37,500(5)	Nil	4.88	1/15/2019
Engineering and Operations	Nil	27,500(6)	Nil	4.40	1/15/2020
	Nil	12,500(12)	Nil	4.40	6/15/2020

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(1) Options vest over three years from date of grant: 25% vested immediately; 25% vested on November 15, 2008; 25% vested on November 15, 2009; and 25% vested on November 15, 2010.
(2) Options vest over four years from date of grant: 25% vested on January 15, 2009; 25% vested on January 15, 2010; 25% vested on January 15, 2011; and 25% vest on January 15, 2012.
(3) Options vest over four years from date of grant: 25% vested on April 15, 2009; 25% vest on April 15, 2010; 25% vest on April 15, 2011; and 25% vest on April 15, 2012.
(4) Options vest over four years from date of grant: 25% vested on July 15, 2009; 25% vest on July 15, 2010; 25% vest on July 15, 2011; and 25% vest on July 15, 2012.
(5) Options vest over four years from date of grant: 25% vested on January 15, 2010; 25% vest January 15, 2011; 25% vest on January 15, 2012; and 25% vest on January 15, 2013.
(6) Options vest over four years from date of grant: 25% vested on January 15, 2011; 25% vest January 15, 2012; 25% vest on January 15, 2013; and 25% vest on January 15, 2014.
(7) Options vest over three years from date of grant: 25% vested immediately; 25% vested on July 26, 2007; 25% vested on July 26, 2008; and 25% vested on July 26, 2009.
(8) Options vested immediately on the grant date of March 1, 2006.
(9) Options vest over three years from date of grant: 25% vested immediately; 25% vested on March 10, 2007; 25% vested on March 10, 2008; and 25% vested on March 10, 2009.
(10) Options vested immediately on the grant date of January 15, 2007.
(11) Options vest over two years from date of grant: 33% vested immediately; 33% vested on January 15, 2008; and 34% vested on January 15, 2009.
(12) Options vest over four years from date of grant: 25% vested on June 15, 2011; 25% vest June 15, 2012; 25% vest on June 15, 2013; and 25% vest on June 15, 2014.

(d) Option Exercises and Stock Vested

No stock options were exercised by the named executive officers during the fiscal year ended December 31, 2010. Additionally, no stock awards vested in favor of the named executive officers during the fiscal year ended December 31, 2010.

(e) Pension Benefits and Non-Qualified Deferred Compensation

The Corporation does not sponsor, and is not obligated to provide, any benefits under any defined benefit or non-qualified deferred compensation plan. The Corporation does provide a limited matching contribution under the 401(k) Plan, as explained in “Compensation Discussion and Analysis” above.

(f) Potential Payments upon Termination or Change-in-Control

For information on severance to which the named executive officers may be entitled upon termination of employment or in connection with a change of control, see the subsection entitled "Termination and Change-of-Control Agreements" in the Compensation Discussion and Analysis section above.

Upon termination of employment, an employee is entitled to receive the dollar value of accrued vacation leave but not medical leave. As of December 31, 2010, each of the named executive officers would have been entitled upon termination of employment to receive the following dollar amount in exchange for accrued, but unused vacation leave:

Name	Accrued Vacation Leave ($)
Terry M. Copeland, President, Chief Executive Officer and Director	18,331
John C. Fallini, Chief Financial Officer	9,253
Bruce J. Sabacky, Vice President & Chief Technology Officer	51,923
Stephen Balogh, Vice President Human Resources	1,365
Daniel Voelker, Vice President Engineering and Operations	9,069

Compensation of Directors

The following table presents information regarding the compensation for the fiscal year ended December 31, 2010 of all persons who served as directors of the Corporation during 2010, except for Terry Copeland, President and Chief Executive officer, whose compensation is described in the previous tables:

Name	Fees Earned Or Paid in Cash(1) ($)	Stock Awards(2) ($)	Option Awards(3) ($)	Non-Equity Incentive Plan Wide Compensation ($)	Change in Pension Value And Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Jon N. Bengtson	53,000	53,323	Nil	Nil	Nil	Nil	106,323
Hossein Asrar Haghighi	25,000	53,323(4)	Nil	Nil	Nil	Nil	78,323
George E. Hartman	31,000	53,323	Nil	Nil	Nil	Nil	84,323
Pierre Lortie	107,000	53,323	Nil	Nil	Nil	Nil	160,323
Robert van Schoonenberg	53,000	53,323	Nil	Nil	Nil	Nil	106,323
Alexander Lee	29,000	53,323(4)	Nil	Nil	Nil	Nil	82,323

(1) During 2010, the Corporation paid all directors who are not employees of the Corporation a fee of $6,250 per quarter. In addition, directors who are not employees and provide service in the following positions received the following additional fees:

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Position	Additional Compensation
Chairman of the Board	$4,000 per quarter
Audit Committee Chair	$3,000 per quarter
Compensation, Governance and Nominating Committee Chair	$2,000 per quarter
Audit Committee	$1,500 per quarter
Compensation, Governance and Nominating Committee	$1,000 per quarter
Other Committee Chair or Member	Determined upon formation of committee

The Corporation formed a special committee to evaluate, oversee and negotiate the Common Share Issuance. As compensation for services rendered while serving on such committee, members of such committee were paid $8,000 and the chair of such committee was paid $60,000.

No amounts were paid to Dr. Copeland in 2010 in his capacity as a director.

(2) Historically, the Corporation issues either restricted stock or stock options to the Directors at their option based on a pre-approved dollar amount annually after the annual meeting is held. The dollar amount of the annual grant is determined and approved by the Compensation, Nominating, and Governance Committee and was $53,323 for 2010. The amounts in column (c) represents the grant date fair value of the 2010 stock awards calculated in accordance with FASB ASC Topic 718.

(3) Directors of the Corporation and its subsidiaries are also entitled to participate in the 1998 Plan and the 2005 Plan. An aggregate of 527,006 stock awards and option awards were outstanding and held by directors as of December 31, 2010 (as adjusted for the Consolidation). The number of option awards outstanding as of December 31, 2010 for each of the directors actively serving as of December 31, 2010 is as follows: Mr. Hartman – 18,750 options and Mr. Lortie – 9,166 (as adjusted for the Consolidation). Mr. Bengtson, Mr. Haghighi, Mr. Lee, and Mr. van Schoonenberg have no options outstanding.

(4) As an employee of Al Yousuf LLC, each of Mr Haghighi and Mr. Lee assign any common shares subject to options or common share awards earned in connection with their respective Director's seat to Al Yousuf LLC. As such, Mr Haghighi and Mr. Lee do not have voting or disposition rights over the common shares awarded to him.

Compensation, Governance and Nominating Committee Interlocks And Insider Participation

The current members of the Compensation, Governance and Nominating Committee are Robert van Schoonenberg (Chair), Alexander Lee and Jon Bengtson. Prior to May 24, 2010, the members of the Compensation, Governance and Nominating Committee were Pierre Lortie (Chair), Robert van Schoonenberg and Alexander Lee. On May 24, 2010, Mr. Bengtson was appointed to, and Mr. Lortie was removed from, the Compensation, Governance and Nominating Committee. None of Messrs. Lortie, van Schoonenberg, Bengtson or Lee, is currently, or has formerly been, an officer or employee of the Corporation or any of its subsidiaries. The Corporation had no relationship during 2010 requiring disclosure under Item 404 of Regulation S-K with respect to any of the persons who served on the Compensation, Governance and Nominating Committee during 2010.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The Corporation has implemented the Consolidation. Share and per-share numbers throughout this section have been adjusted to give effect to the Consolidation.

Set forth below is information with respect to beneficial ownership of common shares as of December 31, 2010 by the named executive officers of the Corporation, by each of the directors of the Corporation and Canon Nominees, by all current executive officers and directors of the Corporation as a group and by each person known to the Corporation to beneficially own 5% or more of the outstanding common shares. The "named executive officers" are the Corporation's Chief Executive Officer, Chief Financial Officer, and the three other most highly compensated executive officers for 2010. To the knowledge of the Corporation, each person named in the table has sole voting and investment power with respect to the common shares identified as beneficially owned; provided, however, each person in the table, other than the Canon Nominees, has entered into a Voting Agreement with Canon pursuant to which he or it has, among other things, agreed to vote all common shares by such person to approve the Common Share Issuance. (See the summary of the Voting Agreements in "Transactions With Related Persons – Voting Agreements").

Title of Class	Name of Officer or Director	Amount and Nature of Beneficial Ownership (1)	Percentage of Class (2)
Common	Terry M. Copeland (Chief Executive Officer and Director)	128,913(3)	*
Common	John C. Fallini (Chief Financial Officer and Secretary)	39,875(4)	*
Common	Bruce J. Sabacky (Vice President and Chief Technology Officer)	78,486 (5)	*
Common	Stephen A. Balogh (Vice President, Human Resources)	78,130(6)	*
Common	Daniel Voelker (Vice President, Engineering and Operations)	38,125(7)	*
Common	Jon N. Bengtson (Director)	57,523	*
Common	Hossein Asrar Haghighi (Director)	None(8)	N/A
Common	George E. Hartman (Director)	76,599(9)	*
Common	Pierre Lortie (Director)	61,580(10)	*
Common	Robert G. van Schoonenberg (Director)	55,090(11)	*
Common	Alexander Lee (Director)	None(8)	N/A
Common	Yincang Wei (Proposed Appointee for Director)	5,785,965 (12)	21.4%
Common	Guohua Sun (Proposed Appointee for Director)	None	N/A
Common	Guohua Wei (Proposed Appointee for Director)	None	N/A
Common	Jun Liu (Proposed Appointee for Director)	None	N/A
Common	Liming Zou (Proposed Appointee for Director)	None	N/A
Common	Sean Shao (Proposed Appointee for Director)	None	N/A
Common	All Current Directors and Officers as a Group (13 persons)	686,999(13) (14)	2.5%

Title of Class	Name and Address of 5% Beneficial Owner	Amount and Nature of Beneficial Ownership	Percentage of Class
Common	Al Yousuf LLC Sheikh Zayed Rd., P.O. Box 25, Dubai, United Arab Emirates	5,098,966(14) (15)	18.9%

Common	Canon Investment Holdings Limited Villa 1, Huajing Garden, Jida, Zhuhai, Guagndong, China	5,785,965 (16)	21.4%

* Represents less than 1% of the outstanding common shares.

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(1) Includes all common shares issuable pursuant to the exercise of options and warrants that are exercisable on or before March 1, 2011, but does not include shares issuable pursuant to options and warrants exercisable on or before March 1, 2011 that are held by other persons or groups. Does not include any common shares subject to options that are not exercisable on or before March 1, 2011 or subject to options that vest only upon the occurrence of events, such as a rise in the market price of the common shares, outside of the control of the optionee.
(2) Based on 27,015,680 common shares outstanding as of December 31, 2010 (which number is adjusted to give effect to the Consolidation). Common shares underlying options, warrants or other convertible or exercisable securities are, to the extent exercisable on or before March 1, 2011, deemed to be outstanding for purposes of calculating the percentage ownership of the owner of such convertible and exercisable securities, but not for purposes of calculating any other person's percentage ownership.
(3) Includes 126,566 common shares subject to options granted to Mr. Copeland pursuant to the 2005 Plan.
(4) Includes 38,125 common shares subject to options granted to Mr. Fallini pursuant to the 2005 Plan.
(5) Includes 6,250 common shares subject to options granted to Mr. Sabacky pursuant to the 1998 Plan and 68,957common shares subject to options granted to Mr. Sabacky pursuant to the 2005 Plan.
(6) Includes 67,679 common shares subject to options granted to Mr. Balogh pursuant to the 2005 Plan. Includes 5,750 common shares owned by Linda Balogh, the spouse of Mr. Balogh and 2,126 common shares held in a family trust.
(7) Includes 38,125 common shares subject to options granted to Mr. Voelker pursuant to the 2005 Plan.
(8) As an employee of Al Yousuf LLC, Mr Haghighi and Mr. Lee assign any common shares subject to options or common share awards earned in connection with their Director's seat to Al Yousuf LLC. As such, Mr Haghighi and Mr. Lee do not have voting or disposition rights over the common shares awarded to him.
(9) Includes 18,750 common shares subject to options granted to Mr. Hartman pursuant to the 1998 Plan. Includes 125 common shares owned by Julie Bredin, the spouse of Mr. Hartman.
(10) Includes 9,166 common shares subject to options granted to Mr. Lortie pursuant to the 2005 Plan.
(11) Includes 8,602 common shares held by a family trust.
(12) As a result of the Voting Agreements, Mr. Wei may be deemed to be the beneficial owner of all common shares held by Altair's officers and directors and by Al Yousuf LLC. Excludes approximately 31,523,017 common shares that may be acquired by Canon, which is wholly owned by Mr. Wei, upon the Closing of the Common Share Issuance. Such shares are not included in this number because certain mutual conditions to the Closing of the Common Share Issuance have not been satisfied.
(13) Includes 443,935 common shares subject to options granted to officers and directors pursuant to the 1998 Plan and the 2005 Plan.
(14) As a result of the Voting Agreements, Canon may be deemed to be the beneficial owner of all common shares held by Altair's officers and directors and by Al Yousuf LLC.
(15) Information based on an Amendment No. 2 to Schedule 13D filed by Al Yousuf LLC and its affiliates on October 8, 2010, as adjusted to give effect to the Consolidation.
(16) As a result of the Voting Agreements, Canon may be deemed to be the beneficial owner of all common shares held by Altair's officers and directors and by Al Yousuf LLC. Excludes approximately 31,523,017 common shares that may be acquired by Canon upon the Closing of the Common Share Issuance. Such shares are not included in this number because certain mutual conditions to the Closing of the Common Share Issuance have not been satisfied.

INFORMATION ABOUT THE CORPORATION

Voting Securities

The Corporation's common stock is the only class of equity securities that is currently outstanding and entitled to vote at a meeting of the Corporation's shareholders. Each share of common stock entitles the holder thereof to one

vote. As of the date of this Information Statement, there are 27,015,680 common shares issued and outstanding.

Change in Control

There has been no change in control of the Corporation since the beginning of its last fiscal year until the date of this Information Statement. Pursuant to the terms of the Share Subscription Agreement, Canon has agreed to acquire the number of common shares such that immediately following Closing it will own 51% of the Corporation's outstanding common shares on a fully diluted basis. The purchase price will be approximately $1.5528 per share. Based upon the number of common shares and the rights to acquire common shares outstanding as of December 31, 2010, we estimate that the number of shares to be purchased will be 31,523,017, at an aggregate purchase price of $48,948,799.16. The purchase of such shares will constitute a change of control, as more fully described in the definitive proxy statement filed by the Corporation with the Commission on November 15, 2010.

Shareholder Communications with the Board

Shareholders may send communications to the Board or to specified individual directors by mailing such communications to the Secretary of the Corporation at the address of the Corporation first set forth above and indicating that such communications are for the Board or specified individual directors, as appropriate. All communications received by mail are forwarded to the directors to which they are addressed unless the communications contain information substantially similar to that forwarded by the same shareholder, or an associated shareholder, within the past 90 days.

Legal Proceedings

The Corporation is not a party to any pending or threatened litigation, the outcome of which could be expected to have a material adverse effect upon our financial condition, our results of operations or cash flows.

ADDITIONAL INFORMATION

A copy of this Information Statement has been filed with the SEC. You may read and copy this Information Statement at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may also obtain copies of this Information Statement by mail from the Public Reference Section of the SEC at prescribed rates. To obtain information on the operation of the Public Reference Room, you can call the SEC at 1-800-SEC-0330. The SEC also maintains an Internet website that contains reports, proxy and information statements and other information regarding issuers, including Altair Nanotechnologies, Inc., that file electronically with the SEC. The address of the SEC's Internet website is http://www.sec.gov.

Additional information relating to the Corporation is available on SEDAR at www.sedar.com. Financial information is provided in the Corporation's comparative financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2009. Shareholders may contact Shaun Drake at 360 Bay Street, Suite 500, Toronto, Ontario M5H 2V6, Canada (416-361-0737), to request copies of the Corporation's financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Corporation has duly caused this information statement on Schedule 14F-1 to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: January 25, 2011

Altair Nanotechnologies, Inc.

By: /s/ Terry M. Copeland
Terry M. Copeland

ed debt, net of deferred financing costs of $19,214 and $20,500
2,111,506

2,111,542

2,417,429

2,422,891

Liabilities related to real estate investments held-for-sale
—

1,163

Construction payables and amounts due subcontractors, including retentions
93,515

54,545

Accrued real estate taxes
75,768

67,374

Accrued interest
17,774

17,911

Other liabilities
147,800

210,825

Tenant security deposits and prepaid rents
41,562

39,109

Total liabilities
2,793,848

2,813,818

Partners' equity:

Common equity (357,166 and 356,361 General Partner Units issued and outstanding, respectively)
4,660,492

4,532,844

Limited Partners' common equity (3,302 and 3,283 Limited Partner Units issued and outstanding, respectively)
47,503

40,563

Total partners' equity
4,707,995

4,573,407

Noncontrolling interests
975

971

Total equity
4,708,970

4,574,378

$
7,502,818

$
7,388,196

See accompanying Notes to Consolidated Financial Statements

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DUKE REALTY LIMITED PARTNERSHIP AND SUBSIDIARIES
Consolidated Statements of Operations and Comprehensive Income
For the three and six months ended June 30,
(in thousands, except per unit amounts)
(Unaudited)

	Three Months Ended		Six Months Ended	
	2018	2017	**2018**	2017
Revenues:				
Rental and related revenue	**$192,093**	$165,836	**$385,549**	$337,512
General contractor and service fee revenue	**18,465**	23,576	**59,566**	32,975
	210,558	189,412	**445,115**	370,487
Expenses:				
Rental expenses	**16,769**	14,506	**37,165**	30,743
Real estate taxes	**31,196**	26,902	**62,342**	53,412
General contractor and other services expenses	**15,253**	22,374	**55,662**	29,998
Depreciation and amortization	**75,832**	67,013	**153,361**	129,036
	139,050	130,795	**308,530**	243,189
Other operating activities:				
Equity in earnings of unconsolidated joint ventures	**1,682**	51,933	**9,969**	56,682
Promote income	**—**	20,007	**—**	20,007
Gain on sale of properties	**149,962**	34,341	**194,848**	71,387
Gain on land sales	**357**	1,279	**3,306**	2,784
Other operating expenses	**(1,137)**	(718)	**(1,923)**	(1,457)
Impairment charges	**—**	—	**—**	(859)
General and administrative expenses	**(13,459)**	(11,858)	**(34,482)**	(31,090)
	137,405	94,984	**171,718**	117,454
Operating income	**208,913**	153,601	**308,303**	244,752
Other income (expenses):				
Interest and other income, net	**4,727**	2,260	**9,190**	2,792
Interest expense	**(20,675)**	(21,680)	**(40,675)**	(44,566)
Loss on debt extinguishment	**(151)**	(9,561)	**(151)**	(9,536)
Income from continuing operations before income taxes	**192,814**	124,620	**276,667**	193,442
Income tax expense	**(63)**	(5,426)	**(10,392)**	(7,557)
Income from continuing operations	**192,751**	119,194	**266,275**	185,885
Discontinued operations:				
Income before gain on sales and income taxes	**31**	11,095	**23**	15,185
Gain on sale of depreciable properties	**2,889**	1,109,091	**3,021**	1,109,091
Income tax expense	**—**	(11,613)	**—**	(11,613)
Income from discontinued operations	**2,920**	1,108,573	**3,044**	1,112,663
Net income	**195,671**	1,227,767	**269,319**	1,298,548
Net income attributable to noncontrolling interests	**(2)**	(5,984)	**(4)**	(5,913)
Net income attributable to common unitholders	**$195,669**	$1,221,783	**$269,315**	$1,292,635
Basic net income per Common Unit:				
Continuing operations attributable to common unitholders	**$0.53**	$0.33	**$0.74**	$0.52
Discontinued operations attributable to common unitholders	**0.01**	3.07	**0.01**	3.08
Total	**$0.54**	$3.40	**$0.75**	$3.60
Diluted net income per Common Unit:				
Continuing operations attributable to common unitholders	**$0.53**	$0.33	**$0.73**	$0.51
Discontinued operations attributable to common unitholders	**0.01**	3.05	**0.01**	3.06
Total	**$0.54**	$3.38	**$0.74**	$3.57

Weighted average number of Common Units outstanding	**360,447**	358,952	**360,272**	358,776
Weighted average number of Common Units and potential dilutive securities	**362,741**	361,981	**362,551**	361,789
Comprehensive income:				
Net income	**$195,671**	$1,227,767	**$269,319**	$1,298,548
Other comprehensive loss:				
Amortization of interest contracts	**—**	(426)	**—**	(682)
Comprehensive income	**$195,671**	$1,227,341	**$269,319**	$1,297,866

See accompanying Notes to Consolidated Financial Statements

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DUKE REALTY LIMITED PARTNERSHIP AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the six months ended June 30,
(in thousands)
(Unaudited)

	2018	2017
Cash flows from operating activities:		
Net income	$269,319	$1,298,548
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of buildings and tenant improvements	126,039	124,883
Amortization of deferred leasing and other costs	27,322	30,002
Amortization of deferred financing costs	2,840	2,672
Straight-line rental income and expense, net	(10,931)	(7,722)
Impairment charges	—	859
Loss on debt extinguishment	151	9,536
Gains on land and depreciated property sales	(201,175)	(1,183,262)
Third-party construction contracts, net	(5,122)	(1,945)
Other accrued revenues and expenses, net	24,760	4,068
Equity in earnings in excess of operating distributions received from unconsolidated joint ventures	(2,585)	(46,303)
Net cash provided by operating activities	230,618	231,336
Cash flows from investing activities:		
Development of real estate investments	(227,186)	(288,833)
Acquisition of real estate investments and related intangible assets	(208,914)	(237,472)
Acquisition of undeveloped land	(98,486)	(67,923)
Second generation tenant improvements, leasing costs and building improvements	(26,337)	(20,112)
Other deferred leasing costs	(20,787)	(16,091)
Other assets	145,300	18,648
Proceeds from land and depreciated property sales, net	433,551	1,977,127
Capital distributions from unconsolidated joint ventures	17,439	111,557
Capital contributions and advances to unconsolidated joint ventures	(2,617)	(2,039)
Net cash provided by investing activities	11,963	1,474,862
Cash flows from financing activities:		
Contributions from the General Partner	1,376	3,690
Payments on unsecured debt	(1,322)	(545,924)
Payments on secured indebtedness including principal amortization	(5,708)	(46,123)
Borrowings on line of credit, net	—	(48,000)
Distributions to common unitholders	(144,168)	(136,388)
Distributions to noncontrolling interests	—	(41)
Tax payments on stock-based compensation awards	(8,128)	(9,003)
Change in book cash overdrafts	(35,331)	(13,470)
Deferred financing costs	(285)	(8)
Net cash used for financing activities	(193,566)	(795,267)
Net increase in cash, cash equivalents and restricted cash	49,015	910,931
Cash, cash equivalents and restricted cash at beginning of period	193,627	57,038
Cash, cash equivalents and restricted cash at end of period	$242,642	$967,969
Non-cash investing and financing activities:		
Carrying amount of pre-existing ownership interest in acquired property	$5,034	$—
Notes receivable from buyers in property sales	$—	$400,000
Conversion of Limited Partner Units to common shares of the General Partner	$1,938	$1,683

See accompanying Notes to Consolidated Financial Statements

DUKE REALTY LIMITED PARTNERSHIP AND SUBSIDIARIES
Consolidated Statement of Changes in Equity
For the six months ended June 30, 2018
(in thousands, except per unit data)
(Unaudited)

	Common Unitholders				
	General Partner's Common Equity	Limited Partners' Common Equity	Total Partners' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2017	**$4,532,844**	**$40,563**	**$4,573,407**	**$ 971**	**$4,574,378**
Net income	266,808	2,507	269,315	4	269,319
Capital contribution from the General Partner	1,376	—	1,376	—	1,376
Stock-based compensation plan activity	333	7,732	8,065	—	8,065
Conversion of Limited Partner Units	1,938	(1,938)	—	—	—
Distributions to common unitholders ($0.40 per Common Unit)	(142,807)	(1,361)	(144,168)	—	(144,168)
Balance at June 30, 2018	**$4,660,492**	**$47,503**	**$4,707,995**	**$ 975**	**$4,708,970**

See accompanying Notes to Consolidated Financial Statements

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DUKE REALTY CORPORATION AND DUKE REALTY LIMITED PARTNERSHIP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. General Basis of Presentation

The interim consolidated financial statements included herein have been prepared by the General Partner and the Partnership. The 2017 year-end consolidated balance sheet data included in this Report was derived from the audited financial statements in the combined Annual Report on Form 10-K of the General Partner and the Partnership for the year ended December 31, 2017 (the "2017 Annual Report"), but does not include all disclosures required by accounting principles generally accepted in the United States of America ("GAAP"). The financial statements have been prepared in accordance with GAAP for interim financial information and in accordance with Rule 10-01 of Regulation S-X of the Securities Exchange Act of 1934, as amended. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and revenue and expenses during the reporting period. Our actual results could differ from those estimates and assumptions. These financial statements should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations included herein and the consolidated financial statements and notes thereto included in the 2017 Annual Report.

The General Partner was formed in 1985, and we believe that it qualifies as a REIT under the provisions of the Internal Revenue Code of 1986, as amended (the "Code"). The Partnership was formed on October 4, 1993, when the General Partner contributed all of its properties and related assets and liabilities, together with the net proceeds from an offering of additional shares of its common stock, to the Partnership. Simultaneously, the Partnership completed the acquisition of Duke Associates, a full-service commercial real estate firm operating in the Midwest whose operations began in 1972.

The General Partner is the sole general partner of the Partnership, owning approximately 99.1% of the Common Units at June 30, 2018. The remaining 0.9% of the Common Units are owned by limited partners. As the sole general partner of the Partnership, the General Partner has full, exclusive and complete responsibility and discretion in the day-to-day management and control of the Partnership. The General Partner and the Partnership are operated as one enterprise. The management of the General Partner consists of the same members as the management of the Partnership. As the sole general partner with control of the Partnership, the General Partner consolidates the Partnership for financial reporting purposes, and the General Partner does not have any significant assets other than its investment in the Partnership. Therefore, the assets and liabilities of the General Partner and the Partnership are substantially the same.

Limited partners have the right to redeem their Limited Partner Units, subject to certain restrictions. Pursuant to the Fifth Amended and Restated Agreement of Limited Partnership, as amended (the "Partnership Agreement"), the General Partner is obligated to redeem the Limited Partner Units in shares of its common stock, unless it determines in its reasonable discretion that the issuance of shares of its common stock could cause it to fail to qualify as a REIT. Each Limited Partner Unit shall be redeemed for one share of the General Partner's common stock, or, in the event that the issuance of shares could cause the General Partner to fail to qualify as a REIT, cash equal to the fair market value of one share of the General Partner's common stock at the time of redemption, in each case, subject to certain adjustments described in the Partnership Agreement. The Limited Partner Units are not required, per the terms of the Partnership Agreement, to be redeemed in registered shares of the General Partner.

As of June 30, 2018, we owned and operated a portfolio primarily consisting of industrial properties and provided real estate services to third-party owners. Substantially all of our Rental Operations (see Note 9) are conducted through the Partnership. We conduct our Service Operations (see Note 9) through Duke Realty Services, LLC, Duke Realty Services Limited Partnership and Duke Construction Limited Partnership ("DCLP"), which are consolidated entities that are 100% owned by a combination of the General Partner and the Partnership. DCLP is owned through a taxable REIT subsidiary. The consolidated financial statements include our accounts and the accounts of our majority-owned or controlled subsidiaries.

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2. New Accounting Pronouncements

Recently Adopted Accounting Pronouncements

Revenue Recognition and De-recognition of Non-Financial Assets

On January 1, 2018, we concurrently adopted Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers* ("ASC 606") and ASC 610-20, *Other Income: Gains and Losses from the De-recognition of Non-financial Assets* ("ASC 610-20") using a modified retrospective ("cumulative effect") method of adoption. ASC 606 has superseded nearly all existing GAAP revenue recognition guidance, although its scope excludes lease contracts, which represent our primary source of revenue. The standard's core principle is that a company will recognize revenue when it satisfies performance obligations, by transferring promised goods or services to customers, in an amount that reflects the consideration to which the company expects to be entitled in exchange for fulfilling those performance obligations.

General Contractor and Service Fee Revenue

Beginning with the January 1, 2018 adoption date, general contractor and service fee revenues, as presented on the Consolidated Statements of Operations, are accounted for within the scope of ASC 606. General contractor and service fee revenues are comprised primarily of construction and development related revenues earned from third parties while acting in capacity of a developer, as a general contractor or a construction manager. There are other ancillary streams of revenue included in general contractor and service fee revenues (see Note 9), such as management fees earned from unconsolidated joint ventures, which are not significant. Opening and closing balances of construction receivables are presented separately on the Consolidated Balance Sheets. Over billed construction receivables totaled $902,000 and $276,000 at June 30, 2018 and December 31, 2017, respectively. We generally do not have any contract assets associated with our construction arrangements.

Our construction arrangements are typically structured with only one performance obligation, which generally represents either an obligation to construct a new building or to construct fixtures in an existing building, and these single performance obligations are satisfied over time as construction progresses. We recognize revenue as we satisfy such performance obligations using the percentage of completion method, which is an input method allowed under ASC 606. Using this method, profits are recorded based on our estimates of the percentage of completion of individual contracts, commencing when the work performed under the contracts reaches a point where the final costs can be estimated with reasonable accuracy. The percentage of completion estimates are based on a comparison of the contract expenditures incurred to the estimated final costs. We believe the percentage of completion method is a faithful depiction of the transfer of goods and services as changes in job performance and estimated profitability, which result in revisions to costs and income and are recognized in the period in which the revisions are determined, have not historically been significant. We typically receive regular progress payments on the majority of our construction arrangements and such arrangements generally have an original duration of less than one year.

As the result of the relatively short duration of our construction arrangements, we have elected to apply the optional disclosure exemptions, included in ASC 606, related to our remaining performance obligations for our in-process construction projects, for which any future variable consideration is not material.

De-Recognition of Non-Financial Assets

ASC 610-20 provides guidance on how entities recognize sales, including partial sales, of non-financial assets (and in-substance non-financial assets) to non-customers. ASC 606 includes guidance governing the sale of non-financial assets with customers, while sales of non-financial assets to non-customers are governed by ASC 610-20. The only difference in the treatment of sales to customers and non-customers is the presentation in the Consolidated Statements of Operations (revenue and expense is reported when the sale is to a customer and net gain or loss is reported when the sale is to a non-customer). Based on the nature of our business, we have concluded that our property sales represent transactions with non-customers. In the typical course of our business, sales of non-financial assets represent only one performance obligation and are recognized when an enforceable contract is in place, collectability is ensured and control is transferred to the buyer.

ASC 610-20 also requires the seller to recognize a full gain or loss in a partial sale of non-financial assets, to the extent control is not retained. Any noncontrolling interest retained by the seller would, accordingly, be measured at fair value. We have primarily disposed of property and land in all cash transactions with no contingencies and no future involvement in the operations, and therefore, the adoption of ASC 610-20 has not significantly impacted the recognition of property and land sales.

There was no cumulative adjustment recognized to beginning retained earnings as of January 1, 2018 as the result of adopting ASC 606 and ASC 610-20.

Restricted Cash

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows: Restricted Cash* ("ASU 2016-18"). ASU 2016-18 requires entities to show the changes in the total of cash, cash equivalents and restricted cash in the statement of cash flows. As a result, entities will no longer present transfers between cash, cash equivalents and restricted cash in the statement of cash flows. We adopted this standard on January 1, 2018, on a retrospective basis, and the adoption did not have a material impact on our consolidated financial statements.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the Consolidated Balance Sheets that sum to the total of the same such amounts shown in the Consolidated Statements of Cash Flows (in thousands):

	June 30, 2018	December 31, 2017
Cash and cash equivalents	**$86,339**	$ 67,562
Restricted cash held in escrow for like-kind exchange	**146,110**	116,405
Restricted cash included in other escrow deposits and other assets	**10,193**	9,660
Total cash, cash equivalents, and restricted cash shown in the Consolidated Statements of Cash Flows	**$242,642**	$ 193,627

Restricted cash held in escrow for like-kind exchange on the Consolidated Balance Sheets includes cash received from the property dispositions but restricted only for qualifying like-kind exchange transactions.

Statement of Cash Flows

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows* ("ASU 2016-15"). ASU 2016-15 clarifies how entities should classify certain cash receipts and cash payments on the statement of cash flows and how the predominance principle should be applied when cash receipts and cash payments have aspects of more than one class of cash flows. We adopted this standard on January 1, 2018, on a retrospective basis, and the adoption did not have a material impact on our consolidated financial statements.

New Accounting Pronouncement Not Yet Adopted

Leases

In February 2016, the FASB issued ASU 2016-02, Leases ("ASU 2016-02"), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). ASU 2016-02 supersedes existing leasing standards.

For lessors, the accounting under ASU 2016-02 will remain largely unchanged from current GAAP; however ASU 2016-02 requires that lessors expense certain initial direct costs, which are capitalizable under existing leasing standards, as incurred. ASU 2016-02 also specifies that payments for certain lease-related services, which are often included in lease agreements, represent "non-lease" components that will become subject to the guidance in ASC 606, when ASU 2016-02 becomes effective. The FASB recently clarified that only new or modified leases subsequent to adoption of ASU 2016-02 will require different accounting for "non-lease" components under the guidance in ASC 606. Additionally, on March 28, 2018 the FASB tentatively approved amendments to ASU

2016-02 (the "Approved Amendments"), which, if ultimately finalized as an amendment to ASU 2016-02, will allow lessors an optional election to not separate "non-lease" components from the related lease components. This election would be contingent upon certain conditions being met, including a requirement that separating the "non-lease" components would not result in a change in the timing and pattern of the revenue recognition.

ASU 2016-02 requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase of the leased asset by the lessee. This classification will determine whether the lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of classification. ASU 2016-02 will impact the accounting and disclosure requirements for ground leases, and other operating leases, where we are the lessee.

ASU 2016-02 will be effective for us on January 1, 2019 under the modified retrospective approach, with early adoption permitted.

A set of practical expedients for implementation, which must be elected as a package and for all leases, may also be elected. These practical expedients include (i) relief from re-assessing whether an expired or existing contract meets the definition of a lease, (ii) relief from re-assessing the classification of expired or existing leases at the adoption date and (iii) allowing previously capitalized initial direct leasing costs to continue to be amortized. In addition to these practical expedients, the Approved Amendments also include an option that would allow lessors to use the effective date of ASU 2016-02 as the date of initial application, without restating comparative periods, and to recognize a cumulative effect adjustment as of the effective date. We are currently assessing the method of adoption and the impact that ASU 2016-02 will have on our consolidated financial statements but have tentatively concluded that we will apply the practical expedients as well as the optional relief provided by the Approved Amendments, should they be finalized.

3. Reclassifications

Certain amounts in the accompanying consolidated financial statements for 2017 have been reclassified to conform to the 2018 consolidated financial statement presentation.

4. Variable Interest Entities

Partnership

Due to the fact that the Limited Partners do not have kick out rights, or substantive participating rights, the Partnership is a variable interest entity ("VIE"). Because the General Partner holds majority ownership and exercises control over every aspect of the Partnership's operations, the General Partner has been determined as the primary beneficiary and, therefore, consolidates the Partnership.

The assets and liabilities of the General Partner and the Partnership are substantially the same, as the General Partner does not have any significant assets other than its investment in the Partnership. All of the Company's debt is an obligation of the Partnership.

Unconsolidated Joint Ventures

We have equity interests in unconsolidated joint ventures that primarily own and operate rental properties or hold land for development. We consolidate those joint ventures that are considered to be VIEs where we are the primary beneficiary. We analyze our investments in joint ventures to determine if the joint venture is considered a VIE and would require consolidation. We (i) evaluate the sufficiency of the total equity investment at risk, (ii) review the voting rights and decision-making authority of the equity investment holders as a group and whether there are limited partners (or similar owning entities) that lack substantive participating or kick out rights and (iii) establish whether or not activities within the venture are on behalf of an investor with disproportionately few voting rights in making this VIE determination.

To the extent that we own interests in a VIE and we (i) are the sole entity that has the power to direct the activities of the VIE and (ii) have the obligation or rights to absorb the VIE's losses or receive its benefits, then we would be determined to be the primary beneficiary and would consolidate the VIE. To the extent we own interests in a VIE, then at each reporting period, we re-assess our conclusions as to which, if any, party within the VIE is considered the primary beneficiary. Consolidated joint ventures that are VIEs are not significant in any period presented in these consolidated financial statements.

To the extent that our joint ventures do not qualify as VIEs, they are consolidated if we control them through majority ownership interests or if we are the managing entity (general partner or managing member) and the other partner does not have substantive participating rights. Control is further demonstrated by our ability to unilaterally make significant operating decisions, refinance debt and sell the assets of the joint venture without the consent of the non-managing entity and the inability of the non-managing entity to remove us from our role as the managing entity. Consolidated joint ventures that are not VIEs are not significant in any period presented in these consolidated financial statements.

There were no unconsolidated joint ventures, in which we have any recognized assets or liabilities or have retained any economic exposure to loss at June 30, 2018, that met the criteria to be considered VIEs. Our maximum loss exposure for guarantees of unconsolidated joint venture indebtedness, none of which relate to VIEs, totaled $115.0 million at June 30, 2018.

5. Acquisitions and Dispositions

Acquisitions and dispositions for the periods presented were completed in accordance with our strategy to reposition our investment concentration among the product types and markets in which we operate and to increase our overall investments in quality industrial projects. With the exception of certain properties that have been sold or classified as held-for-sale, the results of operations for all acquired properties have been included in continuing operations within our consolidated financial statements since their respective dates of acquisition. Transaction costs related to asset acquisitions are capitalized and transaction costs related to business combinations and dispositions are expensed.

Acquisitions

We paid cash of $208.9 million and $237.5 million for asset acquisitions during the six months ended June 30, 2018 and 2017, respectively.

We acquired six properties during the six months ended June 30, 2018. We determined that these six properties did not meet the definition of a business and, accordingly, we accounted for them as asset acquisitions as opposed to business combinations.

The following table summarizes amounts recognized for each major class of assets and liability (in thousands) for these acquisitions during the six months ended June 30, 2018:

Real estate assets	$191,551
Lease related intangible assets	18,566
Total acquired assets	**210,117**
Below market lease liability	504
Fair value of acquired net assets	**$209,613**

The leases in the acquired properties had a weighted average remaining life at acquisition of approximately 12.3 years.

Fair Value Measurements

We determine the fair value of the individual components of real estate asset acquisitions primarily through calculating the "as-if vacant" value of a building, using an income approach, which relies significantly upon internally determined assumptions. We have determined that these estimates primarily rely upon level 3 inputs, which are unobservable inputs based on our own assumptions. The most significant assumptions used in calculating the "as-if vacant" value for acquisition activity during the six months ended June 30, 2018 are as follows:

	Low	High
Exit capitalization rate	**4.25%**	**4.91%**
Net rental rate per square foot	**$6.50**	**$10.20**

Capitalized acquisition costs were insignificant and the fair value of the six properties acquired during the six months ended June 30, 2018 was substantially the same as the cost of acquisition.

Dispositions

Dispositions of buildings and undeveloped land generated net cash proceeds of $433.6 million and $1.98 billion during the six months ended June 30, 2018 and 2017, respectively. Additionally, during the six months ended June 30, 2018, we collected $149.9 million of principal on notes receivable primarily related to the sale of our medical office properties during 2017, which is reflected within Other Assets within the Consolidated Statements of Cash Flows. The number of buildings sold, as well as their classification between continuing and discontinued operations, is disclosed in Note 10.

6. Indebtedness

All debt is issued directly or indirectly by the Partnership. The General Partner does not have any indebtedness, but does guarantee some of the unsecured debt of the Partnership. The following table summarizes the book value and changes in the fair value of our debt (in thousands):

	Book Value at 12/31/2017	Book Value at 6/30/2018	Fair Value at 12/31/2017	Payments/Payoffs	Adjustments to Fair Value	Fair Value at 6/30/2018
Fixed rate secured debt	$309,463	$303,867	$325,753	$ (5,557)	$ (3,638)	$316,558
Variable rate secured debt	2,500	2,500	2,500	—	—	2,500
Unsecured debt	2,132,042	2,130,720	2,190,548	(1,322)	(85,261)	2,103,965
Total	$2,444,005	$2,437,087	$2,518,801	$ (6,879)	$ (88,899)	$2,423,023
Less: Deferred financing costs	21,114	19,658				
Total indebtedness as reported on the consolidated balance sheets	$2,422,891	$2,417,429				

Secured Debt

Because our fixed rate secured debt is not actively traded in any marketplace, we utilized a discounted cash flow methodology to determine its fair value. Accordingly, we calculated fair value by applying an estimate of the current market rate to discount the debt's remaining contractual cash flows. Our estimate of a current market rate, which is the most significant input in the discounted cash flow calculation, is intended to replicate debt of similar maturity and loan-to-value relationship. The estimated rates ranged from 3.90% to 4.20%, depending on the attributes of the specific loans. The current market rates we utilized were internally estimated; therefore, we have concluded that our determination of fair value for our fixed rate secured debt was primarily based upon level 3 inputs.

During the six months ended June 30, 2018, we paid $3.2 million on fixed rate secured loans, which had a weighted average stated interest rate of 7.43%.

Unsecured Debt

At June 30, 2018, all of our unsecured debt bore interest at fixed rates and primarily consisted of unsecured notes that are publicly traded. We utilized broker estimates in estimating the fair value of our fixed rate unsecured debt. Our unsecured notes are thinly traded and, in certain cases, the broker estimates were not based upon comparable transactions. The broker estimates took into account any recent trades within the same series of our fixed rate unsecured debt, comparisons to recent trades of other series of our fixed rate unsecured debt, trades of fixed rate unsecured debt from companies with profiles similar to ours, as well as overall economic conditions. We reviewed these broker estimates for reasonableness and accuracy, considering whether the estimates were based upon market participant assumptions within the principal and most advantageous market and whether any other observable inputs would be more accurate indicators of fair value than the broker estimates. We concluded that the broker estimates were representative of fair value. We have determined that our estimation of the fair value of our fixed rate unsecured debt was primarily based upon level 3 inputs. The estimated trading values of our fixed rate unsecured debt, depending on the maturity and coupon rates, ranged from 93.00% to 121.00% of face value.
The indentures (and related supplemental indentures) governing our outstanding series of unsecured notes also require us to comply with financial ratios and other covenants regarding our operations. We were in compliance with all such financial covenants at June 30, 2018.

Unsecured Line of Credit
Our unsecured line of credit at June 30, 2018 is described as follows (in thousands):

Description	**Borrowing Capacity**	**Maturity Date**	**Outstanding Balance at June 30, 2018**
Unsecured Line of Credit - Partnership	$1,200,000	January 30, 2022	$ —

The Partnership's unsecured line of credit has an interest rate on borrowings of LIBOR plus 0.875% and has a maturity date of January 30, 2022, with options to extend until January 30, 2023. Subject to certain conditions, the terms also include an option to increase the facility by up to an additional $800.0 million, for a total of up to $2.00 billion. This line of credit provides us with an option to obtain borrowings from financial institutions that participate in the line at rates that may be lower than the stated interest rate, subject to certain restrictions.
This line of credit contains financial covenants that require us to meet certain financial ratios and defined levels of performance, including those related to fixed charge coverage, unsecured interest expense coverage and debt-to-asset value (with asset value being defined in the Partnership's unsecured line of credit agreement). At June 30, 2018, we were in compliance with all financial covenants under this line of credit.
To the extent there are outstanding borrowings, we utilize a discounted cash flow methodology in order to estimate the fair value of outstanding borrowings on our unsecured line of credit. To the extent that credit spreads have changed since the origination of the line of credit, the net present value of the difference between future contractual interest payments and future interest payments based on our estimate of a current market rate would represent the difference between the book value and the fair value. Our estimate of a current market rate is based upon the rate, considering current market conditions and our specific credit profile, at which we estimate we could obtain similar borrowings. As our credit spreads have not changed appreciably, we believe that the contractual interest rate and the current market rate on the line of credit are the same. The current market rate is internally estimated and therefore is primarily based upon a level 3 input.

7. Related Party Transactions

We provide property management, asset management, leasing, construction and other tenant-related services to unconsolidated joint ventures in which we have equity interests. We recorded the corresponding fees based on contractual terms that approximate market rates for these types of services and have eliminated our ownership

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percentage of these fees in the consolidated financial statements. The following table summarizes the fees earned from these joint ventures, prior to the elimination of our ownership percentage (in thousands):

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2018	2017	**2018**	2017
Management fees	**$455**	$718	**$897**	$1,529
Leasing fees	**890**	80	**1,192**	514
Construction and development fees	**978**	1,062	**1,675**	1,685

8. Net Income per Common Share or Common Unit

Basic net income per common share or Common Unit is computed by dividing net income attributable to common shareholders or common unitholders, less dividends or distributions on share-based awards expected to vest (referred to as "participating securities" and primarily composed of unvested restricted stock units), by the weighted average number of common shares or Common Units outstanding for the period.

Diluted net income per common share is computed by dividing the sum of net income attributable to common shareholders and the noncontrolling interest in earnings allocable to Limited Partner Units (to the extent the Limited Partner Units are dilutive), less dividends or distributions on participating securities that are anti-dilutive, by the sum of the weighted average number of common shares outstanding and, to the extent they are dilutive, weighted average number of Limited Partner Units outstanding and any potential dilutive securities for the period. Diluted net income per Common Unit is computed by dividing the net income attributable to common unitholders, less dividends or distributions on participating securities that are anti-dilutive, by the sum of the weighted average number of Common Units outstanding and any potential dilutive securities for the period. The following table reconciles the components of basic and diluted net income per common share or Common Unit (in thousands):

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2018	2017	**2018**	2017
General Partner				
Net income attributable to common shareholders	**$193,845**	$1,210,543	**$266,808**	$1,280,743
Less: dividends on participating securities	**(418)**	(540)	**(855)**	(1,083)
Basic net income attributable to common shareholders	**193,427**	1,210,003	**265,953**	1,279,660
Add back dividends on dilutive participating securities	**418**	540	**855**	1,083
Noncontrolling interest in earnings of common unitholders	**1,824**	11,240	**2,507**	11,892
Diluted net income attributable to common shareholders	**$195,669**	$1,221,783	**$269,315**	$1,292,635
Weighted average number of common shares outstanding	**357,054**	355,647	**356,898**	355,466
Weighted average Limited Partner Units outstanding	**3,393**	3,305	**3,374**	3,310
Other potential dilutive shares	**2,294**	3,029	**2,279**	3,013
Weighted average number of common shares and potential dilutive securities	**362,741**	361,981	**362,551**	361,789
Partnership				
Net income attributable to common unitholders	**$195,669**	$1,221,783	**$269,315**	$1,292,635
Less: distributions on participating securities	**(418)**	(540)	**(855)**	(1,083)
Basic net income attributable to common unitholders	**$195,251**	$1,221,243	**$268,460**	$1,291,552
Add back distributions on dilutive participating securities	**418**	540	**855**	1,083
Diluted net income attributable to common unitholders	**$195,669**	$1,221,783	**$269,315**	$1,292,635
Weighted average number of Common Units outstanding	**360,447**	358,952	**360,272**	358,776
Other potential dilutive units	**2,294**	3,029	**2,279**	3,013
Weighted average number of Common Units and potential dilutive securities	**362,741**	361,981	**362,551**	361,789

The following table summarizes the data that is excluded from the computation of net income per common share or Common Unit as a result of being anti-dilutive, of which there was none for the periods presented, (in thousands):

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	**2018**	2017
General Partner and Partnership				
Other potential dilutive shares or units:				
Anti-dilutive outstanding potential shares or units under fixed stock option and other stock-based compensation plans	**—**	—	**—**	—
Anti-dilutive outstanding participating securities	**—**	—	**—**	—

9. Segment Reporting

Reportable Segments

During the year ended December 31, 2017, we completed the disposition of our medical office portfolio (the "Medical Office Portfolio Disposition"), which resulted in all of our in-service medical office properties being classified within discontinued operations, with the exception of a property that did not meet the criteria for classification as held-for-sale at June 30, 2018. As a result of this transaction, beginning the second quarter of 2017, our medical office properties were no longer presented as a separate reportable segment, with substantially all such operating results being classified within discontinued operations. The remaining medical office property included in continuing operations no longer meets the quantitative thresholds for separate presentation, and is classified as part of our non-reportable Rental Operations. Properties that are not included in our reportable segments, because they do not by themselves meet the quantitative thresholds for separate presentation as a reportable segment, are generally referred to as non-reportable Rental Operations. Our non-reportable Rental Operations primarily include our remaining office properties and medical office property at June 30, 2018.

As of June 30, 2018, we had two reportable operating segments, the first consisting of the ownership and rental of industrial real estate investments. Our ongoing investments in new real estate investments are determined largely upon anticipated geographic trends in supply and demand for industrial buildings, as well as the real estate needs of our major tenants that operate on a national level. Our strategic initiatives and our allocation of resources have been historically based upon allocation among product types, which was consistent with our designation of reportable segments, and after having sold nearly all of our office and medical office properties we intend to increase our investment in industrial properties and treat them as a single operating and reportable segment. The operations of our industrial properties, as well as our non-reportable Rental Operations, are collectively referred to as "Rental Operations."

Our second reportable segment consists of various real estate services such as property management, asset management, maintenance, leasing, development, general contracting and construction management to third-party property owners and joint ventures, and is collectively referred to as "Service Operations." The Service Operations segment is identified as one single operating segment because the lowest level of financial results reviewed by our chief operating decision maker are the results for the Service Operations segment in total. Further, our reportable segments are managed separately because each segment requires different operating strategies and management expertise.

Revenues by Reportable Segment

The following table shows the revenues for each of the reportable segments, as well as a reconciliation to consolidated revenues (in thousands):

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	**2018**	2017
Revenues				
Rental Operations:				
Industrial	**$190,629**	$162,559	**$379,944**	$319,441
Non-reportable Rental Operations	**1,366**	3,182	**4,819**	17,598
Service Operations	**18,465**	23,576	**59,566**	32,975
Total segment revenues	**210,460**	189,317	**444,329**	370,014
Other revenue	**98**	95	**786**	473
Consolidated revenue from continuing operations	**210,558**	189,412	**445,115**	370,487
Discontinued operations	**27**	35,165	**32**	81,404
Consolidated revenue	**$210,585**	$224,577	**$445,147**	$451,891

Supplemental Performance Measure

Property-level net operating income on a cash basis ("PNOI") is the non-GAAP supplemental performance measure that we use to evaluate the performance of, and to allocate resources among, the real estate investments in the reportable and operating segments that comprise our Rental Operations. PNOI for our Rental Operations segments is comprised of rental revenues from continuing operations less rental expenses and real estate taxes from continuing operations, along with certain other adjusting items (collectively referred to as "Rental Operations revenues and expenses excluded from PNOI," as shown in the following table). Additionally, we do not allocate interest expense, depreciation expense and certain other non-property specific revenues and expenses (collectively referred to as "Non-Segment Items," as shown in the following table) to our individual operating segments.

We evaluate the performance of our Service Operations reportable segment using net income or loss, as allocated to that segment ("Earnings from Service Operations").

The following table shows a reconciliation of our segment-level measures of profitability to consolidated income from continuing operations before income taxes (in thousands and excluding discontinued operations):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	**2018**	2017
PNOI				
Industrial	**$137,394**	$116,466	**$266,627**	$226,937
Non-reportable Rental Operations	**844**	685	**1,765**	2,493
PNOI, excluding all sold properties	**138,238**	117,151	**268,392**	229,430
PNOI from sold properties included in continuing operations	**2,164**	5,439	**7,925**	12,629
PNOI, continuing operations	**$140,402**	$122,590	**$276,317**	$242,059
Earnings from Service Operations	**3,212**	1,202	**3,904**	2,977
Rental Operations revenues and expenses excluded from PNOI:				
Straight-line rental income and expense, net	**4,642**	3,628	**10,931**	5,205
Revenues related to lease buyouts	**—**	72	**23**	9,857
Amortization of lease concessions and above and below market rents	**461**	(566)	**1,006**	(1,450)
Intercompany rents and other adjusting items	**(20)**	(310)	**(6)**	(745)
Non-Segment Items:				
Equity in earnings of unconsolidated joint ventures	**1,682**	51,933	**9,969**	56,682
Promote income	**—**	20,007	**—**	20,007
Interest expense	**(20,675)**	(21,680)	**(40,675)**	(44,566)
Depreciation and amortization expense	**(75,832)**	(67,013)	**(153,361)**	(129,036)
Gain on sale of properties	**149,962**	34,341	**194,848**	71,387
Impairment charges	**—**	—	**—**	(859)
Interest and other income, net	**4,727**	2,260	**9,190**	2,792
General and administrative expenses	**(13,459)**	(11,858)	**(34,482)**	(31,090)
Gain on land sales	**357**	1,279	**3,306**	2,784
Other operating expenses	**(1,137)**	(718)	**(1,923)**	(1,457)
Loss on extinguishment of debt	**(151)**	(9,561)	**(151)**	(9,536)
Other non-segment revenues and expenses, net	**(1,357)**	(986)	**(2,229)**	(1,569)
Income from continuing operations before income taxes	**$192,814**	$124,620	**$276,667**	$193,442

The most comparable GAAP measure to PNOI is income from continuing operations before income taxes. PNOI excludes expenses that materially impact our overall results of operations and, therefore, should not be considered as a substitute for income from continuing operations before income taxes or any other measures derived in accordance with GAAP. Furthermore, PNOI may not be comparable to other similarly titled measures of other companies.

10. Real Estate Assets, Discontinued Operations and Assets Held-for-Sale

Real Estate Assets

Real estate assets, excluding assets held-for-sale, consisted of the following (in thousands):

	June 30, 2018	December 31, 2017
Buildings and tenant improvements	**$4,712,182**	$ 4,642,832
Land and improvements	**2,073,309**	1,950,735
Real estate assets	**$6,785,491**	$ 6,593,567

Discontinued Operations

The following table illustrates the number of sold or held-for-sale properties included in, or excluded from, discontinued operations in this report:

	Held-for-Sale at June 30, 2018	Sold Year-to-Date in 2018	Sold in 2017	Total
Total properties included in discontinued operations	—	—	81	81
Properties excluded from discontinued operations	—	13	17	30
Total properties sold or classified as held-for-sale	—	13	98	111

For the properties that were classified in discontinued operations during 2017, we allocated interest expense to discontinued operations and have included such interest expense in computing income from discontinued operations. Interest expense allocable to discontinued operations was based upon an allocable share of our consolidated unsecured interest expense, as none of the properties included in discontinued operations were encumbered by secured debt. The allocation of unsecured interest expense to discontinued operations was based upon the gross book value of the unencumbered real estate assets included in discontinued operations as it related to the total gross book value of our unencumbered real estate assets. There were no additional properties classified as discontinued operations during the six months ended June 30, 2018 and, as such, no interest expense was allocated to discontinued operations during that period.

The following table illustrates the operational results of the buildings reflected in discontinued operations (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	**2018**	2017
Revenues	**$27**	$35,165	**$32**	$81,404
Operating expenses	**4**	(11,170)	**(9)**	(26,166)
Depreciation and amortization	**—**	(6,315)	**—**	(25,849)
Operating income	**31**	17,680	**23**	29,389
Interest expense	**—**	(6,585)	**—**	(14,204)
Income before gain on sales and income taxes	**31**	11,095	**23**	15,185
Gain on sale of depreciable properties	**2,889**	1,109,091	**3,021**	1,109,091
Income from discontinued operations before income taxes	**2,920**	1,120,186	**3,044**	1,124,276
Income tax expense	**—**	(11,613)	**—**	(11,613)
Income from discontinued operations	**$2,920**	$1,108,573	**$3,044**	$1,112,663

There were no capital expenditures for properties within discontinued operations during the six months ended June 30, 2018. Capital expenditures on a cash basis for the six months ended June 30, 2017 were $20.6 million for properties within discontinued operations.

Allocation of Noncontrolling Interests - General Partner

The following table illustrates the General Partner's share of the income attributable to common shareholders from continuing operations and discontinued operations, reduced by the allocation of income between continuing and discontinued operations to the noncontrolling interests (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	**2018**	2017
Income from continuing operations attributable to common shareholders	**$190,952**	$118,194	**$263,792**	$184,362
Income from discontinued operations attributable to common shareholders	**2,893**	1,092,349	**3,016**	1,096,381
Net income attributable to common shareholders	**$193,845**	$1,210,543	**$266,808**	$1,280,743

Allocation of Noncontrolling Interests - Partnership

Substantially all of the income from discontinued operations for all periods presented in the Partnership's Consolidated Statements of Operations and Comprehensive Income is attributable to the common unitholders.

Assets Held-for-Sale

At June 30, 2018, no in-service properties or undeveloped land were classified as held-for-sale. The following table illustrates aggregate balance sheet information for all properties and land held-for-sale (in thousands):

	Held-for-Sale Properties Included in Continuing Operations	
	June 30, 2018	December 31, 2017
Land and improvements	**$ —**	$ 8,157
Buildings and tenant improvements	**—**	10,505
Undeveloped land	**—**	—
Accumulated depreciation	**—**	(2,553)
Deferred leasing and other costs, net	**—**	862
Other assets	**—**	579
Total assets held-for-sale	**$ —**	$ 17,550
Total liabilities related to assets held-for-sale	**$ —**	$ 1,163

11. Subsequent Events

Declaration of Dividends/Distributions

The General Partner's board of directors declared the following dividends/distributions at its regularly scheduled board meeting held on July 20, 2018:

Class of stock/units	Quarterly Amount per Share or Unit	Record Date	Payment Date
Common - Quarterly	$0.20	August 16, 2018	August 31, 2018

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations is intended to help the reader understand our operations and our present business environment. Management's Discussion and Analysis is provided as a supplement to, and should be read in conjunction with, our consolidated financial statements and the notes thereto contained in Part I, Item I of this Report, and the consolidated financial statements and notes thereto contained in Part IV, Item 15 of our 2017 Annual Report.

Cautionary Notice Regarding Forward-Looking Statements

Certain statements contained in or incorporated by reference into this Report, including, without limitation, those related to our future operations, constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The words "believe," "estimate," "expect," "anticipate," "intend," "plan," "strategy," "continue," "seek," "may," "could" and similar expressions or statements regarding future periods are intended to identify forward-looking statements, although not all forward-looking statements may contain such words.

These forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause our actual results, performance or achievements, or industry results, to differ materially from any predictions of future results, performance or achievements that we express or imply in this Report or the information incorporated by reference into this Report. Some of the risks, uncertainties and other important factors that may affect future results include, among others:

- Changes in general economic and business conditions, including the financial condition of our tenants and the value of our real estate assets;
- The General Partner's continued qualification as a REIT for U.S. federal income tax purposes;
- Heightened competition for tenants and potential decreases in property occupancy;
- Potential changes in the financial markets and interest rates;
- Volatility in the General Partner's stock price and trading volume;
- Our continuing ability to raise funds on favorable terms, or at all;
- Our ability to successfully identify, acquire, develop and/or manage properties on terms that are favorable to us;
- Potential increases in real estate construction costs;
- Our ability to successfully dispose of properties on terms that are favorable to us, including, without limitation, through one or more transactions that are consistent with our previously disclosed strategic plans;
- Our ability to successfully integrate our acquired properties;
- Our ability to retain our current credit ratings;
- Inherent risks in the real estate business, including, but not limited to, tenant defaults, potential liability relating to environmental matters and liquidity of real estate investments; and
- Other risks and uncertainties described herein, as well as those risks and uncertainties discussed from time to time in our other reports and other public filings with the Securities and Exchange Commission (the "SEC").

Although we presently believe that the plans, expectations and anticipated results expressed in or suggested by the forward-looking statements contained in or incorporated by reference into this Report are reasonable, all forward-looking statements are inherently subjective, uncertain and subject to change, as they involve substantial risks and uncertainties, including those beyond our control. New factors emerge from time to time, and it is not possible for us to predict the nature, or assess the potential impact, of each new factor on our business. Given these uncertainties, we caution you not to place undue reliance on these forward-looking statements. We undertake no obligation to update or revise any of our forward-looking statements for events or circumstances that arise after the statement is made, except as otherwise may be required by law.

The above list of risks and uncertainties is only a summary of some of the most important factors and is not intended to be exhaustive. Additional information regarding risk factors that may affect us is included in our 2017

Annual Report and in Part II, Item 1A"Risk Factors" in this Report. The risk factors contained in our Annual Report are updated by us from time to time in Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other filings that we make with the SEC.

Business Overview

The General Partner and Partnership collectively specialize in the ownership, management and development of industrial real estate.

The General Partner is a self-administered and self-managed REIT that began operations in 1986 and is the sole general partner of the Partnership. The Partnership is a limited partnership formed in 1993, at which time all of the properties and related assets and liabilities of the General Partner, as well as proceeds from a secondary offering of the General Partner's common shares, were contributed to the Partnership. Simultaneously, the Partnership completed the acquisition of Duke Associates, a full-service commercial real estate firm operating in the Midwest whose operations began in 1972. We operate the General Partner and the Partnership as one enterprise, and therefore, our discussion and analysis refers to the General Partner and its consolidated subsidiaries, including the Partnership, collectively. A more complete description of our business, and of management's philosophy and priorities, is included in our 2017 Annual Report.

At June 30, 2018, we:

- Owned or jointly controlled 517 primarily industrial properties, of which 491 properties with 138.9 million square feet were in service and 26 properties with 12.3 million square feet were under development. The 491 in-service properties were comprised of 450 consolidated properties with 127.4 million square feet and 41 jointly controlled unconsolidated properties with 11.5 million square feet. The 26 properties under development consisted of 23 consolidated properties with 11.7 million square feet and three jointly controlled unconsolidated properties with 684,000 square feet.

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- Owned directly, or through ownership interests in unconsolidated joint ventures (with acreage not adjusted for our percentage ownership interest), approximately 1,700 acres of land and controlled approximately 1,000 acres through purchase options.

Our overall strategy is to continue to increase our investment in quality industrial properties primarily through development, on both a speculative and build-to-suit basis, supplemented with acquisitions in higher barrier markets with the highest growth potential.

As of June 30, 2018, we had two reportable operating segments, the first consisting of the ownership and rental of industrial real estate investments. The operations of our industrial properties, as well as our non-reportable Rental Operations, are collectively referred to as "Rental Operations." Our second reportable segment consists of various real estate services such as property management, asset management, maintenance, leasing, development, general contracting and construction management to third-party property owners and joint ventures, and is collectively referred to as "Service Operations." Our reportable segments are managed separately because each segment requires different operating strategies and management expertise. Our Service Operations segment also includes our taxable REIT subsidiary, a legal entity through which certain of the segment's aforementioned operations are conducted.

Key Performance Indicators

Our operating results depend primarily upon rental income from our Rental Operations. The following discussion highlights the areas of Rental Operations that we consider to be critical drivers of future revenues.

Occupancy Analysis

Our ability to maintain high occupancy rates is a principal driver of maintaining and increasing rental revenue. The following table sets forth percent leased and average net effective rent information regarding our in-service portfolio of rental properties, including properties classified within both continuing and discontinued operations, at June 30, 2018 and 2017, respectively:

	Total Square Feet (in thousands)		**Percent of Total Square Feet**		**Percent Leased***		**Average Annual Net Effective Rent****	
Type	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Industrial	**127,024**	116,858	**99.7 %**	98.4 %	**97.6 %**	96.5 %	**$4.61**	$4.23
Non-reportable Rental Operations	**399**	1,856	**0.3 %**	1.6 %	**58.9 %**	81.3 %	**$19.84**	$20.63
Total Consolidated	**127,423**	118,714	**100.0 %**	100.0 %	**97.5 %**	96.2 %	**$4.64**	$4.45
Unconsolidated Joint Ventures	**11,467**	10,759			**93.8 %**	89.3 %	**$4.14**	$4.18
Total Including Unconsolidated Joint Ventures	**138,890**	129,473			**97.2 %**	95.6 %		

* Represents the percentage of total square feet leased based on executed leases and without regard to whether the leases have commenced.

**Average annual net effective rent represents average annual base rental payments per leased square foot, on a straight-line basis for the term of each lease, from space leased to tenants at the end of the most recent reporting period. This amount excludes additional amounts paid by tenants as reimbursement for operating expenses.

The increased occupancy within our industrial portfolio at June 30, 2018, compared to June 30, 2017, resulted from the lease ups of new speculative developments being placed in service or acquired from third parties.

Vacancy Activity

The following table sets forth vacancy activity, shown in square feet, from our in-service rental properties included within both continuing and discontinued operations, at June 30, 2018 (in thousands):

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	Consolidated Properties	Unconsolidated Joint Venture Properties	Total Including Unconsolidated Joint Venture Properties
Vacant square feet at December 31, 2017	4,992	1,219	6,211
Vacant space in completed developments	189	—	189
Dispositions	(204)	—	(204)
Expirations	2,724	174	2,898
Early lease terminations	157	—	157
Leasing of previously vacant space	(4,670)	(678)	(5,348)
Vacant square feet at June 30, 2018	3,188	715	3,903

Total Leasing Activity

The initial leasing of development projects or vacant space in acquired properties is referred to as first generation lease activity. Our ability to maintain and improve occupancy rates and net effective rents primarily depends upon our continuing ability to re-lease expiring space. The leasing of such space that we have previously held under lease to a tenant is referred to as second generation lease activity. Second generation lease activity may be in the form of renewals of existing leases or new second generation leases of previously leased space. The total leasing activity for our consolidated and unconsolidated rental properties included within both continuing and discontinued operations, expressed in square feet of leases signed, is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	**2018**	2017
New Leasing Activity - First Generation Industrial	**3,160**	502	**5,680**	2,938
New Leasing Activity - Second Generation Industrial	**690**	1,036	**3,323**	2,132
Renewal Leasing Activity - Industrial	**2,035**	2,534	**3,512**	3,791
Non-reportable Rental Operations Leasing Activity	**4**	50	**4**	224
Total Consolidated Leasing Activity	**5,889**	4,122	**12,519**	9,085
Unconsolidated Joint Venture Leasing Activity	**1,904**	933	**2,224**	1,596
Total Including Unconsolidated Joint Venture Leasing Activity	**7,793**	5,055	**14,743**	10,681

Second Generation Leases

The following table sets forth the estimated costs of tenant improvements and leasing commissions, on a per square foot basis, that we are obligated to fulfill under the second generation industrial leases signed for our rental properties included within both continuing and discontinued operations, during the three and six months ended June 30, 2018 and 2017:

	Square Feet of Leases (in thousands)		Percent of Expiring Leases Renewed		Average Term in Years		Estimated Tenant Improvement Cost per Square Foot		Leasing Commissions per Square Foot	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Three Months										
Consolidated - New Second Generation	**690**	1,036			**4.0**	5.6	**$1.13**	$2.06	**$1.59**	$2.10
Unconsolidated Joint Ventures - New Second Generation	**50**	108			**5.0**	7.2	**$0.95**	$0.25	**$1.61**	$1.94
Total - New Second Generation	**740**	1,144			**4.1**	5.7	**$1.12**	$1.89	**$1.60**	$2.09
Consolidated - Renewal	**2,035**	2,534	**77.3%**	75.8%	**4.3**	5.1	**$0.93**	$0.30	**$1.15**	$1.34
Unconsolidated Joint Ventures - Renewal	**50**	324	**31.1%**	61.3%	**6.0**	4.8	**$1.02**	$0.33	**$1.96**	$1.43
Total - Renewal	**2,085**	2,858	**74.7%**	73.8%	**4.4**	5.0	**$0.93**	$0.30	**$1.17**	$1.35
Six Months										
Consolidated - Second Generation	**3,323**	2,132			**6.5**	5.4	**$1.55**	$1.95	**$1.85**	$1.71
Unconsolidated Joint Ventures - Second Generation	**178**	162			**9.2**	9.7	**$1.95**	$0.63	**$3.05**	$2.17
Total - Second Generation	**3,501**	2,294			**6.7**	5.7	**$1.57**	$1.86	**$1.91**	$1.74
Consolidated - Renewal	**3,512**	3,791	**73.6%**	78.8%	**4.4**	4.9	**$1.00**	$0.44	**$1.25**	$1.29
Unconsolidated Joint Ventures - Renewal	**112**	489	**39.1%**	65.4%	**6.2**	4.5	**$1.15**	$0.28	**$2.03**	$1.37
Total - Renewal	**3,624**	4,280	**71.7%**	77.0%	**4.5**	4.9	**$1.00**	$0.42	**$1.28**	$1.30

Growth in average annual net effective rents for the consolidated new second generation and renewal leases, on a combined basis, was 23.7% and 20.4% for the six months ended June 30, 2018 and 2017, respectively. Growth in net effective rents for the unconsolidated new second generation and renewal leases, on a combined basis, was 33.7% and 22.8% for the six months ended June 30, 2018 and 2017, respectively.

Lease Expirations

The table below reflects our consolidated in-service portfolio lease expiration schedule at June 30, 2018 (in thousands, except percentage data and number of leases):

Year of Expiration	Total Consolidated Portfolio Square Feet	Annual Rental Revenue*	Number of Leases	Industrial Square Feet	Annual Rental Revenue*	Non-reportable Square Feet	Annual Rental Revenue*
Remainder of 2018	3,800	$ 15,371	42	3,797	$ 15,338	3	$ 33
2019	11,477	47,219	129	11,465	47,070	12	149
2020	14,167	63,767	147	14,162	63,700	5	67
2021	13,301	59,443	138	13,242	58,948	59	495
2022	17,186	71,144	121	17,168	70,964	18	180
2023	10,919	53,443	116	10,905	53,257	14	186
2024	11,249	52,553	66	11,244	52,491	5	62
2025	8,473	40,174	50	8,473	40,174	—	—
2026	8,095	35,955	32	8,095	35,955	—	—
2027	6,538	28,404	19	6,538	28,404	—	—
2028 and Thereafter	19,030	109,186	57	18,911	105,700	119	3,486
Total Leased	124,235	$ 576,659	917	124,000	$ 572,001	235	$ 4,658
Total Portfolio Square Feet	127,423			127,024		399	
Percent Leased	97.5 %			97.6 %		58.9 %	

* Annualized rental revenue represents average annual base rental payments, on a straight-line basis for the term of each lease, from space leased to tenants at the end of the most recent reporting period. Annualized rental revenue excludes additional amounts paid by tenants as reimbursement for operating expenses.

Building Acquisitions

Our decision process in determining whether or not to acquire a property or portfolio of properties involves several factors, including expected rent growth, multiple yield metrics, property locations and expected demographic growth in each location, current occupancy of the properties, tenant profile and remaining terms of the in-place leases in the target properties. We pursue both brokered and non-brokered acquisitions, and it is difficult to predict which markets may present acquisition opportunities that align with our strategy. Because of the numerous factors considered in our acquisition decisions, we do not establish specific target yields for future acquisitions.

We acquired six buildings during the six months ended June 30, 2018, and 28 buildings during the year ended December 31, 2017, one of which was sold as part of the Medical Office Portfolio Disposition. The following table summarizes the acquisition price, percent leased at time of acquisition and in-place yields, by product type, for these acquisitions (in thousands, except percentage data):

Type	**Year-to-Date 2018 Acquisitions** Acquisition Price*	In-Place Yield**	Percent Leased at Acquisition Date***	Full Year 2017 Acquisitions Acquisition Price*	In-Place Yield**	Percent Leased at Acquisition Date***
Industrial	**$ 209,613**	**4.3 %**	**100.0 %**	$ 980,339	2.5 %	68.5 %
Non-reportable Rental Operations	—	—	—	10,829	6.1 %	100.0 %
Total	**$ 209,613**	**4.3 %**	**100.0 %**	$ 991,168	2.5 %	68.8 %

* Includes fair value of real estate assets and net acquired lease-related intangible assets, including above or below market leases, but excludes other acquired working capital assets and liabilities.
** In-place yields of completed acquisitions are calculated as the current annualized net rental payments from space leased to tenants at the date of acquisition, divided by the acquisition price of the acquired real estate. Annualized net rental payments are comprised of base rental payments, excluding additional amounts payable by tenants as reimbursement for operating expenses, less current annualized operating expenses not recovered through tenant reimbursements.
*** Represents percentage of total square feet leased based on executed leases and without regard to whether the leases have commenced, at the date of acquisition.

Building Dispositions

We regularly work to identify, consider and pursue opportunities to dispose of properties on an opportunistic basis and on a basis that is generally consistent with our strategic plans.

13 consolidated buildings during the six months ended June 30, 2018 and 98 consolidated buildings, including 85 properties sold as part of the Medical Office Portfolio Disposition, during the year ended December 31, 2017. The following table summarizes the sales prices, in-place yields and percent leased, by product type, of these buildings (in thousands, except percentage data):

Type	**Year-to-Date 2018 Dispositions**			Full Year 2017 Dispositions		
	Sales Price	**In-Place Yield***	**Percent Occupied****	Sales Price	In-Place Yield*	Percent Occupied**
Industrial	**$321,337**	**5.7 %**	**96.8 %**	$45,192	7.0 %	92.6 %
Non-reportable Rental Operations	**114,327**	**5.1 %**	**96.1 %**	2,938,572	4.8 %	93.9 %
Total	**$435,664**	**5.5 %**	**96.7 %**	$2,983,764	4.8 %	93.5 %

* In-place yields of completed dispositions are calculated as annualized net operating income from space leased to tenants at the date of sale on a lease-up basis, including full rent from all executed leases, even if currently in a free rent period, divided by the sales price. Annualized net operating income is comprised of base rental payments, excluding reimbursement of operating expenses, less current annualized operating expenses not recovered through tenant reimbursements.

** Represents percentage of total square feet leased based on executed leases and without regard to whether the leases have commenced, at the date of sale.

Development

At June 30, 2018, we had 12.3 million square feet of property under development with total estimated costs upon completion of $1.01 billion compared to 10.9 million square feet with total estimated costs upon completion of $802.9 million at June 30, 2017. The square footage and estimated costs include both consolidated properties and unconsolidated joint venture development activity at 100%.

The following table summarizes our properties under development at June 30, 2018 (in thousands, except percentage data):

Ownership Type	**Square Feet**	**Percent Leased**	**Total Estimated Project Costs**	**Total Incurred to Date**	**Amount Remaining to be Spent**
Consolidated properties	11,653	53 %	$964,416	$473,167	$ 491,249
Unconsolidated joint venture properties	684	92 %	41,666	19,185	22,481
Total	12,337	55 %	$1,006,082	$492,352	$ 513,730

Results of Operations

A summary of our operating results and property statistics is as follows (in thousands, except number of properties and per share or Common Unit data):

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	**2018**	2017
Rental and related revenue from continuing operations	**$192,093**	$165,836	**$385,549**	$337,512
General contractor and service fee revenue	**18,465**	23,576	**59,566**	32,975
Operating income	**208,913**	153,601	**308,303**	244,752
General Partner				
Net income attributable to common shareholders	**$193,845**	$1,210,543	**$266,808**	$1,280,743
Weighted average common shares outstanding	**357,054**	355,647	**356,898**	355,466
Weighted average common shares and potential dilutive securities	**362,741**	361,981	**362,551**	361,789
Partnership				
Net income attributable to common unitholders	**$195,669**	$1,221,783	**$269,315**	$1,292,635
Weighted average Common Units outstanding	**360,447**	358,952	**360,272**	358,776
Weighted average Common Units and potential dilutive securities	**362,741**	361,981	**362,551**	361,789
General Partner and Partnership				
Basic income per common share or Common Unit:				
Continuing operations	**$0.53**	$0.33	**$0.74**	$0.52
Discontinued operations	**$0.01**	$3.07	**$0.01**	$3.08
Diluted income per common share or Common Unit:				
Continuing operations	**$0.53**	$0.33	**$0.73**	$0.51
Discontinued operations	**$0.01**	$3.05	**$0.01**	$3.06
Number of in-service consolidated properties at end of period:				
Continuing operations	**450**	424	**450**	424
Discontinued operations	**—**	8	**—**	8
In-service consolidated square footage at end of period	**127,423**	118,714	**127,423**	118,714
Number of in-service joint venture properties at end of period	**41**	40	**41**	40
In-service joint venture square footage at end of period	**11,467**	10,759	**11,467**	10,759

Supplemental Performance Measures

In addition to net income computed in accordance with GAAP, we assess and measure the overall operating results of the General Partner and the Partnership using certain non-GAAP supplemental performance measures, which include (i) Funds From Operations ("FFO"), (ii) PNOI and (iii) Same-Property Net Operating Income - Cash Basis ("SPNOI").

These non-GAAP metrics are commonly used by industry analysts and investors as supplemental operating performance measures of REITs and are viewed by management to be useful indicators of operating performance. Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, many industry analysts and investors have considered presentation of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. Management believes that the use of FFO, PNOI and SPNOI, combined with net income (which remains the primary measure of performance), improves the understanding of operating results of REITs among the investing public and makes comparisons of REIT operating results more meaningful.

The most comparable GAAP measure to FFO is net income (loss) attributable to common shareholders or common unitholders, while the most comparable GAAP measure to PNOI and SPNOI is income (loss) from continuing operations before income taxes.

FFO, PNOI and SPNOI each exclude expenses that materially impact our overall results of operations and, therefore, should not be considered as a substitute for net income (loss) attributable to common shareholders or common unitholders, income (loss) from continuing operations before income taxes, or any other measures derived

in accordance with GAAP. Furthermore, these metrics may not be comparable to other similarly titled measures of other companies.

Funds From Operations

The National Association of Real Estate Investment Trusts ("NAREIT") created FFO as a non-GAAP supplemental measure of REIT operating performance. FFO, as defined by NAREIT, represents GAAP net income (loss), excluding gains or losses from sales of previously depreciated real estate assets, impairment charges related to depreciable real estate assets, taxes associated with sales of previously depreciated real estate assets plus certain non-cash items such as real estate asset depreciation and amortization, and after similar adjustments for unconsolidated partnerships and joint ventures. We calculate FFO in accordance with the definition that was adopted by the Board of Governors of NAREIT.

Management believes that the use of FFO as a performance measure enables investors and analysts to readily identify the operating results of the long-term assets that form the core of a REIT's activity and assists them in comparing these operating results between periods or between different companies that use the NAREIT definition of FFO.

The following table shows a reconciliation of net income attributable to common shareholders or common unitholders to the calculation of FFO attributable to common shareholders or common unitholders (in thousands):

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2018	2017	**2018**	2017
Net income attributable to common shareholders of the General Partner	**$193,845**	$1,210,543	**$266,808**	$1,280,743
Add back: Net income attributable to noncontrolling interests - common limited partnership interests in the Partnership	**1,824**	11,240	**2,507**	11,892
Net income attributable to common unitholders of the Partnership	**195,669**	1,221,783	**269,315**	1,292,635
Adjustments:				
Depreciation and amortization	**75,832**	73,328	**153,361**	154,885
Company share of joint venture depreciation, amortization and other adjustments	**2,119**	2,602	**4,280**	5,096
Impairment charges - depreciable property	**—**	—	**—**	859
Gain on depreciable property sales - wholly owned	**(152,851)**	(1,137,418)	**(197,869)**	(1,174,464)
Income tax expense triggered by depreciable property sales	**63**	19,658	**10,392**	19,658
Gains on depreciable property sales - share of unconsolidated joint ventures	**38**	(48,933)	**(6,179)**	(50,731)
FFO attributable to common unitholders of the Partnership	**$120,870**	$131,020	**$233,300**	$247,938
Additional General Partner Adjustments:				
Net income attributable to noncontrolling interests - common limited partnership interests in the Partnership	**(1,824)**	(11,240)	**(2,507)**	(11,892)
Noncontrolling interest share of adjustments	**(704)**	10,046	**(338)**	9,640
FFO attributable to common shareholders of the General Partner	**$118,342**	$129,826	**$230,455**	$245,686

Property-Level Net Operating Income - Cash Basis

PNOI is comprised of rental revenues from continuing operations less rental expenses and real estate taxes from continuing operations, along with certain other adjusting items. As a performance metric that consists of only the cash-based revenues and expenses directly related to ongoing real estate rental operations, PNOI is narrower in scope than FFO.

PNOI, as we calculate it, may not be directly comparable to similarly titled, but differently calculated, measures for other REITs. We believe that PNOI is another useful supplemental performance measure, as it is an input in many REIT valuation models and it provides a means by which to evaluate the performance of the properties within our Rental Operations segments.

The major factors influencing PNOI are occupancy levels, acquisitions and sales, development properties that achieve stabilized operations, rental rate increases or decreases, and the recoverability of operating expenses.
Note 9 to the consolidated financial statements included in Part I, Item 1 of this Report shows a calculation of our PNOI for the three and six months ended June 30, 2018 and 2017 and provides a reconciliation of PNOI for our Rental Operations segments to income from continuing operations before income taxes.

Same Property Net Operating Income - Cash Basis

We also evaluate the performance of our properties, including our share of properties we jointly control, on a "same property" basis, using a metric referred to as SPNOI. We view SPNOI as a useful supplemental performance measure because it improves comparability between periods by eliminating the effects of changes in the composition of our portfolio.
On an individual property basis, SPNOI is generally computed in a consistent manner as PNOI which also excludes income from lease buyouts.
Effective January 1, 2018, we define our "same property" population once a year at the beginning of the current calendar year and include buildings that were stabilized (the term "stabilized" means properties that have reached 90% leased or that have been in-service for at least one year since development completion or acquisition) as of January 1 of the prior calendar year. The "same property" pool is also adjusted to remove properties that were sold subsequent to the beginning of the current calendar year. As such, the "same property" population for the period ended June 30, 2018 includes all properties that we owned or jointly controlled at January 1, 2018, which had both been owned or jointly controlled and had reached stabilization by January 1, 2017, and have not been sold.
A reconciliation of income from continuing operations before income taxes to SPNOI is presented as follows (in thousands, except percentage data):

	Three Months Ended June 30,		**Percent**	**Six Months Ended June 30,**		**Percent**
	2018	2017	**Change**	**2018**	2017	**Change**
Income from continuing operations before income taxes	**$192,814**	$124,620		**$276,667**	$193,442	
Share of SPNOI from unconsolidated joint ventures	**3,904**	3,934		**7,909**	7,894	
PNOI excluded from the "same property" population	**(25,838)**	(9,190)		**(45,403)**	(14,639)	
Earnings from Service Operations	**(3,212)**	(1,202)		**(3,904)**	(2,977)	
Rental Operations revenues and expenses excluded from PNOI	**(7,247)**	(8,263)		**(19,879)**	(25,496)	
Non-Segment Items	**(44,117)**	1,996		**15,508**	64,461	
SPNOI	**$116,304**	$111,895	3.9 %	**$230,898**	$222,685	3.7 %

The composition of the line items titled "Rental Operations revenues and expenses excluded from PNOI" and "Non-Segment Items" from the table above are shown in greater detail in Note 9 to the consolidated financial statements included in Part I, Item 1 of this Report.

We believe that the factors that impact SPNOI are generally the same as those that impact PNOI. The following table details the number of properties, square feet, average occupancy and cash rental rates for the properties included in SPNOI for the respective periods:

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	**2018**	2017
Number of properties	**418**	418	**418**	418
Square feet (in thousands) (1)	**108,249**	108,249	**108,249**	108,249
Average commencement occupancy percentage (2)	**98.0%**	98.0%	**98.0%**	97.8%
Average rental rate - cash basis (3)	**$4.34**	$4.22	**$4.32**	$4.21

(1) Includes the total square feet of the consolidated properties that are in the "same property" population as well as 4.5 million square feet of space for unconsolidated joint ventures, which represents our ratable share of the 9.1 million total square feet of space for buildings owned by unconsolidated joint ventures that are in the "same property" population.
(2) Commencement occupancy represents the percentage of total square feet where the leases have commenced.
(3) Represents the average annualized contractual rent per square foot for tenants in occupancy in properties in the "same property" population. Cash rent does not include the tenant's obligation to pay property operating expenses and real estate taxes. If a tenant was within a free rent period, its rent would equal zero for purposes of this metric.

Comparison of Three Months Ended June 30, 2018 to Three Months Ended June 30, 2017

Rental and Related Revenue

The following table sets forth rental and related revenue from continuing and discontinued operations (in thousands):

	Three Months Ended June 30,	
	2018	2017
Rental and related revenue:		
Industrial	**$190,629**	$162,559
Non-reportable Rental Operations and non-segment revenues	**1,464**	3,277
Total rental and related revenue from continuing operations	**$192,093**	$165,836
Rental and related revenue from discontinued operations	**27**	35,165
Total rental and related revenue from continuing and discontinued operations	**$192,120**	$201,001

The primary reasons for the increase in rental and related revenue from continuing operations were:

- Expense reimbursements increased primarily due to increased real estate taxes in our existing properties during the three months ended June 30, 2018, as compared to the same period in 2017.
- We acquired 33 properties and placed 29 developments in service from January 1, 2017 to June 30, 2018, which provided incremental revenues from continuing operations of $24.3 million during the three months ended June 30, 2018, as compared to the same period in 2017.
- Increased rental rates within our "same property" portfolio also contributed to the increase to rental and related revenue from continuing operations.
- The sale of 26 in-service properties since January 1, 2017, which did not meet the criteria to be classified within discontinued operations, resulted in a decrease of $5.2 million to rental and related revenue from continuing operations in the three months ended June 30, 2018, as compared to the same period in 2017, which partially offset the aforementioned increases to rental and related revenue from continuing operations.

Rental and related revenue from discontinued operations for the three months ended June 30, 2018 decreased compared to the same period in 2017 as the result of the properties classified within discontinued operations being sold throughout 2017.

Rental Expenses and Real Estate Taxes

The following table sets forth rental expenses and real estate taxes from continuing and discontinued operations (in thousands):

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	Three Months Ended June 30,	
	2018	2017
Rental expenses:		
Industrial	**$15,289**	$12,664
Non-reportable Rental Operations and non-segment expenses	**1,480**	1,842
Total rental expenses from continuing operations	**$16,769**	$14,506
Rental expenses from discontinued operations	**(4)**	7,480
Total rental expenses from continuing and discontinued operations	**$16,765**	$21,986
Real estate taxes:		
Industrial	**$30,621**	$26,042
Non-reportable Rental Operations and non-segment expenses	**575**	860
Total real estate tax expense from continuing operations	**$31,196**	$26,902
Real estate tax expense from discontinued operations	**—**	3,690
Total real estate tax expense from continuing and discontinued operations	**$31,196**	$30,592

Rental expenses from continuing operations increased by $2.3 million during the three months ended June 30, 2018, compared to the same period in 2017. The increase to rental expenses was primarily the result of acquisitions and developments placed in service from January 1, 2017 to June 30, 2018.

Real estate tax expense from continuing operations increased by $4.3 million during the three months ended June 30, 2018, compared to the same period in 2017. The increase to real estate tax expense was mainly the result of acquisitions and developments placed in service from January 1, 2017 to June 30, 2018 and increases in real estate taxes on our existing base of properties. These increases to real estate tax expense were partially offset by the impact of property sales that did not meet the criteria to be classified within discontinued operations.

The decreases in both rental expenses and real estate tax expense from discontinued operations are the result of the properties classified within discontinued operations being sold throughout 2017.

Depreciation and Amortization

Depreciation and amortization expense from continuing operations increased from $67.0 million for the three months ended June 30, 2017 to $75.8 million for the same period in 2018 primarily as the result of the properties acquired and the developments placed in service since January 1, 2017. The impact of acquired properties and developments placed in service was partially offset by property dispositions that did not meet the criteria to be classified within discontinued operations.

Equity in Earnings of Unconsolidated Joint Ventures

Equity in earnings of unconsolidated joint ventures represents our ownership share of net income from investments in unconsolidated joint ventures that generally own and operate rental properties. Equity in earnings of unconsolidated joint ventures decreased from $51.9 million for the three months ended June 30, 2017 to $1.7 million for the same period in 2018. During the three months ended June 30, 2017, we recognized $48.9 million of equity in earnings primarily as a result of gains on sale of our interests in three unconsolidated joint ventures, two of which were sold as part of the Medical Office Portfolio Disposition.

Promote Income

We recognized $20.0 million of promote income from the sale of our interest in one of our unconsolidated joint ventures, as part of the Medical Office Portfolio Disposition, during the three months ended June 30, 2017. We did not recognize any promote income during the three months ended June 30, 2018.

Gain on Sale of Properties - Continuing Operations

The $150.0 million recognized as gain on sale of properties in continuing operations for the three months ended June 30, 2018 was the result of the sale of seven properties that did not meet the criteria for inclusion in discontinued operations.

The $34.3 million recognized as gain on sale of properties in continuing operations for the three months ended June 30, 2017 was the result of the sale of five properties that did not meet the criteria for inclusion in discontinued operations.

General and Administrative Expenses

General and administrative expenses consist of two components. The first component includes general corporate expenses, and the second component represents the indirect operating costs not allocated to, or absorbed by, either development, leasing and operation of our wholly owned properties or our Service Operations. Such indirect operating costs are primarily comprised of employee compensation, including related costs such as benefits and wage-related taxes, but also include other ancillary costs such as travel and information technology support. Total indirect operating costs, prior to any allocation or absorption, and general corporate expenses are collectively referred to as our overall pool of overhead costs.

Those indirect costs not allocated to or absorbed by these operations are charged to general and administrative expenses. We regularly review our total overhead cost structure relative to our leasing, development and construction volume and adjust the level of total overhead, generally through changes in our level of staffing in various functional departments, as necessary, in order to control overall general and administrative expense.

General and administrative expenses increased from $11.9 million for the three months ended June 30, 2017 to $13.5 million for the same period in 2018. The following table sets forth the factors that led to the increased general and administrative expenses (in millions):

General and administrative expenses - three-month period ended June 30, 2017	$11.9
Decrease to overall pool of overhead costs	(1.5)
Decreased absorption of costs by wholly owned leasing and development activities (1)	2.6
Decreased allocation of costs to Service Operations and Rental Operations (2)	0.5
General and administrative expenses - three-month period ended June 30, 2018	**$13.5**

(1) We capitalized $4.9 million and $7.3 million of our total overhead costs to leasing and development, respectively, for consolidated properties during the three months ended June 30, 2018, compared to capitalizing $5.0 million and $9.9 million of such costs, respectively, for the three months ended June 30, 2017. Combined overhead costs capitalized to leasing and development totaled 35.7% and 41.6% of our overall pool of overhead costs for the three months ended June 30, 2018 and 2017, respectively.

(2) The decrease in allocation of costs to Service Operations and Rental Operations resulted from a lower volume of third party construction projects during the three months ended June 30, 2018.

Interest Expense

Interest expense allocable to continuing operations decreased from $21.7 million for the three months ended June 30, 2017 to $20.7 million for the three months ended June 30, 2018. The decrease to interest expense from continuing operations was primarily due to interest savings from repaying outstanding debt with the proceeds from the Medical Office Portfolio Disposition, and the refinancing of higher rate senior unsecured notes during 2017.

We capitalized $7.2 million and $5.3 million of interest costs for the three months ended June 30, 2018 and 2017, respectively.

Debt Extinguishment

During the three months ended June 30, 2018, we made a $3.1 million partial early repayment on a secured loan, which had a stated interest rate of 7.5% and a maturity date of March 2019, and recognized a loss of $151,000 from the applicable prepayment premium.

During the three months ended June 30, 2017, we repaid a $250.0 million variable rate term loan that had a maturity date of January 2019 and bore interest at LIBOR plus 1.00%, and recognized a loss of $523,000 from the write-off of unamortized deferred financing costs. We also repaid $285.6 million of senior unsecured notes that had a stated interest rate of 6.50% and an effective interest rate of 6.08%, which had a scheduled maturity in January 2018, and recognized a loss of $9.0 million including the repayment premiums and the write-off of unamortized deferred financing costs.

Discontinued Operations

The property-specific components of earnings that are classified as discontinued operations include rental revenues, rental expenses, real estate taxes, allocated interest expense and depreciation expense, as well as the net gain or loss on the disposition of the properties and related income tax expenses.

We had no buildings classified as discontinued operations for the three months ended June 30, 2018 and had 81 consolidated properties classified as discontinued operations for the three months ended June 30, 2017. The amounts classified in discontinued operations for the three months ended June 30, 2018 were comprised of true-up activity related to 2017 property sales that were classified as discontinued operations.

The 81 consolidated properties that were classified as discontinued operations at June 30, 2017 were all medical office properties that were sold at various points in 2017. As a result, we classified income before gain on sales of $11.1 million within discontinued operations for the three months ended June 30, 2017. The gains on disposal of 73 of these properties, totaling $1.11 billion, and related income tax impact, totaling $11.6 million, for the three months ended June 30, 2017 were also reported in discontinued operations.

Comparison of Six Months Ended June 30, 2018 to Six Months Ended June 30, 2017

Rental and Related Revenue

The following table sets forth rental and related revenue from continuing and discontinued operations (in thousands):

	Six Months Ended June 30,	
	2018	2017
Rental and related revenue:		
Industrial	**$379,944**	$319,441
Non-reportable Rental Operations and non-segment revenues	**5,605**	18,071
Total rental and related revenue from continuing operations	**$385,549**	$337,512
Rental and related revenue from discontinued operations	**32**	81,404
Total rental and related revenue from continuing and discontinued operations	**$385,581**	$418,916

The following factors contributed to the increase in rental and related revenue from continuing operations:

- Expense reimbursements increased primarily due to increased real estate taxes in our existing properties during the six months ended June 30, 2018, as compared to the same period in 2017.

- Increased occupancy and rental rates within our same-property portfolio also contributed to the increase to rental and related revenue from continuing operations. Average commencement occupancy and rental rates in our same-property portfolio both increased from the six months ended June 30, 2017.

- We acquired 33 properties and placed 29 developments in service from January 1, 2017 to June 30, 2018, which provided incremental revenues from continuing operations of $48.9 million in the six months ended June 30, 2018, as compared to the same period in 2017.

- The sale of 26 in-service properties, since January 1, 2017, which did not meet the criteria for inclusion within discontinued operations, resulted in a decrease of $18.3 million to rental and related revenue from continuing operations in the six months ended June 30, 2018, as compared to the same period in 2017, which partially offset the aforementioned increases to rental and related revenue from continuing operations.

- Rental and related revenue from continuing operations includes lease termination fees, which relate to specific tenants who pay a fee to terminate their lease obligation before the end of the contractual lease term. The increase in rental and related revenue from continuing operations is partially offset by a decrease of $9.8 million in termination fees compared to the six months ended June 30, 2017.

Rental and related revenue from discontinued operations for the six months ended June 30, 2018 decreased compared to the same period in 2017 as the properties classified within discontinued operations were sold throughout 2017.

Rental Expenses and Real Estate Taxes

The following table sets forth rental expenses and real estate taxes from continuing and discontinued operations (in thousands):

	Six Months Ended June 30,	
	2018	2017
Rental expenses:		
Industrial	**$33,983**	$27,469
Non-reportable Rental Operations and non-segment expenses	**3,182**	3,274
Total rental expenses from continuing operations	**$37,165**	$30,743
Rental expenses from discontinued operations	**(8)**	16,514
Total rental expenses from continuing and discontinued operations	**$37,157**	$47,257
Real estate taxes:		
Industrial	**$61,039**	$51,430
Non-reportable Rental Operations and non-segment expenses	**1,303**	1,982
Total real estate tax expense from continuing operations	**$62,342**	$53,412
Real estate tax expense from discontinued operations	**17**	9,652
Total real estate tax expense from continuing and discontinued operations	**$62,359**	$63,064

Overall, rental expenses from continuing operations increased by $6.4 million in the six months ended June 30, 2018, compared to the same period in 2017. The increase to rental expenses from continuing operations was primarily the result of acquisitions and developments placed in service from January 1, 2017 to June 30, 2018.

Overall, real estate tax expense from continuing operations increased by $8.9 million in the six months ended June 30, 2018, compared to the same period in 2017. The increase to real estate tax expense was mainly the result of acquisitions and developments placed in service from January 1, 2017 to June 30, 2018, as well as increases in real estate taxes on our existing base of properties, both partially offset by the impact of property sales that did not meet the criteria to be classified within discontinued operations.

The decreases in both rental expenses and real estate tax expense from discontinued operations are a result of the properties classified within discontinued operations being sold throughout 2017.

Depreciation and Amortization

Depreciation and amortization expense increased from $129.0 million during the six months ended June 30, 2017 to $153.4 million for the same period in 2018, primarily as the result of the properties acquired and the developments placed in service since January 1, 2017. The impact of acquired properties and developments placed in service was partially offset by asset dispositions that did not meet the criteria to be classified within discontinued operations.

Equity in Earnings of Unconsolidated Joint Ventures

Equity in earnings from unconsolidated joint ventures decreased from $56.7 million during the six months ended June 30, 2017 to $10.0 million for the same period in 2018. During the six months ended June 30, 2018, we recorded $6.2 million to equity in earnings from unconsolidated joint ventures related to our share of the gain on sale of four joint venture buildings. During the six months ended June 30, 2017, we recorded $50.7 million of equity in earnings from unconsolidated joint ventures primarily as the result of the gains on sale of our interests in three unconsolidated joint ventures, two of which were sold as part of the Medical Office Portfolio Disposition, and our share of the gain on sale of one joint venture building.

Promote Income

We recognized $20.0 million of promote income, from the sale of our interest in one of our unconsolidated joint ventures, as part of the Medical Office Portfolio Disposition, during the six months ended June 30, 2017. We did not recognize any promote income during the six months ended June 30, 2018.

Gain on Sale of Properties - Continuing Operations

The $194.8 million recognized in continuing operations for the six months ended June 30, 2018 was comprised primarily of the gains from the sale of 13 properties. These properties did not meet the criteria for inclusion in discontinued operations.

The $71.4 million recognized in continuing operations for the six months ended June 30, 2017 is primarily comprised of the gains from the sale of 12 properties that did not meet the criteria for inclusion in discontinued operations.

General and Administrative Expense

General and administrative expenses increased from $31.1 million for the six months ended June 30, 2017 to $34.5 million for the same period in 2018. The following table sets forth the factors that led to the increased general and administrative expenses (in millions):

General and administrative expenses - six months ended June 30, 2017	$31.1
Increase to overall pool of overhead costs	0.2
Decreased absorption of costs by wholly owned leasing and development activities (1)	3.3
Increased allocation of costs to Service Operations and Rental Operations	(0.1)
General and administrative expenses - six months ended June 30, 2018	**$34.5**

(1) We capitalized $13.1 million and $12.0 million of our total overhead costs to leasing and development, respectively, for consolidated properties during the six months ended June 30, 2018, compared to capitalizing $10.2 million and $18.2 million of such costs, respectively, for the six months ended June 30, 2017. Combined overhead costs capitalized to leasing and development totaled 32.8% and 37.2% of our overall pool of overhead costs for the six months ended June 30, 2018 and 2017, respectively.

Interest Expense

Interest expense allocable to continuing operations decreased from $44.6 million for the six months ended June 30, 2017 to $40.7 million for the six months ended June 30, 2018. The decrease to interest expense from continuing operations was primarily due to interest savings from repaying outstanding debt with the proceeds from the Medical Office Portfolio Disposition, and the refinancing of higher rate senior unsecured notes during 2017.

We capitalized $15.3 million and $9.5 million of interest costs during the six months ended June 30, 2018 and June 30, 2017, respectively.

Debt Extinguishment

During the six months ended June 30, 2018, we made a $3.1 million partial early repayment on a secured loan, which had a stated interest rate of 7.5% and a maturity date of March 2019, and recognized a loss of $151,000 from the applicable prepayment premium.

During the six months ended June 30, 2017, we repaid a $250.0 million variable rate term loan that had a maturity date of January 2019 and bore interest at LIBOR plus 1.00%, and recognized a loss of $523,000 from the write-off of unamortized deferred financing costs. We also repaid $285.6 million of senior unsecured notes that had a stated interest rate of 6.50% and an effective interest rate of 6.08%, which had a scheduled maturity date in January 2018, and recognized a loss of $9.0 million including the repayment premium and the write-off of unamortized deferred financing costs.

Discontinued Operations

We had no buildings classified as discontinued operations for the six months ended June 30, 2018 and had 81 consolidated properties classified as discontinued operations for the six months ended June 30, 2017. The amounts classified in discontinued operations for the six months ended June 30, 2018 were comprised of true-up activity related to 2017 property sales that were classified as discontinued operations.

The 81 consolidated properties that were classified as discontinued operations at June 30, 2017 were all medical office properties that were sold at various points in 2017. As a result, we classified income before gain on sales, of $15.2 million within discontinued operations for the six months ended June 30, 2017. The gains on disposal of 73 of these properties, totaling $1.11 billion, and related income tax impact, totaling $11.6 million, for the six months ended June 30, 2017 were also reported in discontinued operations.

Liquidity and Capital Resources

Sources of Liquidity

We expect to meet our short-term liquidity requirements over the next 12 months including payments of dividends and distributions and the capital expenditures needed to maintain our current real estate assets, primarily through working capital, net cash provided by operating activities and proceeds received from real estate dispositions. We had no outstanding borrowings on the Partnership's $1.20 billion unsecured line of credit, had $86.3 million of cash on hand and held $146.1 million of restricted cash for future like-kind exchange transactions at June 30, 2018.

In addition to our existing sources of liquidity, we expect to meet long-term liquidity requirements, such as scheduled mortgage and unsecured debt maturities, property acquisitions, financing of development activities and other capital improvements, through multiple sources of capital including operating cash flow, proceeds from property dispositions and accessing the public debt and equity markets. At June 30, 2018, we also held $255.0 million of notes receivable from the various entities that purchased our medical office properties in 2017, as part of the Medical Office Portfolio Disposition, which are scheduled to mature at various points through January 2020.

Rental Operations

Cash flows from Rental Operations is our primary source of liquidity and provides a stable source of cash flow to fund operational expenses. We believe that this cash-based revenue stream is substantially aligned with revenue recognition (except for items such as periodic straight-line rental income accruals and amortization of above or below market rents) as cash receipts from the leasing of rental properties are generally received in advance of, or a short time following, the actual revenue recognition.

We are subject to a number of risks related to general economic conditions, including reduced occupancy, tenant defaults and bankruptcies and potential reduction in rental rates upon renewal or re-letting of properties, any of which would result in reduced cash flow from operations.

Unsecured Debt and Equity Securities

We use the Partnership's unsecured line of credit (which is guaranteed by the General Partner) as a temporary source of capital to fund development activities, acquire additional rental properties and provide working capital.

The Partnership has issued debt securities pursuant to certain indentures and related supplemental indentures, which also require us to comply with financial ratios and other covenants regarding our operations. We were in compliance with all such covenants, as well as applicable covenants under our unsecured line of credit, at June 30, 2018.

At June 30, 2018, we had on file with the SEC an automatic shelf registration statement on Form S-3 relating to the offer and sale, from time to time, of an indeterminate amount of debt and equity securities (including guarantees of the Partnership's debt securities by the General Partner). Equity securities are offered and sold by the General Partner, and the net proceeds of such offerings are contributed to the Partnership in exchange for additional General Partner Units or Preferred Units. From time to time, we expect to issue additional securities under this automatic shelf registration statement to fund the repayment of long-term debt upon maturity and for other general corporate purposes.

The General Partner has an at the market ("ATM") equity program that allows it to issue new common shares from time to time, with an aggregate offering price of up to $200.0 million. During the six months ended June 30, 2018, the General Partner did not issue any common shares pursuant to its ATM equity program. As of June 30, 2018, the ATM equity program still had $108.1 million worth of new common shares available to issue.

Sale of Real Estate Assets

We regularly work to identify, consider and pursue opportunities to dispose of non-strategic properties on an opportunistic basis and on a basis that is generally consistent with our strategic plans. Our ability to dispose of such properties on favorable terms, or at all, is dependent upon a number of factors including the availability of credit to potential buyers to purchase properties at prices that we consider acceptable. Although we believe that we have demonstrated our ability to generate significant liquidity through the disposition of non-strategic properties, potential future adverse changes to general market and economic conditions could negatively impact our further ability to dispose of such properties.

Sales of land and depreciable properties provided $433.6 million in net proceeds during the six months ended June 30, 2018.

Transactions with Unconsolidated Joint Ventures

Transactions with unconsolidated joint ventures also provide a source of liquidity. From time to time we will sell properties to unconsolidated joint ventures, while retaining a continuing interest in that entity, and receive proceeds commensurate to those interests that we do not own. Additionally, unconsolidated joint ventures will from time to time obtain debt financing or sell properties and will then distribute to us, and our joint venture partners, all or a

portion of the proceeds from such transactions. During the six months ended June 30, 2018, our share of sale and capital distributions from unconsolidated joint ventures totaled $17.4 million.

Uses of Liquidity

Our principal uses of liquidity include the following:

- property investment;
- leasing/capital costs;
- dividends and distributions to shareholders and unitholders;
- long-term debt maturities;
- opportunistic repurchases of outstanding debt; and
- other contractual obligations.

Property Investment

Our overall strategy is to continue to increase our investment in quality industrial properties, primarily through development, on both a speculative and build-to-suit basis, supplemented with acquisitions in higher barrier markets with the highest growth potential. Pursuant to this strategy, we evaluate development and acquisition opportunities based upon our market outlook, including general economic conditions, supply and long-term growth potential. Our ability to make future property investments is dependent upon identifying suitable acquisition and development opportunities, and our continued access to our longer-term sources of liquidity, including issuances of debt or equity securities as well as generating cash flow by disposing of selected properties.

Leasing/Capital Costs

Tenant improvements and lease-related costs pertaining to our initial leasing of newly completed space, or vacant space in acquired properties, are referred to as first generation expenditures. Such first generation expenditures for tenant improvements are included within "development of real estate investments" in our Consolidated Statements of Cash Flows, while such expenditures for lease-related costs are included within "other deferred leasing costs."

Cash expenditures related to the construction of a building's shell, as well as the associated site improvements, are also included within "development of real estate investments" in our Consolidated Statements of Cash Flows.

Tenant improvements and leasing costs to renew or re-let rental space that we previously leased to tenants for new second generation leases are referred to as second generation expenditures. Building improvements that are not specific to any tenant but serve to improve integral components of our real estate properties are also second generation expenditures. One of the principal uses of our liquidity is to fund the second generation leasing/capital expenditures of our real estate investments.

The following table summarizes our second generation capital expenditures by type of expenditure, as well as capital expenditures for the development of real estate investments and for other deferred leasing costs (in thousands):

	Six Months Ended June 30,	
	2018	2017
Second generation tenant improvements	**$9,358**	$7,363
Second generation leasing costs	**15,968**	10,018
Building improvements	**1,011**	2,731
Total second generation capital expenditures	**$26,337**	$20,112
Development of real estate investments	**$227,186**	$288,833
Other deferred leasing costs	**$20,787**	$16,091

The capital expenditures in the table above include the capitalization of internal overhead costs. We capitalized $13.1 million and $10.2 million of overhead costs related to leasing activities, including both first and second

generation leases, during the six months ended June 30, 2018 and 2017, respectively. We capitalized $12.0 million and $18.2 million of overhead costs related to development activities, including both development and tenant improvement projects on first and second generation space, during the six months ended June 30, 2018 and 2017, respectively. Combined overhead costs capitalized to leasing and development totaled 32.8% and 37.2% of our overall pool of overhead costs for the six months ended June 30, 2018 and 2017, respectively. Further discussion of the capitalization of overhead costs can be found herein, in the quarter-to-quarter and year-to-date comparisons of general and administrative expenses of this Item 2 as well as in the Critical Accounting Policies section of Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2017 Annual Report.

In addition to the capitalization of overhead costs, the totals for development of real estate assets in the table above include the capitalization of $15.3 million and $9.5 million of interest costs during the six months ended June 30, 2018 and 2017, respectively.

The following table summarizes our second generation capital expenditures (in thousands):

	Six Months Ended June 30,	
	2018	2017
Industrial	**$26,281**	$18,550
Non-reportable Rental Operations	**56**	1,562
Total	**$26,337**	$20,112

Both our first and second generation expenditures vary significantly between leases on a per square foot basis, dependent upon several factors including the product type, the nature of a tenant's operations, the specific physical characteristics of each individual property and the market in which the property is located.

Dividend and Distribution Requirements

The General Partner is required to meet the distribution requirements of the Code in order to maintain its REIT status. We paid regular dividends or distributions of $0.20 per common share or Common Unit in the first and second quarters of 2018, and the General Partner's board of directors declared dividends or distributions of $0.20 per common share or Common Unit for the third quarter of 2018.

We expect to continue to distribute at least an amount equal to our taxable earnings, to meet the requirements to maintain the General Partner's REIT status, and additional amounts as determined by the General Partner's board of directors. Distributions are declared at the discretion of the General Partner's board of directors and are subject to actual cash available for distribution, our financial condition, capital requirements and such other factors as the General Partner's board of directors deems relevant.

Debt Maturities

Debt outstanding at June 30, 2018 had a face value totaling $2.44 billion with a weighted average interest rate of 4.32% and maturities at various dates through 2028. Of this total amount, we had $2.13 billion of unsecured debt, $306.2 million of secured debt and no outstanding borrowings on our unsecured line of credit at June 30, 2018. Scheduled principal amortization, maturities and early repayments of such debt totaled $6.9 million for the six months ended June 30, 2018.

The following table is a summary of the scheduled future amortization and maturities of our indebtedness at June 30, 2018 (in thousands, except percentage data):

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Year	Future Repayments			Weighted Average Interest Rate of Future Repayments	
	Scheduled Amortization	Maturities	Total		
Remainder of 2018	$3,974	$—	$3,974	6.05	%
2019	6,935	265,353	272,288	7.61	%
2020	5,381	—	5,381	5.81	%
2021	3,416	259,047	262,463	3.99	%
2022	3,611	600,000	603,611	4.20	%
2023	3,817	250,000	253,817	3.75	%
2024	4,036	300,000	304,036	3.92	%
2025	3,938	—	3,938	5.59	%
2026	2,029	375,000	377,029	3.37	%
2027	358	300,000	300,358	3.40	%
2028	—	50,000	50,000	7.29	%
Thereafter	—	—	—	N/A	
	$37,495	$2,399,400	$2,436,895	4.32	%

We anticipate generating capital to fund our debt maturities by using undistributed cash generated from our Rental Operations and property dispositions and by raising additional capital from future debt or equity transactions.

Repayments of Outstanding Debt

To the extent that it supports our overall capital strategy, we may purchase or redeem some of our outstanding unsecured notes prior to their stated maturities.

Contractual Obligations

Aside from repayments of long-term debt, there have been no other material changes in our outstanding commitments since December 31, 2017, as previously discussed in our 2017 Annual Report.

Historical Cash Flows

Cash, cash equivalents and restricted cash were $242.6 million and $968.0 million at June 30, 2018 and 2017, respectively. The following table highlights significant changes in net cash associated with our operating, investing and financing activities (in millions):

	Six Months Ended June 30,	
	2018	2017
General Partner		
Net cash provided by operating activities	**$230.6**	$231.3
Net cash provided by investing activities	**$12.0**	$1,474.9
Net cash used for financing activities	**$(193.6)**	$(795.3)
Partnership		
Net cash provided by operating activities	**$230.6**	$231.3
Net cash provided by investing activities	**$12.0**	$1,474.9
Net cash used for financing activities	**$(193.6)**	$(795.3)

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Operating Activities

Cash flows from operating activities provide the cash necessary to meet normal operational requirements of our Rental Operations and Service Operations activities. The receipt of rental income from Rental Operations continues to be our primary source of operating cash flows. Cash flow provided by operating activities was relatively consistent with the six months ended June 30, 2017, but was impacted by a $20.0 million promote payment received from the Medical Office Portfolio Disposition during the six months ended June 30, 2017 that was substantially offset by lower cash paid for interest and improved property level operations during the six months ended June 30, 2018.

Investing Activities

Highlights of significant cash sources and uses are as follows:

- During the six months ended June 30, 2018, we paid cash of $208.9 million and $98.5 million, respectively, for real estate and undeveloped land acquisitions, compared to $237.5 million and $67.9 million for real estate and undeveloped land acquisitions in the same period in 2017.
- Real estate development costs were $227.2 million during the six months ended June 30, 2018, compared to $288.8 million for the same period in 2017.
- Sales of land and depreciated properties provided $433.6 million in net proceeds for the six months ended June 30, 2018, compared to $1.98 billion for the same period in 2017.
- The increased cash inflows reflected in the Other Assets line of the Consolidated Statements of Cash Flows for the six months ended June 30, 2018 was the result of receiving repayments of $149.9 million on notes receivable compared to $1.7 million for the same period in 2017.
- Second generation tenant improvements, leasing costs and building improvements totaled $26.3 million for the six months ended June 30, 2018 compared to $20.1 million for the same period in 2017.
- For the six months ended June 30, 2018, we received $17.4 million in capital distributions from unconsolidated joint ventures, primarily related to the sale of four properties within two of our joint ventures, compared to $111.6 million during the same period in 2017.
- For the six months ended June 30, 2018, we made capital contributions of $2.6 million to unconsolidated joint ventures, compared to $2.0 million during the same period in 2017.

Financing Activities

The following items highlight significant capital transactions:

- During the six months ended June 30, 2018, the Partnership paid $3.2 million on secured loans. The Partnership repaid three secured loans for $42.9 million during the same period in 2017.
- For the six months ended June 30, 2017, we repaid $48.0 million of net borrowings on the Partnership's unsecured line of credit. There were no net borrowings or repayments on the Partnership's unsecured line of credit for the six months ended June 30, 2018.
- During the six months ended June 30, 2018, the Partnership repaid $1.3 million of senior unsecured notes. In June 2017, we paid $545.9 million to execute the early repayment of a $250.0 million variable rate term loan as well as the early redemption of $285.6 million of senior unsecured notes. These cash payments included the prepayment premium for the senior unsecured notes.
- We paid regular cash dividends or distributions totaling $142.8 million and $135.1 million for the six months ended June 30, 2018 and 2017, respectively.
- Changes in book cash overdrafts are classified as financing activities within our consolidated Statements of Cash Flows. Book cash overdrafts were $1.1 million at June 30, 2018. There were no book cash overdrafts for the six months ended June 30, 2017.

Off Balance Sheet Arrangements - Investments in Unconsolidated Joint Ventures

We analyze our investments in unconsolidated joint ventures to determine if they meet the criteria for classification as a VIE and would require consolidation. We (i) evaluate the sufficiency of the total equity at risk, (ii) review the voting rights and decision-making authority of the equity investment holders as a group and whether there are limited partners (or similar owning entities) that lack substantive participating or kick out rights and (iii) establish whether or not activities within the venture are on behalf of an investor with disproportionately few voting rights in making this VIE determination. To the extent that we (i) are the sole entity that has the power to direct the activities of the VIE and (ii) have the obligation or rights to absorb the VIE's losses or receive its benefits, then we would be determined to be the primary beneficiary of the VIE and would consolidate it. At the end of each reporting period, we re-assess our conclusions as to which, if any, party within the VIE is considered the primary beneficiary. To the extent that our joint ventures do not qualify as VIEs, we further assess each joint venture partner's substantive participating rights to determine if the venture should be consolidated. There were no unconsolidated joint ventures that met the criteria to be a VIE at June 30, 2018.

We have equity interests in unconsolidated partnerships and limited liability companies that primarily own and operate rental properties and hold land for development. These unconsolidated joint ventures are primarily engaged in the operation and development of industrial real estate properties. These investments provide us with increased market share and tenant and property diversification. The equity method of accounting is used for these investments in which we have the ability to exercise significant influence, but not control, over operating and financial policies. As a result, the assets and liabilities of these entities are not included on our balance sheet. Our investments in and advances to unconsolidated joint ventures represented approximately 1% and 2% of our total assets at June 30, 2018 and December 31, 2017, respectively. Total assets of our unconsolidated joint ventures were $503.5 million and $556.2 million at June 30, 2018 and December 31, 2017, respectively. The combined revenues of our unconsolidated joint ventures totaled $29.1 million and $42.8 million for the six months ended June 30, 2018 and 2017, respectively.

We have guaranteed the repayment of certain secured and unsecured loans of our unconsolidated joint ventures. The outstanding balances on the guaranteed portion of these loans totaled $115.0 million at June 30, 2018.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to interest rate changes primarily as a result of our line of credit and our long-term borrowings. Our interest rate risk management objective is to limit the impact of interest rate changes on earnings and cash flows and to lower overall borrowing costs. To achieve our objectives, we borrow primarily at fixed rates. We do not enter into derivative or interest rate transactions for speculative purposes.

Our interest rate risk is monitored using a variety of techniques. The table below presents the principal amounts (in thousands) of the expected annual maturities, weighted average interest rates for the average debt outstanding in the specified period, fair values (in thousands) and other terms required to evaluate the expected cash flows and sensitivity to interest rate changes.

	Remainder of 2018	2019	2020	2021	2022	Thereafter	Face Value	Fair Value
Fixed rate secured debt	$ 2,310	$ 269,130	$ 3,583	$ 12,163	$ 3,311	$ 13,178	$ 303,675	$ 316,558
Weighted average interest rate	6.51 %	7.63 %	5.98 %	5.73 %	6.06 %	6.07 %	7.44 %	
Variable rate secured debt	$ 300	$ 300	$ 300	$ 300	$ 300	$ 1,000	$ 2,500	$ 2,500
Weighted average interest rate	1.60 %	1.60 %	1.60 %	1.60 %	1.60 %	1.60 %	1.60 %	
Fixed rate unsecured debt	$ 1,364	$ 2,858	$ 1,498	$ 250,000	$ 600,000	$ 1,275,000	$ 2,130,720	$ 2,103,965
Weighted average interest rate	6.26 %	6.26 %	6.26 %	3.91 %	4.20 %	3.72 %	3.88 %	

As the above table incorporates only those exposures that existed at June 30, 2018, it does not consider those exposures or positions that could arise after that date. As a result, the ultimate impact of interest rate fluctuations will depend on future exposures that arise and our hedging strategies at that time. Interest expense on our unsecured line of credit, to the extent we have outstanding borrowings, will be affected by fluctuations in the LIBOR indices as well as changes in our credit rating. The interest rate at such point in the future as we may renew, extend or replace our unsecured line of credit will be heavily dependent upon the state of the credit environment.

Item 4. Controls and Procedures

Controls and Procedures (General Partner)

(a) Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. These disclosure controls and procedures are further designed to ensure that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure.

We carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rules 13a-15 and 15d-15. Based upon the foregoing, the Chief Executive Officer and the Chief Financial Officer concluded that, as of the end of the period covered by this Report, our disclosure controls and procedures were effective.

(b) Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the period covered by this Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Controls and Procedures (Partnership)

(a) Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. These disclosure controls and procedures are further designed to ensure that such information is accumulated and communicated to management, including the General Partner's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

We carried out an evaluation, under the supervision and with the participation of management, including the General Partner's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rules 13a-15 and 15d-15. Based upon the foregoing, the General Partner's Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this Report, our disclosure controls and procedures were effective.

(b) Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the period covered by this Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings

From time to time, we are parties to a variety of legal proceedings and claims arising in the ordinary course of our businesses. While these matters generally are covered by insurance, there is no assurance that our insurance will cover any particular proceeding or claim. We are not subject to any material pending legal proceedings other than routine litigation arising in the ordinary course of business. We presently believe that all of the proceedings to which we were subject as of June 30, 2018, taken as a whole, will not have a material adverse effect on our liquidity, business, financial condition or results of operations.

Item 1A. Risk Factors

In addition to the information set forth in this Report, you also should carefully review and consider the information contained in our other reports and periodic filings that we make with the SEC, including, without limitation the information contained under the caption "Item 1A. Risk Factors" in our 2017 Annual Report. The risks and uncertainties described in our 2017 Annual Report are not the only risks that we face. Additional risks and uncertainties not currently known to us, or that we presently deem to be immaterial, also may materially adversely affect our business, financial condition and results of operations. There have not been any material changes to the risk factors that we face since our 2017 Annual Report, other than the changes to the risk factor described below, which has been revised.

Our business and operations could suffer in the event of system failures or cyber security attacks.

Our systems are vulnerable to damages from any number of sources, including energy blackouts, natural disasters, terrorism, war, telecommunication failures and cyber security attacks, such as computer viruses or unauthorized access. Additionally, changes in critical systems, such as our enterprise risk planning systems, include an inherent risk of system interruption or failure. Any system failure or accident that causes interruptions in our operations could result in a material disruption to our business. We may also incur additional costs to remedy damages caused by such disruptions. Any compromise of our security could also result in a violation of applicable privacy and other laws, unauthorized access to information of ours and others, significant legal and financial exposure, damage to our reputation, loss or misuse of the information and a loss of confidence in our security measures, which could harm our business.

There can be no assurance that our efforts to maintain the security and integrity of our systems will be effective, or that we will be able to maintain our systems free from security breaches or other operational interruptions. Even the most well protected information, networks, systems and facilities remain potentially vulnerable when considering the rapid pace of technological change. Other operational issues, such as system changes, could result in system interruption or failure, inability to meet reporting requirements in a timely fashion, or increased costs. Accordingly, we may be unable to prevent major security breaches or entirely mitigate the risk of other system interruptions or failures.

We could also be negatively impacted by similar disruptions to the operations of our vendors or outsourced service providers.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) Unregistered Sales of Equity Securities

None

(b) Use of Proceeds

None

(c) Issuer Purchases of Equity Securities

From time to time, we repurchase our securities under a repurchase program that initially was approved by the General Partner's board of directors and publicly announced in October 2001 (the "Repurchase Program").
On January 31, 2018, the General Partner's board of directors adopted a resolution that amended and restated the Repurchase Program and delegated authority to management to repurchase a maximum of $100.0 million of the General Partner's common shares, $500.0 million of the Partnership's debt securities and $500.0 million of the General Partner's preferred shares, subject to the prior notification of the Chairman of the Finance Committee of the board of directors of planned repurchases within these limits. We did not repurchase any equity securities through the Repurchase Program during the three months ended June 30, 2018.

Item 3. Defaults upon Senior Securities

During the period covered by this Report, we did not default under the terms of any of our material indebtedness.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the period covered by this Report, there was no information required to be disclosed by us in a Current Report on Form 8-K that was not so reported, nor were there any material changes to the procedures by which our security holders may recommend nominees to the General Partner's board of directors.

Item 6. Exhibits

(a) Exhibits

3.1	Sixth Amended and Restated Articles of Incorporation of the General Partner (filed as Exhibit 3.1 to the combined Current Report on Form 8-K of the General Partner and the Partnership as filed with the SEC on January 5, 2015, and incorporated herein by this reference).
3.2	Fifth Amended and Restated Bylaws of the General Partner (filed as Exhibit 3.1 to the General Partner's Current Report on Form 8-K as filed with the SEC on October 26, 2017, and incorporated herein by this reference).
3.3	Certificate of Limited Partnership of the Partnership, dated September 17, 1993 (filed as Exhibit 3.1(i) to the Partnership's Annual Report on Form 10-K for the year ended December 31, 2006 as filed with the SEC on March 13, 2007, and incorporated herein by this reference) (File No. 000-20625).
3.4 (i)	Fifth Amended and Restated Agreement of Limited Partnership of the Partnership (filed as Exhibit 3.2 to the combined Current Report on Form 8-K of the General Partner and the Partnership as filed with the SEC on May 5, 2014, and incorporated herein by this reference).
3.4 (ii)	First Amendment to Fifth Amended and Restated Agreement of Limited Partnership of the Partnership (filed as Exhibit 3.2 to the combined Current Report on Form 8-K of the General Partner and the Partnership as filed with the SEC on August 6, 2014, and incorporated herein by this reference).
3.4 (iii)	Second Amendment to Fifth Amended and Restated Agreement of Limited Partnership of the Partnership (filed as Exhibit 3.2 to the combined Current Report on Form 8-K of the General Partner and the Partnership as filed with the SEC on December 16, 2014, and incorporated herein by this reference).
3.4 (iv)	Third Amendment to Fifth Amended and Restated Agreement of Limited Partnership of the Partnership (filed as Exhibit 3.2 to the combined Current Report on Form 8-K of the General Partner and the Partnership as filed with the SEC on January 5, 2015, and incorporated herein by this reference).
3.4 (v)	Fourth Amendment to Fifth Amended and Restated Agreement of Limited Partnership of the Partnership (filed as Exhibit 3.1 to the combined Current Report on Form 8-K of the General Partner and the Partnership as filed with the SEC on January 29, 2015, and incorporated herein by this reference).
11.1	Statement Regarding Computation of Earnings.***
12.1	Statement of Calculation of Ratio of Earnings to Fixed Charges and Ratio of Earnings to Combined Fixed Charges and Preferred Dividends of the General Partner.*
12.2	Statement of Calculation of Ratio of Earnings to Fixed Charges and Ratio of Earnings to Combined Fixed Charges and Preferred Distributions of the Partnership.*
31.1	Rule 13a-14(a) Certification of the Chief Executive Officer of the General Partner.*
31.2	Rule 13a-14(a) Certification of the Chief Financial Officer of the General Partner.*
31.3	Rule 13a-14(a) Certification of the Chief Executive Officer for the Partnership.*

31.4	Rule 13a-14(a) Certification of the Chief Financial Officer for the Partnership.*
32.1	Section 1350 Certification of the Chief Executive Officer of the General Partner.**
32.2	Section 1350 Certification of the Chief Financial Officer of the General Partner.**
32.3	Section 1350 Certification of the Chief Executive Officer for the Partnership.**
32.4	Section 1350 Certification of the Chief Financial Officer for the Partnership.**
101.Def	Definition Linkbase Document
101.Pre	Presentation Linkbase Document
101.Lab	Labels Linkbase Document
101.Cal	Calculation Linkbase Document
101.Sch	Schema Document
101.Ins	Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document

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Represents management contract or compensatory plan or arrangement

* Filed herewith.

** The certifications attached as Exhibits 32.1, 32.2, 32.3 and 32.4 accompany this Quarterly Report on Form 10-Q and are "furnished" to the Securities and Exchange Commission pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed "filed" by the General Partner or the Partnership, respectively, for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

*** Data required by Financial Accounting Standards Board Auditing Standards Codification No. 260 is provided in Note 8 to the Consolidated Financial Statements included in this Report.

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SIGNATURES

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

DUKE REALTY CORPORATION

/s/ James B. Connor
James B. Connor
Chairman and Chief Executive Officer

/s/ Mark A. Denien
Mark A. Denien
Executive Vice President and Chief Financial Officer

DUKE REALTY LIMITED PARTNERSHIP
By: DUKE REALTY CORPORATION, its general partner

/s/ James B. Connor
James B. Connor
Chairman and Chief Executive Officer of the General Partner

/s/ Mark A. Denien
Mark A. Denien
Executive Vice President and Chief Financial Officer of the General Partner

Date: July 27, 2018