

PROLOGIS  
Form DEF 14A  
April 07, 2009

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A  
(Rule 14a-101)**

**Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No.)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Rule 14a-12

**ProLogis**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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Notice of 2009  
Annual Meeting  
*and*  
Proxy Statement

April 8, 2009

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**4545 Airport Way  
Denver, Colorado 80239**

April 8, 2009

Dear Shareholder,

*You are cordially invited to attend the annual meeting of shareholders of ProLogis, which will take place on May 20, 2009, at our world headquarters in Denver, Colorado.*

*We have elected to take advantage of the Securities and Exchange Commission rules that allow issuers to furnish proxy materials to their shareholders on the Internet. We believe that these rules will allow us to provide our shareholders with the information they need, while lowering the costs of printing and delivery and reducing the environmental impact of our annual meeting.*

*Details of the business to be conducted at the meeting are set forth in the formal notice of annual meeting of shareholders and proxy statement that accompany this letter.*

*Your vote is important. Whether or not you plan to attend the annual meeting, it is important that your shares be represented and voted at the meeting. I urge you to promptly vote and authorize your proxy instructions electronically through the Internet, by telephone or, if you have requested and received a paper copy of the proxy statement, by completing, signing, dating, and returning the proxy card enclosed with the proxy statement. Voting through the Internet or by telephone will eliminate the need to return your proxy card. If you decide to attend the annual meeting, you will be able to vote in person, even if you have previously submitted your proxy.*

*On behalf of the Board of Trustees, I would like to express our appreciation for your continued interest in ProLogis.*

*Sincerely,*

/s/ Walter C. Rakowich  
Walter C. Rakowich  
Chief Executive Officer  
and Trustee

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**Every shareholder's vote is important. Please authorize your proxy through the Internet, by telephone, or complete, sign, date, and return your proxy card.**

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**NOTICE OF 2009 ANNUAL MEETING  
OF SHAREHOLDERS**

*10:30 a.m., May 20, 2009  
ProLogis World Headquarters  
4545 Airport Way  
Denver, Colorado 80239*

April 8, 2009

To our Shareholders:

The 2009 annual meeting of shareholders of ProLogis, a Maryland real estate investment trust, will be held at ProLogis world headquarters, 4545 Airport Way, Denver, Colorado 80239, on Wednesday, May 20, 2009, at 10:30 a.m., local time, for the following purposes:

1. To elect ten trustees to serve until the 2010 annual meeting;
2. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the year 2009; and
3. To consider any other matters that may properly come before the meeting and at any adjournments or postponements of the meeting.

Shareholders of record at the close of business on March 23, 2009 are entitled to notice of, and to vote at, the meeting and any adjournments or postponements of the meeting. On or about April 8, 2009, we intend to mail our shareholders a notice containing instructions on how to access our 2009 proxy statement and 2008 annual report to shareholders on the Internet and also how to vote on the Internet. The notice also provides instructions on how you can request a paper copy of these documents if you desire. If you received your annual materials via e-mail, the e-mail contains voting instructions and links to the proxy statement and annual report on the Internet.

For the Board of Trustees,

/s/ Edward S. Nekritz  
Edward S. Nekritz  
Secretary

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**PROXY STATEMENT**

ProLogis, 4545 Airport Way, Denver, Colorado 80239

This proxy statement is furnished in connection with the solicitation of proxies by the board of trustees of ProLogis for the 2009 annual meeting of shareholders of ProLogis. Distribution and electronic availability of this proxy statement and proxy card are scheduled to begin on or about April 8, 2009.

In accordance with the rules of the Securities and Exchange Commission (SEC), instead of mailing a printed copy of our proxy materials to each shareholder of record or beneficial owner, we are now furnishing proxy materials (our 2009 proxy statement and our 2008 annual report to shareholders, which includes our Annual Report on Form 10-K) by providing access to such documents on the Internet. Our shareholders will not receive printed copies of the proxy materials unless they elect this form of delivery or they are participants in our 401(k) Savings Plan and Trust (401(k) Plan). Printed copies will be provided upon request at no charge.

A Notice of Internet Availability of Proxy Materials (Notice of Internet Availability) was mailed to our shareholders on or about April 8, 2009. The Notice of Internet Availability was provided in lieu of mailing the printed proxy materials and instructed our shareholders as to how they may: (i) access and review all of the proxy materials on the Internet; (ii) submit their proxy; and (iii) receive printed proxy materials.

Shareholders may request to receive printed proxy materials by mail or electronically by e-mail on an ongoing basis by following the instructions included in the Notice of Internet Availability. Providing future proxy materials by e-mail will save us some of the costs associated with printing and delivering the materials and will reduce the environmental impact of our annual meetings. An election to receive proxy materials by e-mail will remain in effect until such time as the shareholder elects to terminate it.

You can ensure that your shares are voted at the meeting by authorizing your proxy through the Internet, by telephone, or by completing, signing, dating, and returning the printed proxy card provided with the printed materials. If you are a shareholder of record, you may still attend the meeting and vote despite having previously authorized your proxy by any of these methods. A shareholder of record who gives a proxy may revoke it at any time before it is exercised by voting in person at the annual meeting, by delivering a subsequent proxy, by notifying the inspector of election in writing of such revocation, or, if previous instructions were given through the Internet or by telephone, by providing new instructions by the same means. An admission ticket is required to attend the 2009 annual meeting. Admission tickets are provided with the printed proxy materials and with the Notice of Internet Availability.

**Important Notice Regarding the Availability of Proxy Materials for the Shareholders Meeting to be Held on May 20, 2009:**

**This proxy statement and our 2008 annual report to shareholders, which includes our Annual Report on Form 10-K, are available at <http://ir.prologis.com>.**



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**SUMMARY OF PROPOSALS SUBMITTED FOR VOTE**

**Proposal 1: Election of Trustees**

**Nominees:** At the annual meeting you will be asked to elect ten trustees to the board of trustees. The trustees will be elected to one-year terms and will hold office until the 2010 annual meeting and until their successors are elected and qualify.

**Vote Required:** You may vote for or withhold your vote from any of the trustee nominees. Assuming a quorum is present, the trustees receiving a majority of the votes cast in person or by proxy at the meeting will be elected. For this purpose, a majority of the votes cast means that the number of common shares that are cast and are voted For the election of a trustee must exceed the number of common shares that are withheld from his or her election.

**Proposal 2: Ratification of the Appointment of Independent Registered Public Accounting Firm**

**Independent Registered Public Accounting Firm:** At the annual meeting you will be asked to ratify the audit committee's appointment of KPMG LLP as the company's independent registered public accounting firm for the year 2009.

**Vote Required:** You may vote for, vote against, or abstain from voting on ratifying the appointment of the independent registered public accounting firm. Assuming a quorum is present, the affirmative vote of a majority of the common shares voted at the meeting in person or by proxy will be required to ratify the audit committee's appointment of the independent registered public accounting firm.

**The board of trustees unanimously recommends that the shareholders vote FOR each of the proposals listed above.**

The foregoing are only summaries of the proposals.  
You should review the full discussion of each proposal  
in this proxy statement before casting your vote.

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**ELECTION OF TRUSTEES**

**Proposal 1**

**Nominees**

At the 2009 annual meeting, all ten trustee nominees are standing to be elected to hold office until the 2010 annual meeting and until their successors are elected and qualify. The ten nominees for election at the 2009 annual meeting, all proposed by the board of trustees, are listed below with brief biographies. They are all now ProLogis trustees. We do not know of any reason why any nominee would be unable or unwilling to serve as a trustee. However, if a nominee becomes unable to serve or will not serve, proxies may be voted for the election of such other person nominated by the board as a substitute or the board may reduce the number of trustees.

Under our bylaws, trustees in non-contested elections must receive a majority of affirmative votes cast for election at a meeting at which a quorum is present. For this purpose, a majority of the votes cast means that the number of common shares that are cast and are voted For the election of a trustee must exceed the number of common shares that are withheld from his or her election. If a trustee fails to obtain a majority, he or she must tender his or her resignation to the board within three days after certification of the voting results. The board, generally through a process managed by the board governance and nomination committee, will decide what action to take with regard to the tendered resignation. A tendered resignation is effective 90 days from the date of tender unless the board affirmatively determines to reject the tendered resignation or accept the resignation on a specified future date or upon the appointment of a replacement trustee to fill the vacancy that will result from the resignation. The board will then explain its decision to accept or reject the tendered resignation in a Current Report on Form 8-K, which will be filed promptly with the SEC.

**The board of trustees unanimously recommends that the shareholders vote FOR the election of each nominee.**

**Stephen L. Feinberg.** Chairman since November 2008 and Trustee since January 1993

Mr. Feinberg, 64, has been Chairman of the Board and Chief Executive Officer of Dorsar Investment Company, a diversified holding company with interests in real estate and venture capital, since 1970.

**George L. Fotiades.** Trustee since December 2001

Mr. Fotiades, 55, has been Chairman of the Healthcare investment practice of Diamond Castle Holdings, a private equity investment firm, since April 2007 and was President and Chief Operating Officer of Cardinal Health, Inc., a provider of services supporting the health care industry, until May 2006. He was previously President and Chief Executive Officer of Life Sciences Products and Services, a unit of Cardinal Health, Inc., and was with Cardinal Health, Inc. or its predecessor in various capacities from 1996 to 2006. He serves on the Board of Directors of Alberto Culver Company and Cantel Medical Corporation.

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**Christine N. Garvey.** Trustee since September 2005

Ms. Garvey, 63, has served as a consultant to Deutsche Bank AG, a global investment bank, since May 2004. From May 2001 to May 2004, Ms. Garvey served as Global Head of Corporate Real Estate Services at Deutsche Bank AG London. Ms. Garvey serves on the Board of Directors of Maguire Properties Group, HCP Inc., and UnionBanCal Corp. and she was a member of the Board of Directors of Catellus Development Corporation (Catellus) when it was merged with and into a subsidiary of ProLogis in September 2005.

**Lawrence V. Jackson.** Trustee since March 2008

Mr. Jackson, 55, is Chairman and Chief Executive Officer of Source Mark, LLC, a medical and surgical supply manufacturer. He was President and Chief Executive Officer, Global Procurement of Wal-Mart Stores, Inc. (Wal-Mart), an international retailer, from April 2006 to February 2007 and, prior to that role, he was Executive Vice President and Chief People Officer of Wal-Mart. He was President and Chief Operating Officer of Dollar General Stores, Inc., a discount retailer, from August 2003 to September 2004.

**Donald P. Jacobs.** Trustee since February 1996

Mr. Jacobs, 81, is the Gaylord Freeman Distinguished Professor of Banking and Dean Emeritus of the Kellogg School of Management and has been a member of its faculty since 1957. He serves on the Board of Directors of Terex Corporation.

**Walter C. Rakowich.** Trustee since November 2008

Mr. Rakowich, 51, has been Chief Executive Officer of ProLogis since November 2008. Mr. Rakowich was ProLogis President and Chief Operating Officer from January 2005 to November 2008, Chief Financial Officer from December 1998 to September 2005, and Managing Director from December 1998 to December 2004. Mr. Rakowich has been with ProLogis in various capacities since July 1994. Prior to joining ProLogis, Mr. Rakowich was a consultant to ProLogis in the area of due diligence and acquisitions from October 1993 to June 1994 and, prior thereto, he was a partner with Trammell Crow Company, a diversified commercial real estate company in North America. Mr. Rakowich served as a Trustee from August 2004 to May 2008 and was reappointed as a Trustee in November 2008.

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**D. Michael Steuert.** Trustee since September 2003

Mr. Steuert, 60, has been Senior Vice President and Chief Financial Officer of Fluor Corporation, a publicly-traded engineering and construction firm, since 2001. He serves on the Board of Directors of Weyerhaeuser Corporation.

**J. André Teixeira.** Trustee since February 1999

Mr. Teixeira, 56, is Vice President, International Research and Development, of Campbell Soup Company, a global manufacturer and marketer of convenience food products. Mr. Teixeira is a founding partner of, and was President of, eemPOK, a management consulting firm in Belgium, from January 2005 to January 2007, and was Chairman and Senior Partner with BBL Partners, a consulting and trading company in Russia, from January 2002 to July 2006. He was Vice President, Global Innovation and Development, of InBev, formerly Interbrew, a publicly traded brewer in Belgium, from February 2003 to October 2004, and, prior thereto, he was with The Coca-Cola Company, a global manufacturer, distributor and marketer of nonalcoholic beverages, in various capacities between 1978 and 2001 (including President, Coca-Cola Russia/Ukraine/Belarus).

**William D. Zollars.** Trustee since June 2001

Mr. Zollars, 61, has been Chairman, President, and Chief Executive Officer of YRC Worldwide Inc. (YRC) (formerly Yellow Roadway Corporation), a holding company specializing in the transportation of industrial, commercial, and retail goods, since 1999 and has been with YRC in various capacities since 1996. He serves on the Board of Directors of CIGNA Corporation and Cerner Corporation.

**Andrea M. Zulberti.** Trustee since May 2005

Ms. Zulberti, 57, retired in August 2003 as a Managing Director for Barclays Global Investors (BGI), a global investment management firm. Ms. Zulberti held various positions at BGI starting in 1989 and was Head of Global Operations/Global Chief Administrative Officer from 2000 until her retirement.

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**CORPORATE GOVERNANCE**

ProLogis remains committed to furthering meaningful corporate governance practices and maintaining a business environment of uncompromising integrity. We continue to implement this commitment through, among other things, our governance policies and compliance with the Sarbanes-Oxley Act of 2002 and the rules of the New York Stock Exchange (NYSE). Our board has formalized several policies, procedures, and standards of corporate governance that are reflected in our governance guidelines. These governance guidelines, some of which we touch on below, can be viewed, together with any future changes, on our website at <http://ir.prologis.com/governance.cfm>. In addition, copies of our governance guidelines can be obtained by any shareholder, free of charge, upon written request to Edward S. Nekritz, Secretary, ProLogis, 4545 Airport Way, Denver, Colorado 80239.

***Trustee Independence.*** We require that a majority of our board be independent in accordance with NYSE requirements. To determine whether a trustee is independent, the board must affirmatively determine that there is no direct or indirect material relationship between the company and the trustee. The board has determined that all of our trustees, other than Mr. Rakowich, are independent. The board reached its decision after reviewing trustee questionnaires, considering any transactions and relationships between us, our affiliates, members of our senior management and their affiliates, and each of the trustees, members of each trustee's immediate family, and each trustee's affiliates, and considering all other relevant facts and circumstances. The board has also determined that all members of the audit, management development and compensation, and board governance and nomination committees are independent in accordance with NYSE and SEC rules and that all members of the audit committee are financially literate.

***Lead Trustee.*** Our outside trustees, meaning those trustees who are not officers or employees of ProLogis, meet in regular executive sessions without management being present. The chair of these executive sessions was trustee Brooksher until February 22, 2008 when, upon the announcement of Mr. Brooksher's retirement from the board effective May 2008, the trustees named trustee Feinberg as lead trustee to chair these executive sessions. Mr. Feinberg was appointed chairman of the board of trustees on November 10, 2008. Since our chairman is now also an outside trustee, we do not now have a lead trustee.

***Communicating with Trustees.*** You can communicate with any of the trustees, individually or as a group, by writing to them in care of Edward S. Nekritz, Secretary, ProLogis, 4545 Airport Way, Denver, Colorado 80239. All communications should prominently indicate on the outside of the envelope that they are intended for the full board, for outside trustees only, or for any particular group or member of the board. Each communication intended for the board and received by the secretary that is related to the operation of the company and is not otherwise commercial in nature will be forwarded to the specified party following its clearance through normal security procedures. The outside trustees will be advised of any communications that were excluded through normal security procedures, and they will be made available to any outside trustee who wishes to review them.

***Shareholder Recommended Nominees for Trustee.*** The board governance and nomination committee considers shareholder recommended nominees for trustees and screens all potential candidates in the same manner regardless of the source of the recommendation. Recommended nominees should be submitted to the committee following the same requirements as shareholder proposals generally and, like all proposals, must satisfy, and will be subject to, our bylaws and applicable SEC, NYSE, and Maryland rules and regulations. Submittals must contain the following information as to the shareholder giving notice and as to any Shareholder Associated Person (as defined below):

as to each person whom the shareholder proposes to nominate for election or reelection as a trustee, all information relating to such person that is required to be disclosed in solicitations of proxies for election of trustees, or is otherwise required, in each case pursuant to Section 14 of the Securities Exchange Act of 1934, as amended, (Exchange Act), including each proposed nominee's written consent to being named in the proxy

statement as a nominee and to serving as a trustee if elected;

as to any other business which the shareholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting, and any material interest in such business of such shareholder and of the beneficial owner, if any, on whose behalf the proposal is made;

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the name and address of the shareholder, as it appears on our books, and that of such Shareholder Associated Person;

the number of shares of each class of our shares which are owned beneficially and of record by such shareholder, the date such securities were acquired, and the investment intent of such acquisition;

whether and the extent to which any hedging or other transaction or series of transactions has been entered into by or on behalf of, or any other agreement, arrangement, or understanding (including any short position or any borrowing or lending of shares) has been made, the effect or intent of which is to mitigate loss or to manage risk or benefit of share price changes for, or to increase or decrease the voting power of, such shareholder or any Shareholder Associated Person with respect to any of our shares, and a general description of whether and the extent to which such shareholder or Shareholder Associated Person has engaged in such activities with respect to shares of stock or other equity interests of any other company;

to the extent known by the shareholder, the name and address of any other shareholder supporting the nominee for election or re-election to the board or the proposal of other business on the date of such shareholder's notice;

a representation that the shareholder intends to appear in person or by proxy at the meeting, if there is a meeting, to nominate the persons named in its notice or to bring other business proposed in its notice before the meeting;

in the case of a nomination, a description of all arrangements or understanding between the shareholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by the shareholder and any other information relating to the shareholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of trustees pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder.

A Shareholder Associated Person means, with respect to any shareholder, any person controlling, directly or indirectly, or acting in concert with, such shareholder, any beneficial owner of our shares owned of record or beneficially by such shareholder and any person controlling, controlled by, or under common control with such Shareholder Associated Person.

Shareholder recommendations for board candidates should be sent to the Board Governance and Nomination Committee in care of Edward S. Nekritz, Secretary, ProLogis, 4545 Airport Way, Denver, Colorado 80239. For more information on procedures for submitting nominees, see [Additional Information Shareholder Proposals for Inclusion in Next Year's Proxy Statement](#) and [Shareholder Nominations and Other Shareholder Proposals for Presentation at Next Year's Annual Meeting](#). The board governance and nomination committee reviews its recommendations with the board, which in turn selects the final nominees. The committee may look at a variety of factors in identifying potential candidates and may request interviews or additional information as it deems necessary. Our declaration of trust requires that our trustees be individuals who are at least 21 years old and not under any legal disability. There are no other minimum qualifications that the committee believes must be met by a nominee. In the course of identifying and evaluating candidates, the committee will sometimes retain executive search firms on a fee basis to identify candidates for the board (as was the case for Mr. Jackson in connection with his appointment to the board in March 2008) who are then screened following the same procedures as all other candidates. In addition to shareholder nominees, the committee will consider candidates recommended by trustees, officers, third-party search firms, employees, and others.

***Code of Ethics and Business Conduct.*** We have adopted a code of ethics and business conduct that applies to all employees and trustees entitled *A Commitment to Excellence and Integrity*, which can be viewed, together with any future changes, on our website at <http://ir.prologis.com/governance.cfm>. In addition, copies of our code of ethics and business conduct can be obtained, free of charge, upon written request to Edward S. Nekritz, Secretary, ProLogis, 4545 Airport Way, Denver, Colorado 80239. Our code details the expected behavior of all employees in routinely applying our institutional and personal values of honesty, integrity, and fairness to everything we do at ProLogis. The code outlines in great detail the key principles of ethical conduct expected of ProLogis employees, officers, and trustees, including matters related to conflicts of interest, use of company resources, fair dealing, and financial reporting and disclosure. The code also establishes formal procedures for



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reporting illegal or unethical behavior to the ethics administrator. In addition, it permits employees to report on a confidential or anonymous basis if desired, any concerns about the company's accounting, internal accounting controls, or auditing matters. Employees may contact the ethics administrator by e-mail, in writing, or by calling a toll-free telephone number. Any significant concerns are reported to the audit committee.

**BOARD OF TRUSTEES AND COMMITTEES**

Our board of trustees currently consists of ten trustees, nine of whom are independent under the requirements of the NYSE listing rules. All of our current trustees are standing for re-election at the 2009 annual meeting of shareholders. The board held 12 meetings in 2008, including telephonic meetings and all trustees attended 75% or more of the board meetings. All of the trustees attended at least 75% of the meetings of the committees on which they served during the periods they served, except as otherwise noted below. Each trustee is expected to attend the annual meeting of shareholders absent cause, and all trustees attended the annual meeting last year, in person or telephonically.

The five standing committees of the board are: audit committee, board governance and nomination committee, management development and compensation committee, investment committee, and sustainability committee.

***Audit Committee.*** The members of the audit committee are trustees Steuert, who chairs the committee, Fotiades, Garvey, Jacobs, and Zulberti each of whom is independent under the rules of the NYSE. This committee's purpose is to be an informed, vigilant, and effective overseer of our financial accounting and reporting processes consistent with risk mitigation appropriate in the circumstances. This committee is directly responsible for the appointment, compensation, and oversight of our independent registered public accounting firm. Further, the committee monitors: (i) the integrity of our financial statements; (ii) our compliance with legal and regulatory requirements; (iii) our public accountant's qualifications and independence; and (iv) the performance of our internal audit function and public accountants. This committee also reviews the adequacy of its charter on an annual basis. The board has determined that Mr. Steuert is qualified as an audit committee financial expert within the meaning of the SEC regulations. There were nine meetings of this committee in 2008 and all members attended at least 75% of the meetings during the period in which they served. The committee's report appears below under Audit Committee Report. The audit committee's responsibilities are stated more fully in its charter which can be viewed, together with any future changes, on our website at <http://ir.prologis.com/governance.cfm>. In addition, copies of the charter can be obtained by any shareholder, free of charge, upon written request to Edward. S. Nekritz, Secretary, ProLogis, 4545 Airport Way, Denver, Colorado 80239.

***Board Governance and Nomination Committee.*** The members of the board governance and nomination committee are trustees Fotiades, who chairs the committee, Garvey, Teixeira, and Zollars, each of whom is independent under the rules of the NYSE. This committee's purpose is to: (i) review and make recommendations to the board on board organization and succession matters; (ii) assist the full board in evaluating the effectiveness of the board and its committees; (iii) review and make recommendations for committee appointments; (iv) identify individuals qualified to become board members and propose to the board a slate of nominees for election; (v) assess and make recommendations to the board on corporate governance matters; and (vi) develop and recommend to the board a set of corporate governance principles for the company. This committee also reviews the adequacy of its charter on an annual basis. There were five meetings of this committee in 2008 and all members attended at least 75% of the meetings during the period in which they served, with the exception of Mr. Zollars who attended three of the five committee meetings. The committee's responsibilities are stated more fully in its charter which can be viewed, together with any future changes, on our website at <http://ir.prologis.com/governance.cfm>. In addition, copies of the charter can be obtained by any shareholder, free of charge, upon written request to Edward. S. Nekritz, Secretary, ProLogis, 4545 Airport Way, Denver, Colorado 80239.

***Management Development and Compensation Committee.*** The members of the management development and compensation committee, which we typically refer to as our compensation committee, are trustees Jacobs, who chairs the committee, Feinberg, Zollars, and Zulberti, each of whom is independent under the rules of the NYSE. The compensation committee is responsible for: (i) reviewing and recommending to the board corporate goals and objectives relative to the compensation of our chief executive officer; (ii) evaluating the chief executive officer's performance in light of those goals and objectives, and recommending to the board the chief executive

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officer's compensation level based on that evaluation; (iii) reviewing and recommending to the board the amount and form of compensation for the senior executive officers; (iv) making recommendations to the board on general compensation practices and adopting, administering, and recommending awards under annual and long-term incentive plans; (v) retaining and terminating a compensation consulting firm, including sole authority to approve the firm's fees and other retention terms; (vi) reviewing and reassessing its charter on an annual basis; (vii) reviewing material regulatory and legal matters; (viii) ensuring reports are made to the board or in filings as required by the SEC and the NYSE; (ix) reviewing and assessing the adequacy of its charter on an annual basis; (x) participating in succession planning for key executives; and (xi) forming and delegating authority to subcommittees when deemed appropriate.

The company's chief executive officer also reports regularly to the compensation committee on our management development activities. The compensation committee has retained the independent compensation consultant Frederic W. Cook & Co., Inc. to assist the committee in assessing our compensation programs for senior officers. The consultant does not advise management, receives no compensation from the company other than for its work in advising the committee, and maintains no other economic relationships with the company. The compensation consultant conducts a comprehensive competitive review of the compensation program for the company's senior officers, in terms of both structure and magnitude. The compensation committee uses the review to assist it in making compensation recommendations to the board. Our chief executive officer makes separate recommendations to the compensation committee concerning the form and amount of compensation for our senior officers (excluding his own compensation). Please see Compensation Matters Compensation Discussion and Analysis for additional information about, and the processes and procedures for determining, executive officer compensation. There were seven meetings of this committee in 2008 and all members attended at least 75% of the meetings during the period in which they served, with the exception of Mr. Zollars who attended four of the seven committee meetings. The committee's report appears under Compensation Matters Compensation Committee Report. The compensation committee's responsibilities are stated more fully in its charter which can be viewed, together with any future changes, on our website at <http://ir.prologis.com/governance.cfm>. In addition, copies of the charter can be obtained by any shareholder, free of charge, upon written request to Edward. S. Nekritz, Secretary, ProLogis, 4545 Airport Way, Denver, Colorado 80239.

**Compensation Committee Interlocks and Insider Participation.** No member of the compensation committee: (i) was, during the year ended December 31, 2008, or had previously been, an officer or employee of the company or (ii) had any material interest in a transaction with the company or a business relationship with, or any indebtedness to, the company. No interlocking relationships existed during the year ended December 31, 2008, between any member of the board or the compensation committee and an executive officer of the company.

**Investment Committee.** The members of the investment committee are trustees Feinberg, who chairs the committee, Fotiades, Jackson, and Zулberti. This committee's purpose is to: (i) discharge the board's responsibilities relating to strategic investment issues; (ii) increase discussion and analysis of our largest investments; and (iii) further the discussion regarding the investment environment around the world. This committee is responsible for approving certain significant acquisitions, dispositions, and other investment decisions. Additionally, this committee periodically reviews significant investment risk metrics with management and reviews its charter on an annual basis. This committee makes regular reports to the board concerning its activities. There were eight meetings of this committee in 2008 and all members attended at least 75% of the meetings during the period in which they served. The committee's charter is available on our website at <http://ir.prologis.com/governance.cfm>.

**Sustainability Committee.** The members of the sustainability committee, which was formed in 2008, are trustees Teixeira, who chairs the committee, Jackson, and Steuert. The committee is organized with the purpose of providing assistance to the board in reviewing and approving the company's activities, goals, and policies concerning environmental sustainability and sustainable development matters. The committee is also responsible for reviewing and assessing its charter periodically. There was one meeting of this committee in September 2008 and all members of

the committee were in attendance. The committee's charter is available on our website at <http://ir.prologis.com/governance.cfm>.

**Table of Contents****INFORMATION RELATING TO TRUSTEES, NOMINEES,  
AND EXECUTIVE OFFICERS****Common Shares Beneficially Owned**

The following table shows the number of our common shares beneficially owned, as of March 23, 2009 (or such other date indicated in the footnotes below), by each person known to us to be the beneficial owner of five percent or more, in the aggregate, of our outstanding common shares.

<b>Name and Address</b>	<b>Amount of Shares Beneficially Owned</b>	<b>% of Shares</b>
FMR LLC <sup>(1)(2)</sup> 82 Devonshire Street Boston, MA 02109	22,907,563	8.6%
Barclays Global Investors, NA <sup>(2)(3)</sup> 400 Howard Street San Francisco, CA 94105	20,733,111	7.8%
The Vanguard Group, Inc. <sup>(2)(4)</sup> 100 Vanguard Blvd. Malvern, PA 19355	19,477,120	7.3%
Cohen & Steers, Inc. <sup>(2)(5)</sup> 280 Park Avenue 10 <sup>th</sup> Floor New York, NY 10017	14,825,825	5.6%
State Street Bank and Trust Company, Trustee <sup>(2)(6)</sup> State Street Financial Center One Lincoln Street Boston, MA 02111	14,636,060	5.5%

<sup>(1)</sup> Information regarding beneficial ownership of our common shares by FMR LLC and certain related entities is included herein based on a Schedule 13G filed with the SEC on February 17, 2009, relating to such shares beneficially owned as of December 31, 2008. Such report provides that: (i) FMR LLC, an investment advisor, is beneficial owner of 20,522,774 of such common shares and with Edward C. Johnson III each have sole dispositive power with respect to the common shares beneficially owned by FMR LLC; (ii) Pyramis Global Advisors Trust Company (PGATC) is the beneficial owner of 1,115,458 of such common shares and FMR LLC and Mr. Johnson, through their control of PGATC, each have sole power to vote or to direct the voting and sole dispositive power with respect to the common shares beneficially owned by PGATC; (iii) FIL Limited is the beneficial owner and has sole dispositive power with respect 985,580 of such common shares and has sole power to vote or direct the voting with respect to 966,700 of such common shares; and (iv) Pyramis Global Advisors, LLC (PGA LLC) is beneficial owner of 283,751 of such common shares and FMR LLC and Mr. Johnson, through their control of PGA LLC, each have sole power to vote or direct the voting and sole dispositive power with respect to the common shares beneficially owned by PGA LLC.

<sup>(2)</sup> Entities included in the Schedule 13G filing have represented that the common shares reported were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of ProLogis and were not acquired and are not held in connection with or as a

participant in any transaction having such purpose or effect.

(3) Information regarding beneficial ownership of our common shares by Barclays Global Investors, NA and certain related entities is included herein based on a Schedule 13G filed with the SEC on February 5, 2009, relating to such shares beneficially owned as of December 31, 2008. Such report provides that: (i) Barclays Global Investors, NA is beneficial owner and has sole dispositive power with respect to 9,486,126 of such common shares and has sole voting power with respect to 7,979,576 of such common shares; (ii) Barclays Global Fund Advisors is beneficial owner and has sole dispositive power with respect to 8,932,328 of such common shares and has sole voting power with respect to 8,915,761 of such common shares; (iii) Barclays Global Investors, Ltd is beneficial owner and has sole dispositive power with respect to 1,386,045 of such common shares and sole voting power with respect to 1,228,306 of such common shares; (iv) Barclays Global Investors Japan Limited is beneficial owner and has sole voting and dispositive power with respect to 719,737 of such common shares; (v) Barclays Global Investors Canada Limited is beneficial owner and has sole voting and dispositive power with respect to 198,522 of such common shares; and (vi) Barclays Global Investors Australia Limited is beneficial owner and has sole voting and dispositive power with respect to 10,353 of such common shares.

(4) Information regarding beneficial ownership of our common shares by The Vanguard Group, Inc. (Vanguard) is included herein based on a Schedule 13G/A filed with the SEC on February 13, 2009, relating to such shares beneficially owned as of December 31, 2008. Such report provides that Vanguard is beneficial owner and has sole dispositive power with respect to 19,477,120 of such common shares. Of the common shares beneficially owned by Vanguard, Vanguard Fiduciary Trust Company, a wholly-owned subsidiary of Vanguard, as a result of its serving as investment manager of collective trust accounts, directs the voting of 310,513 of such common shares.

(5) Information regarding beneficial ownership of our common shares by entities related to Cohen & Steers, Inc. is included herein based on a Schedule 13G filed with the SEC on February 17, 2009, relating to such shares beneficially owned as of December 31, 2008. Such report provides that: (i) Cohen & Steers Capital Management, Inc. is beneficial owner and has sole dispositive power

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with respect to 14,754,635 of such common shares and has sole voting power with respect to 13,136,045 of such common shares and (ii) Cohen & Steers Europe S. A. is beneficial owner and has sole dispositive power with respect to 71,190 of such common shares and sole voting power with respect to 53,173 of such common shares.

<sup>(6)</sup> Information regarding beneficial ownership of our common shares by State Street Bank and Trust, acting in various fiduciary capacities, is included herein based on a Schedule 13G filed with the SEC on February 13, 2009, relating to such shares beneficially owned as of December 31, 2008. State Street Bank and Trust, acting in various fiduciary capacities, is the beneficial owner and has sole power to vote or direct the vote and shared power to dispose or direct the disposition with respect to 14,636,060 of such common shares.

The following table shows the number of our common shares beneficially owned, as of March 23, 2009, by: (i) our chief executive officer (ii) our chief financial officer; (iii) our other named executive officers currently employed by us; (iv) each of our trustees; and (v) our trustees and all of our executive officers as a group which includes one other executive officer at March 23, 2009 who is not a named executive officer.

Name <sup>(1)</sup>	Shares Beneficially Owned		Total Beneficial Ownership	% of Shares
	Shares Owned as of March 23, 2009 <sup>(2)</sup>	Shares That May Be Acquired by May 23, 2009 <sup>(3)</sup>		
Named Executive Officers:				
Walter C. Rakowich <sup>(4)</sup>	326,268	434,505	760,773	(5)
Ted R. Antenucci	17,093	87,938	105,031	(5)
William E. Sullivan	8,814	15,904	24,718	(5)
Edward S. Nekritz	60,899	160,273	221,172	(5)
Trustees:				
Stephen L. Feinberg <sup>(6)</sup>	174,760	22,020	196,780	(5)
George L. Fotiades	27,465	10,000	37,465	(5)
Christine N. Garvey	15,592	10,000	25,592	(5)
Lawrence V. Jackson				(5)
Donald P. Jacobs	8,677	32,020	40,697	(5)
D. Michael Steuert		10,000	10,000	(5)
J. André Teixeira	19,264	15,276	34,540	(5)
William D. Zollars		10,000	10,000	(5)
Andrea M. Zulberti	1,000	10,000	11,000	(5)
All trustees and executive officers as a group (14 total)	679,549	860,859	1,540,408	0.6%

<sup>(1)</sup> The principal address of each person is: c/o ProLogis, 4545 Airport Way, Denver, Colorado 80239.

<sup>(2)</sup> This column includes common shares owned directly or indirectly, through contract, arrangement, understanding, or relationship, including vested common shares owned through our 401(k) Plan. Unless indicated otherwise, all interests are owned directly, and the indicated person has sole voting and investment power.

(3) This column includes common shares that may be acquired within 60 days through the exercise of vested, non-voting options to purchase our common shares and through scheduled vesting of restricted share units and associated dividend equivalent units. Unless indicated otherwise, all interests are owned directly and the indicated person will have sole voting and investment power upon receipt.

This column does not include vested, non-voting equity awards or other common shares, receipt of which has been deferred at the election of the executive officer or the trustee, as these awards cannot be distributed within 60 days. Our executive officers have not deferred any such equity awards as of March 23, 2009. The total number of vested, non-voting equity awards or other common shares not included for each trustee is (consisting of deferred share units and associated accrued dividend equivalent units and common shares deferred under the trustees' deferred fee plan (see Compensation Matters - Trustee Compensation for Fiscal Year 2008 )):

Mr. Feinberg	34,212
Mr. Fotiades	21,687
Ms. Garvey	3,597
Mr. Jackson	4,038
Mr. Jacobs	31,933
Mr. Steuert	16,980
Mr. Teixeira	6,931
Mr. Zollars	18,676
Ms. Zulberti	10,929

(4) The common shares beneficially owned by Mr. Rakowich include: (i) 59,748 common shares held in a trust for Mr. Rakowich's family of which Mr. Rakowich is a trustee and a beneficiary; (ii) 872 common shares owned by Mr. Rakowich's children; (iii) 504 common shares held in a trust in which Mr. Rakowich is trustee and for which he disclaims beneficial ownership; and (iv) 549 common shares held in a trust for Mr. Rakowich's family for which he disclaims beneficial ownership.



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(5) The percent is less than 1% of the total common shares outstanding.

(6) The common shares beneficially owned by Mr. Feinberg include: (i) 50,000 common shares owned by Dorsar Partners, LP of which Mr. Feinberg may be deemed to share voting and investment power; (ii) 40,000 common shares owned by Dorsar Investment Company of which Mr. Feinberg may be deemed to share voting and investment power; and (iii) 12,000 common shares in two trusts, one in which Mr. Feinberg is a beneficiary and one in which he is trustee and a relative is the beneficiary. Mr. Feinberg has pledged 174,760 of the common shares beneficially owned by him as security.

**Certain Relationships and Related Transactions**

***Related Parties Transaction Policy.*** We recognize that transactions between us and related parties can present potential or actual conflicts of interest and create the appearance that our decisions are based on considerations other than our best interests and the best interests of our shareholders. Related parties may include our trustees, executives, significant shareholders, and immediate family members and affiliates of such persons.

Several provisions of our code of ethics and business conduct are intended to help us avoid the conflicts and other issues that may arise in transactions between us and related parties, including the following:

employees will not engage in conduct or activity that may raise questions as to the company's honesty, impartiality, or reputation or otherwise cause embarrassment to the company;

employees shall not hold financial interests that conflict with or leave the appearance of conflicting with the performance of their assigned duties;

employees shall act impartially and not give undue preferential treatment to any private organization or individual; and

employees should avoid actual conflicts or the appearance of conflicts of interest.

Our code may be amended, modified, or waived by our board or the board governance and nomination committee, subject to the disclosure requirements and other provisions of the rules and regulations of the SEC and the NYSE. We have never waived the application of our code and have no intention to do so.

In addition, our declaration of trust provides that any transaction between the company and any trustee or any affiliates of any trustee must be approved by a majority of the trustees not interested in the transaction. Also, our written governance guidelines state that one of the primary responsibilities of our board is to review the adequacy of the company's systems for safeguarding the company's assets.

Although we do not have detailed written procedures concerning the waiver of the application of our code of ethics and business conduct or the review and approval of transactions with trustees or their affiliates, our trustees would consider all relevant facts and circumstances in considering any such waiver or review and approval, including:

whether the transaction is in, or not inconsistent with, the best interests of the company and its shareholders;

the terms of the transaction and the terms of similar transactions available to unrelated parties or employees generally;

the availability of other sources for comparable products or services;

the benefits to the company;

the impact on the trustee's independence, if the transaction is with a trustee or an affiliate of a trustee; and

the possibility that the transaction may raise questions about the company's honesty, impartiality, or reputation.

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**COMPENSATION MATTERS**

**COMPENSATION DISCUSSION AND ANALYSIS**

This Compensation Discussion and Analysis provides our shareholders with the material information necessary to understand our compensation policies and practices, particularly the decisions that were made with respect to the 2008 compensation of our named executive officers. Our named executive officers for 2008 are: Walter C. Rakowich, chief executive officer since November 10, 2008 (previously he was president and chief operating officer), Ted R. Antenucci, president and chief investment officer, William E. Sullivan, chief financial officer, Edward S. Nekritz, general counsel, secretary, and head of global strategic risk management, and Jeffrey H. Schwartz, our chief executive officer until his resignation from that position on November 10, 2008.

**Executive Officer Compensation Philosophy**

Our compensation philosophy is to provide the level of total compensation necessary to attract, retain, and motivate highly competent executives upon whose judgment, initiative, leadership, and continued efforts our success depends. Inherent with this philosophy is the reinforcement of strategic performance objectives through the use of incentive compensation programs, including both cash and equity components. We believe that the interests of our executives and our shareholders should be aligned through compensation structures that, we believe, promote the sharing of rewards and risks of strategic decision-making. We seek to provide our executives with a compensation program that is equitable and internally consistent, as well as being competitive with the market. Further, we believe our compensation programs should encourage executives to make long-term career commitments to us and our shareholders.

Our compensation committee oversees our executive compensation programs and reviews and recommends all executive officer compensation programs and policies. Considerations given by the compensation committee in recommending individual compensation levels for our executives include:

- the nature and scope of each executive officer's responsibilities;
- the specific skills and talents of each executive;
- the effectiveness of each individual executive officer and such officers as a group in promoting the long-term interests of our shareholders;
- the success of the executive officer within his or her primary areas of responsibility; and
- the executive officer's demonstrated focus on promoting integrity, leadership, and positive management behavior within the company.

Our compensation committee also evaluates the effectiveness of our executive officer compensation programs on an ongoing basis, generally with respect to our ability to hire, retain, and motivate key employees, as well as through our ability to create long-term shareholder value.

Our executive compensation program, in addition to a cash component includes equity awards under the ProLogis 2006 Long-Term Incentive Plan, which our shareholders approved in 2006. Each component is discussed in greater detail below with respect to awards for 2008, along with other arrangements used to reward, create incentives for, and

retain our executive officers during 2008.

### **Compensation Elements for Executive Officers**

The basic elements of our compensation approach are:

***Base Salary and Cash Bonus.*** An executive's annual salary provides a basic level of fixed compensation and is paid for ongoing individual performance throughout the year. We generally pay a base salary that is at mid-market levels for similarly situated executives, as confirmed by our independent compensation consultant Frederic W. Cook & Co., Inc. In addition, we provide our executives the opportunity to earn an annual cash bonus. Cash bonus levels are also generally targeted at mid-market levels, however, the actual cash bonuses are

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ultimately determined by the compensation committee based on its judgment of a variety of relevant factors as described below in **How Executive Compensation Levels are Determined.**

**Equity Awards.** Equity incentive compensation is awarded annually to our executives, traditionally at the end of the applicable year. However, as discussed below, the equity awards for 2008 were not made until February 2009. In connection with the hiring of new executive officers, we may grant equity awards at other times in the year in order to attract the executive to the company. In addition, we occasionally issue equity awards earlier in the year in order to reward individual performance or, in special circumstances, to retain the services of an executive considered vital to our future success. Equity awards are also generally targeted at mid-market levels for similarly situated executives, as confirmed by our independent compensation consultant, however, the actual equity awards are ultimately determined by the compensation committee based on its judgment of a variety of relevant factors as described below in **How Executive Compensation Levels are Determined.** For the last several years, the allocation of annual equity incentive compensation between restricted share units, performance-based awards, and share options has generally been approximately one-third each based on the compensation committee's belief that this mix promotes the objectives of long-term shareholder value creation and executive officer retention. However, as discussed below, the compensation committee made changes to this mix for 2008 as a result of changes in our overall business strategy. Specific discussion of the equity awards issued for 2008 is included under **How Executive Compensation Levels are Determined.**

**Restricted Share Units (RSUs).** Executive officers and other key employees are eligible for RSU grants. Each unit is equal to one common share, and the awards have generally vested ratably over four years. In connection with awards to certain executives associated with either their hiring or retention, we have granted RSUs that vest over longer periods or that will all vest at a specified future date. RSUs provide an incentive to achieve long-range goals consistent with the interests of our shareholders and create and maintain shareholder value. RSUs also encourage continued service because unvested RSUs are generally forfeited if the executive's or employee's service with the company is terminated, other than in cases of an executive's or employee's retirement and in certain other situations as discussed under **Potential Payments Upon Termination or Change in Control.** Dividend equivalent units (DEUs) are awarded with RSUs and vest under the same criteria as the underlying RSU. DEUs are earned on December 31st of each year that the award is outstanding. DEUs are awarded in the form of common shares at the rate of one common share per DEU. DEUs are accrued based on our annual common share distribution rate and generally are earned and/or vest under the same terms as the underlying award. We did not grant any RSUs to executive officers for 2008 when the annual equity awards were made in February 2009.

**Performance-based Awards.** We have also granted long-term equity incentive compensation that is performance-based, generally performance share awards (PSAs) or contingent performance shares (CPSs), to executive officers and other key employees. We believe that performance-based awards, like share options and RSUs, promote a close alignment of longer-term interests between executive officers and shareholders by compensating executive officers based on their individual performance and on the company's performance. Further, we believe that the vesting provisions associated with these awards encourage continued service. For 2008, the performance-based awards granted were in the form of PSAs. For 2005, 2006, and 2007, the performance-based awards granted were in the form of CPSs.

**PSAs granted for 2008.** Granted to named executive officers and other key employees who can earn between 50% and 150% of their targeted award based on the achievement of a mix of: (i) numerical and qualitative performance objectives based upon company performance goals and objectives set by the compensation committee and (ii) individual performance objectives over the one-year performance period ending on December 31, 2009. Once earned, the PSAs will vest ratably on December 31, 2009, 2010, and 2011, generally should the executive be in our employ on such dates. DEUs were awarded with the PSAs and can be earned from the date of grant through the

vesting period, based on the actual amount of PSAs awarded at the end of the performance period, and will vest under the same criteria as the underlying PSAs. The 2009 company goals and objectives are to: (i) de-leverage the balance sheet by \$2 billion from September 30, 2008 through December 31, 2009; (ii) de-risk the balance sheet through renegotiation of our global line of credit, and other actions with respect to 2009 corporate and property fund debt maturities; (iii) reduce risk in our operating portfolio through increased leasing of the core portfolio, increased leasing of the development pipeline and/or reduction in the size of the development pipeline, and reduced business expenditures (land/turnover costs/capital expenditures)

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and general and administrative costs); (iv) achieve certain goals with respect to certain of our joint venture and property fund investments; and (v) reorganize senior management, including compensation structure, responsibilities, and accountability.

***CPSs granted in 2005, 2006, and 2007.*** Granted to named executive officers and other key employees who can earn between 0% and 200% of their targeted award based on the company's total shareholder return compared to the total shareholder return of the fifty largest (by market capitalization) equity real estate investment trusts listed in the National Association of Real Estate Investment Trusts' published index as of the beginning of the three-year performance period that began on January 1st of the year following the award. With respect to the CPS grants, total shareholder return includes share price change plus cash dividends, with the assumption that all dividends are immediately reinvested in our common shares (as calculated using data available on Bloomberg). DEUs were awarded with the CPSs and are earned under the same criteria as the underlying CPSs. We have also granted CPSs to certain executives associated with their hiring or retention, such awards have varying performance periods.

As of December 31, 2008, the following companies comprised this group: Alexandria Real Estate Equities, Inc., AMB Property Corporation, Apartment Investment and Management Company, Archstone-Smith Trust, AvalonBay Communities, Inc., Boston Properties, Inc., BRE Properties, Inc., Camden Property Trust, CBL & Associates Properties, Inc., Colonial Properties Trust, Cousins Properties Incorporated, Crescent Real Estate Equities Company, Developers Diversified Realty Corporation, Duke Realty Corporation, Equity Office Properties Trust, Equity Residential, Essex Property Trust, Inc., Federal Realty Investment Trust, First Industrial Realty Trust, Inc., General Growth Properties, Inc., HCP, Inc., Health Care REIT, Inc., Hospitality Properties Trust, Host Hotels & Resorts, Inc., HRPT Properties Trust, Kilroy Realty Corporation, Kimco Realty Corporation, LaSalle Hotel Properties, Liberty Property Trust, The Macerich Company, Mack-Cali Realty Corporation, The Mills Corporation, New Plan Excel Realty Trust, Inc., Pan Pacific Retail Properties, Inc., Pennsylvania Real Estate Investment Trust, Plum Creek Timber Company, Inc., ProLogis, Public Storage, Rayonier, Reckson Associates Realty Corp., Regency Centers Corporation, Simon Property Group, Inc., SL Green Realty Corp., Sovran Self Storage, Inc., Taubman Centers, Inc., Trizec Properties, Inc., UDR, Inc., Ventas, Inc., Vornado Realty Trust, and Weingarten Realty Investors. Certain companies in the originally identified group of comparison companies no longer have publicly traded equity securities. For purposes of the return calculation, we used the actual performance of each of these companies up to the date that was sixty days prior to the first public announcement that such company would be involved in a transaction pursuant to which it would cease to have publicly traded equity securities and, from that date to the end of the performance period, we used the mean performance of the other companies remaining in the group. The companies for which this adjustment was necessary are: Archstone-Smith Trust, Crescent Real Estate Equities Company, Equity Office Properties Trust, The Mills Corporation, New Plan Excel Realty Trust Inc., Pan Pacific Retail Properties, Inc., Reckson Associates Realty Corp., and Trizec Properties, Inc.

***Contingent performance units granted to Mr. Schwartz in 2008.*** Granted to Mr. Schwartz in March 2008 under his employment agreement. These awards, in keeping with the compensation's philosophy of aligning the interests of our executives and shareholders and promoting the sharing of rewards and risks of strategic decision-making, could be earned by Mr. Schwartz based on company performance as measured by the company's Total Shareholder Return (TSR) during a performance period beginning on March 14, 2008 and ending on December 31, 2012. TSR is defined in the agreement as the compound annualized internal rate of return on a constant holding of our common shares during the performance period based on the sum of all dividends paid to shareholders during the performance period as if reinvested in additional common shares on the dividend payment date and the increase or decrease in the average closing common share prices on the 20 trading days immediately preceding the end of the performance period above or below the closing common share price at the commencement of the performance period. Two awards (200,000 award and 100,000 award) were made with differing amounts that could be earned dependent on the TSR. DEUs could be earned on the 100,000 award under certain parameters. These awards were not earned when Mr. Schwartz's employment with us ended and were cancelled effective December 8, 2008.

**Share Options.** Options to purchase our common shares have been an effective incentive for executive officers and other key employees in performance and retention, and they promote a close alignment of



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interests between executives and shareholders. The executive or employee benefits only when our common share price rises and, generally, if the executive remains employed during the vesting period. Generally, our share options have vested ratably over four years. The share options are granted with an exercise price equal to the closing price of our common shares on the grant date. The exercise price for any outstanding share option may not be decreased after the date of grant except for reductions approved by our shareholders or if there is an overall adjustment to our outstanding shares, such as occurs with a stock split. No share options were awarded as part of the 2008 annual equity award grants in February 2009 as options are tied only to our share price appreciation. Rather, the compensation committee granted PSAs, which it believes more appropriately support the change in the company's business strategy because PSAs reward specific financial and strategic performance at both the company and individual levels, while still aligning the interests of management with those of shareholders, since the ultimate award is in the form of common shares.

Other types of executive officer compensation and related arrangements consist of:

***Nonqualified Savings Plan (NSP) and Other Deferrals.*** The NSP is a nonqualified deferred compensation plan under Section 409A of the Internal Revenue Code of 1986, as amended (Code) that provides executives and certain other employees with a tax advantaged opportunity to save money to meet their retirement income needs. The NSP works in tandem with our 401(k) Plan by allowing participants to defer the receipt and income taxation of a portion of their compensation in excess of the amount permitted under our 401(k) Plan. Deferrals to the NSP and the earnings on the deferrals are not subject to federal income taxes until distribution. In general, funds deferred under the NSP become available to the participant upon his or her termination of employment. The value of a participant's account under the NSP is determined by the performance of an array of hypothetical investment funds that mirror the investment funds available to participants in our 401(k) Plan. In connection with the merger with Catellus in 2005, we assumed, with respect to former Catellus employees (including Mr. Antenucci), the nonqualified deferred compensation plan in which such employees participated before the merger. In addition, certain executives may defer the receipt of their share awards (RSUs, CPSs, PSAs, and DEUs) and defer their cash bonus into common shares issued under our 2006 Long-Term Incentive Plan in accordance with the terms and conditions established under an executive deferred compensation plan approved by the compensation committee. Under the transitional rules of section 409(A) of the Code participants in our NSP and our executive deferred compensation plan were allowed to make a one-time special payment election prior to December 31, 2008 with respect to their balances in the NSP and their deferred share awards. Such election allowed for distribution of all, or a portion, of their previously deferred balances on a specified future date.

***Change in Control Arrangements.*** The employment agreements that we have with Mr. Rakowich and Mr. Antenucci include provisions related to a change in control, as did our employment agreement with Mr. Schwartz that was in effect for most of 2008. Also, we have entered into a change in control agreement, or executive protection agreement, with both Mr. Sullivan and Mr. Nekritz. We believe that the change in control provisions of these agreements will, among other things, assure us of the continuity of the executive's services in the event of a change in control of the company and provide a fair and reasonable severance to executives that are terminated in connection with a change in control. In evaluating the need for, and the structure of, the executive protection agreements and the related provisions of the employment agreements, the compensation committee considered the practices of similar companies in the market for executive talent (as provided by the compensation committee's independent compensation consultant). The compensation committee concluded that agreements of this type would provide the company a competitive advantage in attracting and retaining highly competent executives—one of the primary goals of the company's compensation philosophy. These agreements are also intended to serve the interests of our shareholders by: (i) providing for the continuity of the services of the executives during a threatened or actual change in control; (ii) increasing

the objectivity of the executives in analyzing a proposed change in control and advising the board of trustees whether such a proposal is in the best interests of the company and its shareholders; (iii) retaining the executive's best efforts over a change in control transition period and providing an incentive to complete the change in control transaction; and (iv) treating executives fairly by alleviating concerns regarding continued employment. The double-trigger (i.e., a change in control and a termination of employment) structure of the change in control payments and the equity vesting acceleration provisions were designed with

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input from the compensation committee's independent compensation consultant to be, in the judgment of the compensation committee, fair and reasonable in light of competitive compensation practices and the company's compensation philosophy. The potential payments under these agreements did not materially affect decisions concerning other compensation elements. In addition, equity awards under our 2006 Long-Term Incentive Plan provide that if a change in control occurs and, subject to certain conditions, the executive is terminated other than for cause or the incentive plan is terminated, all unvested share options become immediately exercisable and other unvested share awards become fully vested. More information concerning the change in control arrangements is provided under Potential Payments Upon Termination or Change in Control.

***Certain Employment Agreements.*** In September 2007, we entered into an employment agreement with Mr. Rakowich that was amended and restated in February 2008 to, among other things, retain his services during a transition period leading to his planned retirement in January 2009. The agreement concerns, among other things, compensation payable to Mr. Rakowich. Upon the resignation of Mr. Schwartz and Mr. Rakowich's promotion to chief executive officer in November 2008, we entered into an amended and restated agreement with Mr. Rakowich to ensure the continuity of his services through 2011.

We originally entered into an employment agreement with Mr. Antenucci in May 2006 in connection with our merger with Catellus, where he had served as president, in order to assure us of the continuity of his services. This agreement has been amended and restated since that time, with the latest agreement effective as of December 31, 2008, to further assure the continuity of his services and to incorporate the impact of applicable tax law changes. The agreement concerns, among other things, compensation payable to Mr. Antenucci.

On March 14, 2008, we entered into an employment agreement with Mr. Schwartz in order to assure us of the continuity of his services. The agreement concerned, among other things, compensation payable to Mr. Schwartz. In November 2008, Mr. Schwartz resigned as our chief executive officer and his agreement was terminated effective December 8, 2008.

The agreements with Messrs. Rakowich, Antenucci, and Schwartz are described in more detail under Narrative Discussion to the Summary Compensation Table for Fiscal Year 2008 and the Grants of Plan-Based Awards in Fiscal Year 2008 Table and under Potential Payments Upon Termination or Change in Control.

***Other benefits, including perquisites.*** Our named executive officers participate in benefit plans generally available to all other employees. We also provide certain other benefits to our named executive officers to allow us to be competitive in attracting, retaining, and motivating high-quality, competent executives. Certain of these benefits, which are provided on a limited basis, are deemed to be personal benefits or perquisites, as defined by the SEC. Such benefits include, but are not limited to, an annual health examination, airline club memberships, home office equipment and supplies, reimbursement of personal legal fees incurred in connection with negotiating employment agreements, and certain travel and entertainment expenses generally associated with other business travel or entertainment activities.

In connection with the promotion of Mr. Schwartz to chief executive officer in 2005 and the hiring of Mr. Sullivan as chief financial officer in 2007, and each of their relocations to our headquarters in Colorado, we agreed, consistent with our relocation policy, to provide certain assistance in connection with their moves and the sale of their respective homes. These arrangements were entered into in order to encourage such officers to continue or accept employment with us, to facilitate their moves to Colorado, and to allow them to be more immediately effective in their roles with us. These benefits are described in more detail in the footnotes to the summary compensation table.

**Share Ownership Guidelines.** Ownership of our common shares promotes a close alignment of longer-term interests between our management and our shareholders. Therefore, our board adopted ownership guidelines, computed based on the market value of our common shares that apply to our trustees and certain executive and other key employees, including all of the named executive officers, as follows:

**Section 1:** for trustees, ownership of five times the annual board retainer (\$250,000 for 2008);

**Section 2:** ownership of five times base salary for the chief executive officer and three times base salary for certain other officers, including the other named executive officers, and a

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requirement that, upon exercise of share options by and distributions of equity awards to the officers, shares must be retained until such time as the ownership guidelines have been met, and common shares must be held at a level to ensure continuing compliance with the guidelines.

**Section 3:** hedging policy prohibiting our trustees and named executive officers from hedging the economic risk associated with common shares held in compliance with our share ownership guidelines.

Trustees and named executive officers have a three-year period to comply with the guidelines, based upon the date they become subject to the guidelines.

In December 2008, in light of current global economic conditions and recent market prices of our common shares, the board suspended the requirement to comply with sections 1 and 2 of the share ownership guidelines until further action is taken by the board.

**Recoupment Policy.** Our board has adopted a recoupment policy which provides that, in the event of a substantial restatement of our previously issued financial statements, a review will be undertaken of performance-based compensation awarded to executive and certain other officers that was attributable to our financial performance during the time periods restated. The board will determine whether the restated results would have resulted in the same performance-based compensation for such officers. If not, the board will consider: (i) whether the restatement was the result of error or misconduct; (ii) the amount of additional compensation paid to the relevant officers as a result of the previously issued financial statements; (iii) the best interests of the company in the circumstances; and (iv) any other relevant facts or circumstances the board deems appropriate for consideration. If the board determines that an executive or other officer was improperly compensated and that it is in our best interests to recover or cancel such compensation, the board will pursue all reasonable legal remedies to recover or cancel such performance-based compensation. The policy further provides that if the board learns of any misconduct by an executive officer or certain other officers that caused the restatement, the board shall take such action as it deems necessary to remedy the misconduct, prevent its recurrence and, if appropriate, based on all relevant facts and circumstances, punish the wrongdoer. Such punishment by the board could include dismissal, legal action for breach of fiduciary duty, or such other action to enforce the executive's or other officer's obligations to us as may fit the facts surrounding the particular case. In determining the appropriate punishment, the board may take into account punishments imposed by third parties and the board's power to determine the appropriate punishment for the wrongdoer is in addition to, and not in replacement of, remedies imposed by such third parties.

Mr. Rakowich's employment agreement also contains provisions with respect to recovery of amounts earned by him to the extent that the amount earned was based on satisfaction of goals and objectives that were impacted by a financial statement restatement or modification. See further discussion of Mr. Rakowich's employment agreement under Narrative Discussion to the Summary Compensation Table for Fiscal Year 2008 and the Grants of Plan-Based Awards in Fiscal Year 2008 Table.

## **How Executive Compensation Levels are Determined**

The compensation committee is responsible for, among other things, reviewing the performance of our chief executive officer and recommending to the board the compensation of our executive officers.

In determining the compensation payable to our executive officers, the compensation committee subjectively evaluates all factors that it deems material to the determination and relies on its judgment to determine the amount and the mix of compensation that it believes are appropriate in light of such evaluation and the company's compensation philosophy that is discussed under Executive Officer Compensation Philosophy. The material factors considered for

2008, as described in more detail in this section, included company financial and operating performance, individual performance, the compensation practices of certain comparison companies, the competitive review of our compensation program for our executive officers prepared by the compensation committee's independent compensation consultant, and our chief executive officer's recommendations concerning compensation (excluding his own compensation). Furthermore, the compensation committee considered the amount and mix of compensation payable to the company's other executives when it determined appropriate compensation for a specific individual. These factors were considered as a whole without specific weighting of individual factors. The compensation committee did not rely on the achievement of specific performance targets

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or on formulas (other than for CPS award payouts) in determining compensation, although the compensation committee: (i) considered mid-market compensation levels for similarly situated executives as a frame of reference for its analysis, as confirmed by its independent compensation consultant; (ii) generally believes that base salaries should be paid at mid-market levels; and (iii) generally believes that a larger portion of total compensation should consist of long-term equity incentive compensation as an executive's level of responsibility increases because this compensation mix promotes a closer alignment of long-term interests between executive officers and shareholders. In addition, some elements of the compensation of Messrs. Rakowich, Antenucci, and Schwartz for 2008 were affected by the terms of their respective employment agreements.

## **2008 Compensation Decisions**

Traditionally, our compensation committee makes recommendations on base salary and target bonus levels for the upcoming year, along with the final cash bonus awards and equity awards for the current year, at its December meeting because performance factors relevant to their decision-making are generally known at that time.

Individual base salary levels for 2008 for the named executive officers were set in December 2007 and were effective beginning in January 2008. Also in December 2007, a target level was set for the named executive officer's 2008 cash bonus. In making the decisions with respect to the 2008 target bonus levels for the named executive officers, significant financial and operating achievements during 2007 were considered by the compensation committee including, but not limited to: (i) increases in funds from operations, assets owned, managed, and under development, and same-store net operating income; (ii) leasing and development start levels; (iii) the formation of three new property funds and the repositioning of another fund; (iv) significant acquisitions in Europe and Japan; and (v) capital raised through placement of convertible notes.

We, like most companies, were impacted by the pervasive and fundamental disruptions of the global financial markets, primarily beginning late in the third quarter of 2008. While our operating fundamentals (same-store net operating income, leasing activity, customer retention, etc.) for 2008 were essentially flat when compared to prior year levels, we did recognize significant impairments with respect to certain of our real estate and other assets in 2008. Further, our common share price declined significantly during the latter part of 2008. As the global credit crisis worsened in the fourth quarter, we had to modify our business strategy. As such, we halted most of our new development and acquisition activities in order to focus on our core business of owning and managing industrial properties. The narrowing of our focus was necessary to allow management to take the necessary steps toward reducing our debt and enhancing our liquidity and cash flow. In addition, Mr. Schwartz resigned as our chief executive officer in November 2008, and Mr. Rakowich was subsequently appointed.

To entice Mr. Rakowich to accept this position, he was granted equity awards (RSUs and share options) with an aggregate fair value at issuance of \$4,615,000. These awards vest in annual 25% increments beginning on December 31, 2008. The vesting provisions provided incentive for Mr. Rakowich to rescind his planned retirement and accept the new position, as well as provide future incentives for him to remain in our employ. Due to the uncertainties that accompany a change in chief executive officer, our board believed that continuity at the executive management level was vital to reposition the company under its new business strategy. Specifically, the compensation committee believed that, due to the steps that would be necessary in 2009 to reduce our debt and enhance our liquidity and cash flow, continuity within the financial management of the company was necessary. Accordingly, the board granted equity awards (RSUs and share options) to Mr. Sullivan, our chief financial officer, with an aggregate fair value of \$3,461,250. The board also granted equity awards (RSUs and share options) with an aggregate fair value of \$2,307,500 to both Mr. Antenucci and Mr. Nekritz. The awards to Messrs. Sullivan, Antenucci, and Nekritz vest ratably over a four-year period, ending in November 2012, thus providing the necessary incentives to these executives to remain in our employ. See Grants of Plan-Based Awards in Fiscal Year 2008.

The board offered Mr. Rakowich substantially the same annual compensation package that had been included in Mr. Schwartz's employment agreement entered into in March 2008, with the primary difference being that Mr. Rakowich was issued RSUs and share options in November 2008 in lieu of the contingent performance unit awards contained in Mr. Schwartz's agreement. See further discussion of Mr. Rakowich's employment agreement at Grants of Plan-Based Awards in Fiscal Year 2008 Narrative Discussion to the Summary Compensation Table for Fiscal Year 2008 and the Grants of Plan-Based Awards in Fiscal Year 2008 Table.



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In light of the change in business strategy, the change in our executive management team, and uncertainties with respect to pending transactions and potential impairment levels, the compensation committee postponed its considerations of most compensation matters to February 2009 to ensure that more current information with respect to company performance (both for 2008 and the future) was available. As in previous years, the compensation committee retained the independent compensation consultant Frederic W. Cook & Co., Inc. to assist the committee in assessing our compensation programs for our executive officers, including the named executive officers. For consideration by the compensation committee, the compensation consultant conducted a comprehensive competitive review of the compensation program for these officers, in terms of both structure and magnitude. Comparisons were made against a group of public real estate investment trusts that compete with us for investor capital, business, and executive talent (including the services of our named executive officers). Our compensation committee regularly evaluates the appropriate companies to include in the comparison group as our business evolves and the competition for talent changes. In addition, the compensation consultant prepared an analysis of our financial performance (including financial data such as revenues, net income, employees, market capitalization, and one- and three-year total shareholder returns) on a stand-alone basis and as compared with the group of companies used by the compensation committee in setting compensation awards and policies. The comparison group companies consisted of AMB Property Corporation, Apartment Investment and Management Company, AvalonBay Communities, Inc., Boston Properties, Inc., Developers Diversified Realty Corporation, Duke Realty Corporation, Equity Residential, Host Hotels & Resorts Inc., Kimco Realty Corporation, The Macerich Company, Plum Creek Timber Company, Inc., Simon Property Group, Inc., and Vornado Realty Trust.

In the competitive review, the total compensation of our named executive officers was compared with the total compensation of similar positions in this comparison group. Such comparison group information was publicly available with respect to all comparison companies only with respect to the chief executive officer position. Comparison group information was publicly available to our compensation consultant with respect to eight companies for the position of chief investment officer, 11 companies for the position of chief financial officer, and six companies for the position of general counsel. The competitive review also analyzed other aspects of competitive compensation practices including: (i) executive and non-employee trustee/director stock ownership guidelines; (ii) competitive levels of carried-interest ownership among executives; (iii) long-term incentive grant type, prevalence, and mix; (iv) prevalence of special benefits and perquisites; (v) aggregate potential share dilution; (vi) aggregate annual share usage; and (vii) aggregate annual shareholder value transfer (the aggregate annual grant value of long-term incentives as a percentage of market capitalization) from long-term incentive compensation programs. The comparisons and related reports prepared by the compensation consultant constituted a portion of the factors evaluated by the compensation committee but were not solely determinative of any compensation decisions. The compensation committee does not specifically target any compensation amounts payable to our named executive officers to the compensation practices of the comparison group companies, except, in general, for salary. The compensation consultant's comparisons and related reports provided the competitive information for similarly situated executives at the comparison group companies that the compensation committee used as a frame of reference for its analysis as well as the salary data that the committee considered in determining salary levels. The compensation committee also considered the compensation plans of other real estate companies, in light of current economic conditions, to the extent such information was available.

In addition, the compensation committee reviewed and discussed our chief executive officer's recommendations concerning compensation (excluding his own compensation) and his opinions concerning the performance of the company and our executive and senior officers (excluding his own performance). Our chief executive officer attended the meetings of the compensation committee at which compensation matters (excluding his own compensation) were discussed. He also reviewed the report prepared by the independent compensation consultant retained by the compensation committee and had the ability to discuss such report with both the consultant and the committee. Our chief executive officer's compensation recommendations and performance opinions were among the factors considered by the compensation committee in determining the amount and mix of compensation, but were not solely

determinative of any compensation decisions.

After reviewing and discussing the consultant's findings and the other factors described above, the compensation committee prepared compensation recommendations for each executive officer and other senior officers and concluded that our executive compensation packages are competitive and consistent with our

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compensation philosophy. Our board subsequently reviewed and discussed those compensation recommendations and approved the compensation payable to each named executive officer for 2008 as follows:

Previously determined salary levels for 2008 for the named executive officers were not changed, and Mr. Rakowich's salary did not increase in 2008 as a result of his promotion to chief executive officer in November 2008. The compensation committee recommended that the named executive officers' 2009 base salaries and target levels for cash bonuses remain the same as the 2008 levels, consistent with the company-wide policy for 2009. However, Mr. Rakowich's 2009 base salary and target bonus were increased as provided in his employment agreement and consistent with his promotion to chief executive officer.

Actual cash bonuses for 2008, payable in February 2009, were awarded at less than 100% of the original target levels (company-wide cash bonuses were generally between 75% and 80% of the original target levels). Mr. Rakowich's employment agreement specified an annual bonus award amount of \$840,000 which was determined at the time that Mr. Rakowich had announced his retirement at the end of 2008. In light of current economic conditions and other factors described in this section, Mr. Rakowich agreed to a cash bonus award for 2008 of 50% of the amount required by his agreement. Mr. Antenucci's cash bonus for 2008 was 80% of the original target level, the minimum amount payable under his employment agreement. Mr. Sullivan and Mr. Nekritz received cash bonus awards for 2008 at 50% of their respective original target levels. Bonus awards were adjusted in light of current economic conditions and other factors described in this section. As part of his separation agreement, Mr. Schwartz was paid a cash bonus for 2008 at 80% of his original target level which, at the time of his resignation in November 2008, was representative of the levels being considered by the compensation committee with respect to the target bonus recommendations for all named executive officers and other key employees for 2008.

In considering the cash bonus awards for 2008, the compensation committee considered subjectively the various factors described in this analysis, as well as a range of potential payouts. In their discussions in December 2008, the compensation committee considered possible bonus payouts, including awarding no discretionary bonuses for 2008, due to the significant decline in the market price of our common shares in late 2008. However, in December 2008 there were transactions pending, including the sale of significant portions of our operations in Asia and debt refinancings, that would positively impact our liquidity and cash flow in early 2009 and reposition us under our new business strategy. When the compensation committee met in February 2009, the positive outcomes of certain of these transactions were considered and, at that time, the committee made their bonus awards for 2008. The compensation committee believes that the reductions in the bonus awards, as compared to target levels and prior year levels, recognize the company's financial performance and the negative performance of our common shares in 2008. However, the compensation committee believes that payment of some portion of the target bonus (as opposed to paying no discretionary bonus) for 2008 appropriately rewards the actions taken by our executive management in late 2008 to enhance our liquidity and cash flow and reposition us under our new business strategy for 2009.

Equity awards for 2008 were granted in February 2009 to Messrs. Rakowich, Antenucci, Sullivan, and Nekritz. These awards consisted entirely of PSAs, in keeping with the compensation committee's philosophy of aligning the interests of our executives and shareholders and promoting the sharing of rewards and risks of strategic decision-making. While the employment agreements with both Mr. Rakowich and Mr. Antenucci required minimum annual equity awards for 2008 (\$3,500,000 for Mr. Rakowich and \$1,200,000 for Mr. Antenucci, see [Grants of Plan-Based Awards in Fiscal Year 2008](#) Narrative Discussion to the Summary Compensation Table for Fiscal Year 2008 and the [Grants of Plan-Based Awards in Fiscal Year 2008 Table](#) ), each informed the compensation committee that they would waive the minimum requirement for 2008. The compensation committee then granted PSAs for 2008 in the following amounts, (based on a value of \$6.90 per share, which was the closing price of our common shares on March 23, 2009, the day the performance goals were communicated to the executives): Mr. Rakowich (200,000 shares at \$1,380,000 value),

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Mr. Antenucci (100,000 shares at \$690,000 value), Mr. Sullivan (63,000 shares at \$434,700 value), and Mr. Nekritz (31,500 shares at \$217,350 value). After the awards were granted, Mr. Rakowich informed the compensation committee that he would not accept his PSA award for 2008.

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The PSAs granted for 2008 can be earned on December 31, 2009, based on both numerical and qualitative goals for both the company and the individual as discussed under Compensation Elements for Executive Officers. Based on the performance relative to these goals, the named executive officer may earn between 50% and 150% of the PSAs granted. Once earned, the PSAs will vest ratably on December 31, 2009, 2010, and 2011, generally should the executive be in our employ on such dates. DEUs were awarded with the PSAs and can be earned from the date of grant through the vesting period, based on the actual amount of PSAs awarded at the end of the performance period, and will vest under the same criteria as the underlying PSAs.

For the past several years, our annual equity awards to the named executive officers were a mix of share options, RSUs, and performance-based awards in equal thirds. In making the awards for 2008, the compensation committee changed the types and mix of the equity awards to: (i) grants of all PSAs to named executive officers and other key employees and (ii) grants of all RSUs (with a three-year vesting period) to certain other eligible employees. No share options or CPSs were awarded as these types of awards are tied only to our market performance (share price appreciation in the case of share options and relative total shareholder return in the case of CPSs). The compensation committee believes that PSAs more appropriately support the change in the company's business strategy because PSAs reward specific financial and strategic performance at both the company and individual levels, while still aligning the interests of management with those of shareholders, since the ultimate award is in the form of common shares. The inclusion of individual performance goals was deemed necessary as actions required to reposition the company under the new business strategy could be dilutive to earnings in the near term. The compensation committee was also somewhat constrained in the number of authorized shares available under the 2006 Long-Term Incentive Plan due to previous share issuances under the plan and the lower market price of our common shares. PSAs and RSUs were chosen because they require fewer shares to deliver equivalent target compensation opportunity than share options. The compensation committee awarded each of the named executive officers a target level of PSAs that approximated the number of shares included in their equity awards for previous years, recognizing that the fair value of the 2008 awards was significantly below the previous year's fair value due to the decline in our common share price.

Equity awards for 2008 in the form of contingent performance units were granted to Mr. Schwartz in March 2008 in association with his employment agreement. These awards were tied to specific company performance measured by TSR, as defined in the agreement, over a performance period ending on December 12, 2012 and were granted in keeping with the compensation committee's philosophy of aligning the interests of our executives and shareholders and promoting the sharing of rewards and risks of strategic decision-making. These awards were not earned when Mr. Schwartz's employment with us ended and were cancelled effective December 8, 2008.

**COMPENSATION COMMITTEE REPORT**

We, the members of the management development and compensation committee of the board of trustees of ProLogis, have reviewed and discussed the Compensation Discussion and Analysis set forth above with the management of the company and, based on such review and discussion, have recommended to the board of trustees that the Compensation Discussion and Analysis be included in this proxy statement and, through incorporation by reference from this proxy statement, the company's Annual Report on Form 10-K for the year ended December 31, 2008.

Management Development and Compensation Committee:

Donald P. Jacobs (Chair)  
Stephen L. Feinberg  
William D. Zollars  
Andrea M. Zulberti



**Table of Contents****SUMMARY COMPENSATION TABLE FOR FISCAL YEAR 2008\***

and pal n	Year	Salary <sup>(1)</sup> (\$) (c)	Bonus <sup>(1)</sup> (\$) (d)	Stock Awards <sup>(2)</sup> (\$) (e)	Option Awards <sup>(2)</sup> (\$) (f)	All Other Compensation <sup>(3)</sup> (\$) (i)	Total (\$) (j)
er C. ich**	2008	\$ 630,000	\$ 420,000	\$ 9,883,376**	\$ 2,325,461**	\$ 47,368	\$ 13,306,
Executive	2007	\$ 630,000	\$ 1,344,000	\$ 2,246,963	\$ 664,661	\$ 26,375	\$ 4,911,
	2006	\$ 600,000	\$ 1,200,000	\$ 1,682,887	\$ 520,742	\$ 10,632	\$ 4,014,
Antenucci	2008	\$ 630,000	\$ 696,000	\$ 4,453,874	\$ 362,805	\$ 20,699	\$ 6,163,
ent and Chief	2007	\$ 600,000	\$ 1,320,000	\$ 3,786,355	\$ 238,241	\$ 82,436	\$ 6,027,
ment Officer	2006	\$ 552,346	\$ 1,200,000	\$ 2,012,968	\$ 138,247	\$ 136,579	\$ 4,040,
m E.	2008	\$ 550,000	\$ 300,000	\$ 728,929	\$ 161,852	\$ 231,384	\$ 1,972,
n***							
Financial	2007	\$ 375,000	\$ 800,000	\$ 174,992	\$	\$ 162,452	\$ 1,512,
rd S. Nekritz	2008	\$ 500,000	\$ 200,000	\$ 685,748	\$ 201,332	\$ 16,217	\$ 1,603,
l Counsel,	2007	\$ 400,000	\$ 450,000	\$ 570,136	\$ 136,403	\$ 14,090	\$ 1,570,
ary,							
ad of Global	2006	\$ 350,000	\$ 225,000	\$ 574,541	\$ 104,918	\$ 9,245	\$ 1,263,
ic Risk							
ement							
y H.	2008	\$ 987,870	\$ 1,600,000	\$ (1,442,977)****	\$ 191,014****	\$ 13,775,219	\$ 15,111,
rtz****							
r Chief	2007	\$ 780,000	\$ 1,872,000	\$ 2,754,135	\$ 1,048,420	\$ 145,526	\$ 6,600,
ive							
	2006	\$ 675,000	\$ 1,350,000	\$ 1,985,950	\$ 630,160	\$ 38,168	\$ 4,679,

\* Columns (g) and (h) have been omitted from this table because they are not applicable.

\*\* Mr. Rakowich was our president and chief operating officer until November 10, 2008 when, upon the resignation of Mr. Schwartz, he was appointed as our chief executive officer. Mr. Rakowich had announced in February 2008 his planned retirement effective January 1, 2009. Under his employment agreement, upon his retirement his unvested equity awards would continue to vest under their original terms as if he remained our employee. Accordingly, in 2008 we were required, under generally accepted accounting principles (Statement of Financial Accounting Standards No. 123(R) (FAS 123(R))), to recognize the remaining expense associated with all of his unvested awards on an accelerated basis such that these awards would be fully expensed as of December 31, 2008. Upon Mr. Rakowich's appointment as our chief executive officer, his service period was extended past December 31, 2008 and we began to recognize the amount that had not been expensed as of the date of his appointment to chief executive officer on a prospective basis over the remaining original vesting periods. SFAS 123(R) does not allow us to reverse the accelerated expense recognition in 2008. Therefore, the summary compensation table includes \$7,123,845 of expense in 2008 for share awards and share options that are not vested to Mr. Rakowich as of December 31, 2008 and that will

continue to vest under their original terms in the years 2009, 2010, and 2011. Accordingly, the expense that we present in our summary compensation tables and in our consolidated financial statements will be less by this amount in 2009, 2010, and 2011. Information in the summary compensation table for 2008 for Mr. Rakowich as it would have been reflected had we not recognized the accelerated expense in 2008 under FAS 123R follows.

Adjusted 2008 Compensation for Mr. Rakowich:

	<b>Salary (c)</b>	<b>Bonus (d)</b>	<b>Stock Awards (e)</b>	<b>Option Awards (f)</b>	<b>All Other Compensation (i)</b>	<b>Total (j)</b>
<b>As Reported</b>	\$ 630,000	\$ 420,000	\$ 9,883,376	\$ 2,325,461	\$ 47,368	\$ 13,306,205
<b>Reverse accelerated expense</b>	\$	\$	\$ (5,872,294)	\$ (1,251,551)	\$	\$ (7,123,845)
<b>As Adjusted</b>	\$ 630,000	\$ 420,000	\$ 4,011,082	\$ 1,073,910	\$ 47,368	\$ 6,182,360

\*\*\* Mr. Sullivan was hired on March 26, 2007.

\*\*\*\* Mr. Schwartz's employment with us ended effective December 8, 2008. The terms of the agreement with Mr. Schwartz relating to his separation from ProLogis are described under Potential Payments Upon Termination or Change in Control. Under the terms of Mr. Schwartz's separation agreement, all of his outstanding unvested share options and share awards were either forfeited or cancelled as of December 8, 2008. As a result, the expense associated with the forfeited and/or cancelled awards previously recognized in 2008 was reversed.

<sup>(1)</sup> The bonuses earned for a fiscal year are paid in the subsequent fiscal year, generally within the first two months (e.g., the bonuses earned for 2008 were paid in February 2009). The amounts presented in columns (c) and (d) include the amount, if any, of the named executive officer's salary and bonus, respectively, for which payment was deferred at their election. The following table presents the amounts in columns (c) and (d) that each of the named executive officers deferred under the 401(k) Plan, the NSP, or other deferral



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arrangement in 2008, 2007 and 2006. See further discussion under Nonqualified Deferred Compensation in Fiscal Year 2008 below.

		<b>401(k) Plan</b>		<b>NSP</b>		<b>Other</b>
		<b>column (c)</b>	<b>column (c)</b>	<b>column (d)</b>	<b>column (d)</b>	<b>column (d)</b>
Mr. Rakowich	2008	\$ 18,800	\$	\$	\$	\$
	2007	\$ 18,500	\$	\$	\$	\$
	2006	\$ 13,200	\$	\$	\$	\$
Mr. Antenucci	2008	\$ 13,800	\$	\$	\$	\$
	2007	\$ 13,500	\$	\$	\$	\$
	2006	\$ 13,200	\$	\$	\$	\$
Mr. Sullivan	2008	\$ 13,800	\$	\$	\$	\$
	2007	\$ 15,500	\$	\$	\$	\$ 200,000
Mr. Nekritz	2008	\$ 13,800	\$	\$	\$	\$
	2007	\$ 13,500	\$ 100,000	\$ 440,728	\$	\$
	2006	\$ 13,200	\$ 70,000	\$ 67,500	\$	\$
Mr. Schwartz	2008	\$ 13,800	\$	\$	\$	\$
	2007	\$ 13,200	\$	\$	\$	\$
	2006	\$ 13,200	\$	\$	\$	\$

(2) These amounts represent the compensation expense that we recognized in 2008, 2007, and 2006 for accounting purposes associated with each of the named executive officer's outstanding PSAs (in 2007 and 2006), CPSs, and RSUs (column (e)) and share options (column (f)). Information on how the awards are valued for purposes of computing our accounting expense is included in the narrative discussion that follows the next table.

Under FAS 123(R), the expense that we recognize over the performance period is based on the fair value of the target level of CPSs as of the grant date with no provision to later adjust the amount expensed based on the performance period results and the actual amounts earned. The CPSs granted in December 2005 were valued at \$52.77 per share and this value was expensed in 2008, 2007, and 2006 and is reflected in column (e), Stock Awards. This presentation does not reflect the actual value that the named executive officer realized upon receipt of those awards after the performance period ended on December 31, 2008. Based on actual performance over the performance period, the December 2005 CPSs were issued in 2009 at 17.5% of the original target number. Additionally, our common share price at December 31, 2008 was \$13.89 per share. The amount that is presented as expense in the summary compensation table over the years 2008, 2007, and 2006 with respect to the December 2005 CPSs that is in excess of the value of the named executive officers' actual award valued at December 31, 2008 is:

Mr. Rakowich: \$733,303  
 Mr. Antenucci: \$805,444  
 Mr. Nekritz: \$193,570

Mr. Sullivan was not employed by us in December 2005 and did not receive a CPS grant. As a result of his resignation, Mr. Schwartz forfeited his December 2005 CPS award effective December 8, 2008.

(3) The amounts in column (i) represent the other compensation amounts paid to each of the named executive officers in 2008, 2007, and 2006. These amounts include the following items:

		<b>Subsidiary Stock</b>					<b>Relocation Benefits</b>			
		<b>401(k)</b>	<b>Tax</b>			<b>Tax</b>				
		<b>Plan</b>	<b>Offset</b>	<b>Insurance(b)</b>	<b>Other(c)</b>	<b>Value</b>	<b>Offset</b>	<b>Perquisites(d)</b>		
		<b>Match</b>	<b>Value(a)</b>	<b>Payment</b>			<b>Payment</b>			
wich	2008	\$ 6,900	\$ 5,000	\$ 3,486	\$ 2,334	\$ 417	\$	\$	\$ 29,231	\$
	2007	\$ 6,750	\$ 4,000	\$ 2,788	\$ 2,334	\$	\$	\$	\$ 10,503	\$
	2006	\$ 6,600	\$ 1,000	\$ 698	\$ 2,334	\$	\$	\$	\$	\$
nucci	2008	\$ 6,900	\$ 5,000	\$ 3,486	\$ 2,303	\$ 3,010	\$	\$	\$	\$
	2007	\$ 6,750	\$ 4,000	\$ 2,788	\$ 1,935	\$ 66,963	\$	\$	\$	\$
	2006	\$ 6,600	\$ 1,000	\$ 451	\$ 2,334	\$ 108,848	\$	\$	\$ 17,346	\$
van	2008	\$ 6,900	\$ 5,000	\$ 2,255	\$ 2,334	\$ 138,670	\$ 72,716	\$ 3,509	\$	\$
	2007	\$ 6,750	\$	\$	\$ 1,706	\$	\$ 108,660	\$ 45,336	\$	\$
tz	2008	\$ 6,900	\$ 5,000	\$ 2,255	\$ 2,062	\$	\$	\$	\$	\$
	2007	\$ 6,750	\$ 4,000	\$ 1,804	\$ 1,536	\$	\$	\$	\$	\$
	2006	\$ 6,600	\$ 1,000	\$ 451	\$ 1,194	\$	\$	\$	\$	\$
artz	2008	\$ 6,900	\$	\$	\$	\$	\$	\$	\$	\$