

DCT Industrial Trust Inc.  
Form DEF 14A  
March 19, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

**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 under Rule 14a-12

**DCT Industrial Trust Inc.**

(Name of Registrant as Specified In Its Charter)

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**Notice of 2013  
Annual Meeting  
*and*  
Proxy Statement**

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*518 17<sup>th</sup> Street, Suite 800*

*Denver, Colorado 80202*

March 19, 2013

Dear Stockholder,

You are invited to attend the 2013 Annual Meeting of Stockholders to be held at 10:00 a.m. MDT, on Wednesday, May 1, 2013, at 518 17<sup>th</sup> Street, Suite 800, Denver, Colorado.

Details of the business to be conducted at the meeting are set forth in the accompanying notice of annual meeting and proxy statement.

Whether or not you plan to attend, you can ensure that your shares are represented at the meeting by promptly voting and submitting your proxy by telephone or by Internet, or by completing, signing, dating, and returning your proxy card in the enclosed envelope. If you decide to attend the annual meeting, you will be able to vote in person, even if you have previously submitted your proxy.

Cordially,

Thomas G. Wattles

Chairman of the Board

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**Every stockholder's vote is important. Please complete, sign, date and return your proxy form, or authorize your proxy by phone or via the Internet.**

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**Notice of 2013 Annual Meeting of Stockholders**

10:00 a.m. MDT, May 1, 2013

518 17<sup>th</sup> Street, Suite 800

Denver, Colorado 80202

March 19, 2013

To the Stockholders:

DCT Industrial Trust Inc.'s 2013 Annual Meeting of Stockholders will be held at 518 17<sup>th</sup> Street, Suite 800, Denver, Colorado 80202, on Wednesday, May 1, 2013, at 10:00 a.m. MDT, for the following purposes:

1. To elect the nine directors nominated by the Board of Directors to serve until the 2014 annual meeting;
  2. To hold a non-binding, advisory vote on the compensation of our named executive officers;
  3. To ratify the selection of the independent registered public accounting firm for 2013; and
  4. To consider any other matters that may properly come before the meeting.
- Stockholders of record at the close of business on March 5, 2013, are entitled to notice of, and to vote at, the meeting and any adjournments.

By Order of the Board of Directors,

John G. Spiegelman

Secretary

**Important Notice Regarding the Availability of**

**Proxy Materials for the Stockholder Meeting To Be Held on May 1, 2013**

The proxy statement and annual report to stockholders are available at [www.proxyvote.com](http://www.proxyvote.com)





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### **Proxy Statement**

DCT Industrial Trust Inc.

518 17<sup>th</sup> Street, Suite 800

Denver, Colorado 80202

This proxy statement is furnished in connection with the solicitation of proxies by DCT Industrial Trust Inc. on behalf of the board of directors for the 2013 Annual Meeting of Stockholders. Distribution of this proxy statement and a proxy card to stockholders is scheduled to begin on or about March 19, 2013, which is also the date by which these materials will be posted. DCT Industrial Trust Inc. is referred to as DCT Industrial Trust, the Company, our, us or we in this proxy statement.

You can ensure that your shares are voted at the meeting by authorizing your proxy by phone, via the Internet, or by completing, signing, dating and returning a paper copy of a proxy or voting registration form. You may still attend the meeting and vote despite authorizing your proxy by any of these methods. A stockholder 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 by phone or via the Internet, by providing new instructions by the same means.

### **Summary of Proposals Submitted for Vote**

#### **Proposal 1: Election of Directors**

**Nominees:** At the annual meeting you will elect nine directors to the board. Each director will be elected to a one-year term and will hold office until the 2014 annual meeting and until a successor has been duly elected and qualified or until such director's earlier resignation or removal.

**Vote Required:** You may vote for, against, or abstain for each of the director nominees. Assuming a quorum is present, the directors receiving a majority of the votes cast in person or by proxy at the meeting will be elected. Abstentions and broker non-votes, if any, will have no effect on the outcome of the election of directors.

**Our board of directors unanimously recommends that you vote FOR each of its director nominees.**

#### **Proposal 2: Non-Binding, Advisory Vote on Named Executive Officer Compensation**

**Compensation of Named Executive Officers:** At the annual meeting you will be asked to approve a non-binding, advisory resolution approving the compensation of our named executive officers as disclosed in this proxy statement pursuant to Item 402 of Regulation S-K.

**Vote Required:** You may vote for, vote against, or abstain from voting on the non-binding, advisory resolution approving the compensation of our named executive officers. Assuming a quorum is present, the affirmative vote of a majority of the votes cast on this proposal will be required to approve the non-binding, advisory resolution approving the compensation of our named executive officers. Abstentions and broker non-votes, if any, will have no effect on the outcome of this matter.

**Our board of directors unanimously recommends that you vote FOR the approval of the compensation of our named executive officers.**

#### **Proposal 3: 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 Ernst & Young LLP as our independent registered public accounting firm for 2013.

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***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 votes cast on this proposal will be required to ratify the audit committee's appointment of the independent registered public accounting firm. Abstentions and broker non-votes, if any, will have no effect on the outcome of this matter.

**Our board of directors unanimously recommends that you vote FOR the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2013.**

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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**Proposal 1: Election of Directors**

At the 2013 annual meeting, nine directors are to be elected to each hold office until the 2014 annual meeting and until a successor has been duly elected and qualified or until such director's earlier resignation or removal. The nine nominees for election at the 2013 annual meeting, all proposed by our board of directors, are listed below with brief biographies. Each of these nominees is a current director of DCT Industrial Trust. We do not know of any reason why any nominee would be unable to serve as a director. If a nominee is unable to serve, however, proxies will be voted for the election of such other person as the board of directors may recommend. The following is a biographical summary of the experience of our director nominees, which includes, for each person, the specific experience, qualifications, attributes and skills that led to the conclusion by our board of directors that such person should serve as a director of our company.

**Our board of directors unanimously recommends that you vote FOR each of its director nominees.**

**Thomas G. Wattles.** Director since 2003

Mr. Wattles, age 61, is a cofounder of the Company and has been our Executive Chairman since 2003. Mr. Wattles also served as our Chief Investment Officer from March 2003 to September 2005. Mr. Wattles was a principal of both Dividend Capital Group LLC and Black Creek Capital, LLC, each a Denver-based real estate investment firm, from February 2003 until June 2008. From March 1997 to May 1998, Mr. Wattles served as Chairman of ProLogis, and served as Co-Chairman and Chief Investment Officer from November 1993 to March 1997. Mr. Wattles was a Managing Director of Security Capital Group Incorporated and served in various capacities including Chief Investment Officer from January 1991 to December 2002. Mr. Wattles is also currently a director of Regency Centers Corporation and chairs its Investment Committee and is a member of its Audit Committee. Mr. Wattles holds a Bachelor's degree and an M.B.A. degree from Stanford University.

**Philip L. Hawkins.** Director since 2006

Mr. Hawkins, age 57, has been our Chief Executive Officer since October 2006. Mr. Hawkins was the President, Chief Operating Officer and a director of CarrAmerica Realty Corporation, where he had been employed from 1996 until July 2006. CarrAmerica was a public REIT focused on the acquisition, development, ownership and operation of office properties in select markets across the United States and was acquired by a fund managed by The Blackstone Group in July 2006. Prior to joining CarrAmerica, Mr. Hawkins spent approximately 13 years with LaSalle Partners (now Jones Lang LaSalle), a real estate services company where he was a director and held various positions involving real estate investment, development, leasing and management. He is a member of the National Association of Real Estate Investment Trusts (NAREIT), as well as its Board of Governors, and the Urban Land Institute. He is a trustee of Hamilton College and served as a director of SBA Communications Corporation, a publicly traded wireless tower owner and operator, from August 2004 to May 2009. He holds an M.B.A. from the University of Chicago Graduate School of Business and a Bachelor of Arts degree from Hamilton College.

**Marilyn A. Alexander.** Director since 2011

Ms. Alexander, age 61, has over thirty years of experience in a range of industries, including real estate, hospitality and management consulting. Ms. Alexander has been a consultant since 2003, currently serving as principal of Alexander & Friedman LLC, a management consulting company that she founded. She previously served in executive roles in finance, brand management, marketing and revenue management at The Walt Disney Company and Marriott Corporation. Since 2008, she has served as a director of Tutor Perini Corporation, a publicly traded leading civil and building construction company offering diversified general contracting and design/build services to private clients and public agencies in the U.S. and abroad. She is also currently a director of Torchmark Corporation. From November 2004 until its sale in February 2007, Ms. Alexander served as a trustee of Equity Office Properties Trust. Ms. Alexander also served as a director of New Century Financial

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Corporation, a formerly publicly traded REIT, from May 2005 to April 2007. She also formerly was a trustee of PIMCO Variable Insurance Trust, PIMCO Commercial Securities Trust, Inc. and PIMCO Strategic Global Government Fund, Inc. from October 2006 to August 2007. Ms. Alexander earned a Bachelor's degree at Georgetown University in Philosophy and an MBA at the Wharton Graduate School of the University of Pennsylvania; she is a licensed CPA in the Commonwealth of Virginia.

**Thomas F. August.** Director since 2006

Mr. August, age 64, has served as President and Chief Executive Officer of Equity Office Properties Trust since July 2010 and served from October 2009 to July 2010 as its Chairman. Equity Office Properties Trust is currently a private company controlled by The Blackstone Group and is one of the largest owners and managers of office properties in the United States. From February 2008 to August 2009 he served as the Executive Vice President and Chief Operating Officer of Behringer Harvard REIT I, Inc., and from May 2009 through August 2009 he also served as Chief Executive Officer of Behringer Harvard REIT I, Inc. He served as a trustee of Brandywine Realty Trust, a publicly traded REIT, from January 2006 through February 2008. From October 1999 to January 2006, Mr. August had served as President, Chief Executive Officer and a trustee of Prentiss Properties Trust. Prior to that time, he was President and Chief Operating Officer of Prentiss since Prentiss' initial public offering in October 1996. From 1992 to 1996, Mr. August served as President and Chief Operating Officer of a Prentiss affiliate, Prentiss Properties Limited, Inc. From 1987 to 1992, Mr. August served as Executive Vice President and Chief Financial Officer of Prentiss' predecessor company. From 1985 to 1987, Mr. August served in executive capacities with Cadillac Fairview Urban Development, Inc. Prior to joining Cadillac Fairview Urban Development in 1985, Mr. August was Senior Vice President of Finance for Oxford Properties, Inc., in Denver, Colorado, an affiliate of a privately-held Canadian real estate firm. Previously, he was a Vice President of Citibank, responsible for real estate lending activities in the Midwest. Mr. August has more than 40 years of experience as a senior executive in the real estate industry, including prior experience as the chief executive officer of a publicly traded REIT. Mr. August holds a Bachelor's degree from Brandeis University and an M.B.A. degree from Boston University.

**John S. Gates, Jr.** Director since 2006

Mr. Gates, age 59, has served since August 2010 as the Chairman of the Board of the Regional Transportation Authority of Metropolitan Chicago which is responsible for all passenger transit operations in the metropolitan Chicago area. Mr. Gates has also served since January 1, 2005 as the Chairman and Chief Executive Officer of PortaeCo, a private investment and asset management company. In 1984, Mr. Gates co-founded CenterPoint Properties Trust and served as Co-Chairman and Chief Executive Officer for 22 years. During that period, CenterPoint became one of the largest private property owners in the Metropolitan Chicago Region and the nation's first publicly traded industrial property REIT. In March 2006, CenterPoint was acquired by the California Public Employees Retirement System and Jones Lang LaSalle for approximately \$3.5 billion. In 1979, Mr. Gates joined CB Richard Ellis, and in 1981 co-founded the Chicago office of Jones Lang Wootton (now Jones Lang LaSalle), a global commercial property investment firm. Mr. Gates is a director of The Davis Funds and numerous not-for-profit institutions. Mr. Gates has more than 30 years of experience in the industrial real estate industry. Mr. Gates graduated from Trinity College with a Bachelor's degree in Economics.

**Raymond B. Greer.** Director since 2010

Mr. Greer, age 50, has over thirty years of logistics and transportation experience. Mr. Greer has served since February 2011 as the President of BNSF Logistics, LLC, which is an international third party logistics provider and a wholly-owned subsidiary of Burlington Northern Santa Fe, LLC, a Berkshire Hathaway company. From March 2005 to January 2010, Mr. Greer served as President and Chief Executive Officer of Greatwide Logistics Services, a non-asset based logistics and transportation services company. Greatwide and its senior lenders filed a Chapter 11 bankruptcy filing in October 2008 to restructure Greatwide's debt and permit a purchase of the business. From December 2002 to March 2005, Mr. Greer served as President and Chief Executive Officer for

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Newgistics, Inc., a reverse logistics company. Mr. Greer served as President of Global Network Solutions and Services for i2 Technologies, Inc., a supply chain management software and services company, from February 2002 to November 2002. Mr. Greer has also held senior management positions for Ryder and FedEx Corporation. From June 2005 to April 2007, Mr. Greer served as a director of Kitty Hawk, Inc., a publicly traded air cargo company. Mr. Greer received a Bachelor of Science in Mathematics from the University of Utah and an Executive Masters in Information Systems & Telecommunications from Christian Brothers University.

**Tripp H. Hardin.** Director since 2002

Mr. Hardin, age 51, is Senior Vice President of Investments with CB Richard Ellis, which is one of the world's largest real estate services firms. Prior to joining CB Richard Ellis, Mr. Hardin was a principal of Trammell Crow Krombach Partners and was associated with them or their predecessor company since 1986. He has over 25 years of experience in the commercial real estate industry, focusing primarily on the sale and leasing of industrial and office properties. He also has extensive experience in real estate investment and build-to-suit transactions. Mr. Hardin graduated from Stanford University with a Bachelor of Science degree in Industrial Engineering.

**John C. O Keeffe.** Director since 2002

Mr. O Keeffe, age 53, has been active in the construction industry since 1983 and has been associated with Wm. Blanchard Co., a construction management firm located in Springfield, NJ, since 1987. He has served in a variety of capacities at the firm, including estimating, contract negotiation and contract management, contractor management, project management and for the past 10 years, in an executive capacity, managing a variety of large scale healthcare projects. Since 2000, Mr. O Keeffe has served as the Project Executive of Wm. Blanchard Co. Mr. O Keeffe graduated from Denison University with a Bachelor of Arts degree.

**Bruce L. Warwick.** Director since 2005

Mr. Warwick, age 74, is Vice Chairman of Related Companies, a private real estate development firm. Mr. Warwick oversees the development of various real estate development projects, including the development of Hudson Yards, a 12 million square foot mixed-use project on the west side of Manhattan. He joined Related Companies in 1998 as President of Columbus Centre Developer LLC, the division of Related Companies charged with the development and construction of Time Warner Center in New York City. Prior to joining Related Companies in 1998, Mr. Warwick served as Vice Chairman of The Galbreath Company, overseeing development and management in the East Region. He has been in the development and construction business for over 45 years, developing properties in both Puerto Rico and in the Northeast United States. He received a Bachelor of Arts degree from Colgate University.

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**Corporate Governance**

DCT Industrial Trust remains committed to maintaining sound corporate governance practices. We seek to achieve this objective 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, or NYSE. Our board of directors has formalized several policies, procedures and standards of corporate governance reflected in our governance guidelines. These governance guidelines, some of which we touch on below, can be viewed together with any future changes on the DCT Industrial Trust website at [www.dctindustrial.com](http://www.dctindustrial.com) under corporate governance on the investor relations webpage.

**Director Independence.** We require that a majority of our board of directors be independent under listing standards adopted by the NYSE. To determine whether a director is independent, the board of directors must affirmatively determine that there is no direct or indirect material relationship between the Company and the director. The board of directors has determined that Ms. Alexander and Messrs. August, Gates, Greer, Hardin, O Keeffe and Warwick are independent. The board of directors reached its decision after reviewing director questionnaires, considering transactions and relationships between each director or any member of his or her immediate family and the Company and considering other relevant facts and circumstances. The board of directors has also determined that all members of the audit, compensation and nominating and corporate governance committees are independent in accordance with NYSE and applicable Securities and Exchange Commission, or SEC, rules and that all members of the audit committee are financially literate.

In connection with the determination by our board of directors that Mr. Hardin was independent, the board of directors considered our payment of real estate brokerage fees to CBRE Group, Inc. and its subsidiaries ( CBRE ). Mr. Hardin serves as Senior Vice President of Investments of CBRE in its Saint Louis office. The board of directors' conclusion that Mr. Hardin was independent, notwithstanding these payments to CBRE, was based on the following information, which in view of our board of directors demonstrates the *de minimis* nature of the relationship between the Company and CBRE as it relates to Mr. Hardin's independence: (1) Mr. Hardin received no benefit, directly or indirectly, with regard to these payments; (2) Mr. Hardin did not have any direct or indirect decision making authority or any other role, in any capacity, relating to the transactions giving rise to the payments from the Company to CBRE; (3) Mr. Hardin is not an executive officer or member of senior management of CBRE; (4) the Company paid CBRE approximately \$6.37 million in 2012, which amounted to approximately 0.098% of CBRE's total revenues for 2012; and (5) a significant portion of this total amount was paid for transactions in which CBRE represented a tenant and not the Company.

**Leadership Structure.** Although our Corporate Governance Guidelines allow for one individual to serve as both Chairman of the Board and Chief Executive Officer, those roles are currently filled by Mr. Wattles and Mr. Hawkins, respectively. We do not believe the roles must be separated to best serve the Company and our stockholders but the current leadership structure allows us to leverage the extensive knowledge of our industry possessed by Mr. Wattles and Mr. Hawkins.

We also have a lead director who is selected by the independent directors at the meeting of the board of directors scheduled on the day of each annual meeting of our stockholders (or, if no such meeting is held, on the first subsequent regularly scheduled meeting of the board of directors). The responsibilities of our lead director include, but are not limited to, the following:

meeting at least once every quarter with the Chairman of the Board and the Chief Executive Officer;

presiding at all meetings of the board of directors at which the Chairman of the Board is not present, including executive sessions of the independent directors;

serving as liaison between the Chairman of the Board and the independent directors;

reviewing all information sent to the board of directors;

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reviewing all meeting agendas for the board of directors; and

overseeing meeting schedules to assure that there is sufficient time for discussion of all agenda items.

Our lead independent director also has the authority to call meetings of the independent directors.

The board of directors believes that the lead director is an integral part of the board of directors structure that promotes strong, independent oversight of our management and affairs. Currently, our lead director is Mr. Warwick.

**Communicating with Directors.** Any interested party who desires to communicate with any of our directors individually, with the board of directors as a group, or with a particular group of the board of directors, may do so by writing to them c/o Secretary, DCT Industrial Trust Inc., 518 17<sup>th</sup> Street, Suite 800, Denver, Colorado 80202. Communications should clearly indicate for whom they are intended and our Secretary will deliver them to the appropriate persons accordingly.

**Stockholder Recommended Nominees for Director.** The nominating and corporate governance committee considers stockholder recommended nominees for directors 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 stockholder proposals generally and, like all proposals, must satisfy and will be subject to our bylaws and applicable rules and regulations. Submittals should also contain the name, age and address of the candidate, a description of the qualifications and background of the candidate, a consent of the candidate to be named in the proxy statement relating to our annual meeting of stockholders and to serve as director if elected at such meeting, a description of all arrangements or understanding between the stockholder and the candidate, information regarding the candidate's stock ownership, and evidence of the nominating person's stock ownership. The committee will consider stockholder recommendations for board candidates, which should be sent to: Secretary, DCT Industrial Trust Inc., 518 17<sup>th</sup> Street, Suite 800, Denver, Colorado 80202. For more information on procedures for submitting nominees, refer to stockholder nominations under Additional Information on page 56. The committee reviews its recommendations with the board of directors, 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. There are no minimum qualifications that the committee believes must be met by a nominee, other than those reflected in our corporate governance guidelines, which provide that each director must (1) have an unblemished reputation for integrity and values, (2) possess the highest personal and professional ethics, (3) remain committed to representing the long term interests of the stockholders, (4) have a reputation for exercising good business judgment and practical wisdom and (5) have education and experience that provides sound knowledge of business, financial, governmental or legal matters that are relevant to our business and our status as a publicly owned company. Neither the committee nor the board of directors has a policy with regard to the consideration of diversity in identifying director nominees, although both may consider diversity when identifying and evaluating proposed director candidates, and one of the enumerated factors under the committee's charter that the committee may consider when identifying potential nominees is the interplay of the candidate's experience with the experience of the other board members. In the course of identifying and evaluating candidates, the committee may sometimes retain third-party search firms to identify candidates for the board of directors who are then screened following the same procedures as all other candidates. In addition to stockholder nominees, the committee will consider candidates recommended by directors, officers, third-party search firms, employees and others.

**Risk Oversight.** The board of directors plays an important role in the risk oversight of DCT Industrial Trust, primarily through direct decision-making authority with respect to significant matters and the oversight of management by the board of directors and its committees.

In particular, the board of directors administers its risk oversight function through (1) the review and discussion of regular periodic reports to the board of directors and its committees on topics relating to the risks that we face,

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including, among others, market conditions, tenant concentrations and credit worthiness, leasing activity and expirations, the status of current and anticipated development projects, compliance with debt covenants, management of debt maturities, access to debt and equity capital markets, existing and potential legal claims against us and various other matters relating to our business, (2) the required approval by the board of directors (or a committee thereof) of significant transactions and other decisions, including, among others, significant acquisitions and dispositions of properties, development projects, certain new borrowings and the appointment and retention of our senior executives, (3) the direct oversight of specific areas of our business by the compensation, audit and nominating and corporate governance committees, and (4) regular periodic reports from our auditors and other outside consultants regarding various areas of potential risk, including, among others, those relating to our qualification as a REIT for tax purposes and our internal controls and financial reporting. The board of directors also relies on management to bring significant matters affecting the Company to its attention.

Pursuant to its charter, the audit committee is specifically responsible for discussing with management major financial risk exposures and the steps management has taken to monitor and control such exposures, including our risk assessment and risk management policies. As part of this process, the audit committee oversees the planning and conduct of regular risk assessment protocols that are designed to identify and analyze risks to achieving our business objectives. The results of the risk assessment are discussed with management, used to develop our annual internal audit plan, and are reviewed quarterly by the committee. In addition, our Whistleblowing and Whistleblower Protection Policy enables anonymous and confidential submission by employees of complaints or concerns regarding a violation of applicable laws, regulations, or business ethical standards or a questionable accounting, accounting control or auditing matter. These complaints or concerns may be submitted directly to members of the audit committee.

Given its role in the risk oversight of DCT Industrial Trust, the board of directors believes that any leadership structure that it adopts must allow it to effectively oversee the management of the risks relating to our operations. Although there are different leadership structures that could allow the board of directors to effectively oversee the management of such risks, and while the board of directors believes its current leadership structure enables it to effectively manage such risks, it was not the primary reason the board of directors selected its current leadership structure over other potential alternatives. See the discussion under the heading **Leadership Structure** above for a discussion of why the board of directors has determined that its current leadership structure is appropriate.

**Code of Business Conduct and Ethics.** We have adopted a code of business conduct and ethics which can be viewed on the DCT Industrial Trust website at [www.dctindustrial.com](http://www.dctindustrial.com) under corporate governance on the investor relations webpage. The code outlines in detail the key principles of ethical conduct expected of DCT Industrial Trust employees, officers and directors, including, among others, matters related to transactions involving Company securities, conflicts of interest, use of Company assets, fair dealing and Company accounting. In addition, our Whistleblowing and Whistleblower Protection Policy enables anonymous and confidential submission by employees of complaints or concerns regarding a violation of applicable laws, regulations, or business ethical standards or a questionable accounting, accounting control or auditing matter. Our Whistleblowing and Whistleblower Protection Policy can be viewed on the DCT Industrial Trust website at [www.dctindustrial.com](http://www.dctindustrial.com) under corporate governance on the investor relations webpage.

**Corporate Governance Guidelines.** We have adopted corporate governance guidelines which can be viewed on the DCT Industrial Trust website at [www.dctindustrial.com](http://www.dctindustrial.com) under corporate governance on the investor relations webpage.



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**Board of Directors and Committees**

Our board of directors currently consists of nine directors, seven of whom are independent under the requirements of the NYSE listing rules. The board of directors held six meetings during 2012 and all directors attended 75% or more of the board of directors meetings and meetings of the committees on which they served during the periods they served. All members of our board are expected to attend our annual meetings of stockholders in person, unless doing so is impracticable because of unavoidable conflicts. All directors attended the 2012 annual meeting in person, with the exception of Mr. Gates who attended the meeting via telephone.

The four standing committees of the board of directors are an audit committee, an investment committee, a compensation committee and a nominating and corporate governance committee. The audit, compensation and nominating and corporate governance committee responsibilities are stated more fully in their respective charters which have been adopted by the board of directors. The charters can be viewed, together with any future changes, on the DCT Industrial Trust website at [www.dctindustrial.com](http://www.dctindustrial.com) under corporate governance-committee charting on the investor relations webpage.

**Audit Committee.** The members of the audit committee are Ms. Alexander, who chairs the committee, and Messrs. August and Warwick, each of whom is independent under the rules of the NYSE and the SEC. The board of directors has determined that Mr. August and Ms. Alexander are qualified as audit committee financial experts within the meaning of the SEC regulations. There were five meetings of the committee in 2012 and its report appears on page 52. The primary responsibilities of this committee are to assist the board of directors in overseeing: (1) our accounting and financial reporting processes; (2) the integrity and audits of our consolidated financial statements, (3) our compliance with legal and regulatory requirements; (4) the qualifications and independence of our independent registered public accounting firm; and (5) the performance of our independent registered public accounting firm and any internal auditors. The committee is also responsible for engaging the independent registered public accounting firm, approving professional services provided by the independent registered public accounting firm, considering and approving the range of audit and non-audit fees and reviewing the adequacy of our internal accounting controls.

**Investment Committee.** The members of the investment committee are Messrs. Hardin, who chairs the committee, Gates, Greer, O'Keeffe and Wattles. This committee is responsible for approving acquisitions, dispositions and other investment decisions of the Company up to \$75.0 million. Proposed acquisitions in excess of \$75.0 million or entry into new international markets require approval by our board. There were 14 meetings of the committee in 2012.

**Compensation Committee.** The members of the compensation committee are Messrs. August, who chairs the committee, Greer and Warwick, each of whom is independent under the rules of the NYSE. The primary responsibilities of this committee are to: (1) evaluate the performance and determine the compensation of our chief executive officer; (2) review and determine the compensation payable to our executive officers; (3) make recommendations to the board of directors regarding the compensation payable to members of the board of directors; (4) review our incentive compensation and other stock-based plans and administer our stock based plans and our incentive compensation plan; and (5) review and discuss with management the Compensation Discussion and Analysis to be included in the proxy statement for our annual meetings. There were four meetings of the committee in 2012 and its report appears on page 50.

**Nominating and Corporate Governance Committee.** The members of the nominating and corporate governance committee are Messrs. Gates, who chairs the committee, Hardin, and O'Keeffe and Ms. Alexander, each of whom is independent under the rules of the NYSE. The primary responsibilities of this committee are to: (1) review and make recommendations to the board of directors on board organization matters; (2) assist the board of directors with evaluating the effectiveness of the board of directors and its committees; (3) review and

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make recommendations for committee appointments to the board of directors; (4) identify individuals qualified to become board members and propose to the board of directors a slate of nominees for election at the annual meeting of stockholders; (5) assess and make recommendations to the board of directors on corporate governance matters; and (6) develop and recommend to the board of directors a set of corporate governance principles. There were three meetings of the committee in 2012.

**Table of Contents****Executive Officers**

The following table sets forth certain information concerning our executive officers who, subject to rights pursuant to any employment agreements, serve at the pleasure of our board of directors.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Thomas G. Wattles	61	Executive Chairman*
Philip L. Hawkins	57	Chief Executive Officer*
Jeffrey F. Phelan	52	President
Teresa L. Corral	49	Executive Vice President of Investments and Portfolio Management
Neil P. Doyle	43	Managing Director, Central Region
Matthew T. Murphy	48	Chief Financial Officer and Treasurer
Charla Rios	51	Executive Vice President, Property Management
Michael J. Ruen	46	Managing Director, East Region
John G. Spiegleman	45	Executive Vice President and General Counsel

\* See biographical summary under Proposal 1: Election of Directors

The following is a biographical summary of the experience of our executive officers, other than for Messrs. Wattles and Hawkins as above.

*Jeffrey F. Phelan*, age 52, has been President of our company since January 2013. Mr. Phelan previously served as National President of Development and Managing Director, West Region, from March 2010 until January 2013. Prior to joining our company, from November 2006 through March 2010, Mr. Phelan was a principal of Phelan Development Company, a privately held real estate company that Mr. Phelan founded in November 2006, headquartered in Southern California that developed and managed industrial, office and retail properties. Prior to founding Phelan Development, Mr. Phelan was a partner at Panattoni Development Company from 1994 to 2006 where he founded their operations in Southern California and developed over 20 million square feet of commercial real estate. Panattoni Development Company is a development company specializing in industrial, office and retail projects. Mr. Phelan received a Bachelor's degree in Business Administration with a concentration in Real Estate from California State University.

*Teresa L. Corral*, age 49, has been our company's Executive Vice President of Investments and Portfolio Management since May 2011. Ms. Corral oversees our company's investment and disposition process as well as portfolio management of our balance sheet and joint venture assets. Prior to this role, Ms. Corral served as our company's Senior Vice President of Institutional Capital Management and Dispositions since 2006. Ms. Corral brings more than 26 years of experience in acquisitions, due diligence, and underwriting institutional and privately-held real estate to our company. Prior to joining our company in 2003, Ms. Corral served in various positions with Clayton, Williams, and Sherwood Inc., a private investment firm. She also worked for various affiliates of Clayton, Williams, and Sherwood Inc., including CWS Communities Trust, a private REIT. Ms. Corral received her Bachelor's degree in Business Administration and Economics from St. Mary's College of California.

*Neil P. Doyle*, age 43 has been our company's Managing Director, Central Region, since April 2012. He is responsible for all property operations, investments and development in the Central Region. Prior to joining our company in 2012, Mr. Doyle served in various positions at CenterPoint Properties Trust since 1997. Most recently, from February 2007 through June 2011, he served as Executive Vice President of Infrastructure and Transportation at CenterPoint Properties Trust with responsibility for the sourcing and execution of logistics-based industrial parks in key U.S. intermodal and port markets. Prior to this role, Mr. Doyle served as Senior Vice-President of Development at CenterPoint from July 2005 through January 2007. Mr. Doyle holds a Bachelor of Science degree in Civil Engineering from Marquette University.

*Matthew T. Murphy*, age 48, has been Chief Financial Officer of our company since September 2011. Mr. Murphy has been with our company or an affiliate since 2003, previously serving as interim Chief Financial

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Officer, Executive Vice President and Treasurer. Mr. Murphy has served as Treasurer of our company since October 2006 and, from May 2003 through October 2006, served as the Controller of Dividend Capital Advisors LLC, which was our external advisor at the time. From February 1998 until joining our former external advisor in May 2003, Mr. Murphy was a Vice President and Controller of Pritzker Residential, LLC, a privately-owned, fully-integrated multi-family real estate investment company. Prior to joining Pritzker, Mr. Murphy served in various positions with Security Capital Group and its affiliates, including Archstone-Smith Trust and ProLogis. Prior to joining Security Capital Group, in 1992, Mr. Murphy was a staff accountant with Coopers and Lybrand. Mr. Murphy currently serves as a director of Versus Capital Multi-Manager Real Estate Income Fund LLC. Mr. Murphy holds a Bachelor's degree in Accounting from Colorado State University.

*Charla Rios*, age 51, has been our company's Executive Vice President of Property Management since June 2011. Ms. Rios is responsible for planning, directing and managing our property management activities and leading our company's property management teams. Ms. Rios brings over 25 years of property management experience to our company. Prior to joining our company in 2011, Ms. Rios served as First Vice President and West Regional Property Manager of Prologis, Inc. for 16 years. Before joining Prologis, Inc., Ms. Rios was a Senior Property Manager with Trammell Crow Company in Phoenix, managing a portfolio for Pension Fund Advisors and institutional owners.

*Michael J. Ruen*, age 46, has been a Managing Director of our company since early 2007 and prior to that a Senior Vice President of our company since 2005. From February 2004 through October 2006, Mr. Ruen was an employee of Dividend Capital Advisors LLC, which was our external advisor at the time. Since the latter part of 2008, Mr. Ruen has overseen the Eastern Region of our company, responsible for all property operations, investments and development in that region. Prior to that time, Mr. Ruen was responsible for capital deployment in the Eastern United States and development. Prior to joining our former advisor in February 2004, he was employed for nine years in various positions with ProLogis. Before leaving ProLogis, Mr. Ruen had been a First Vice President and Market Officer with responsibility over development, acquisition and portfolio operations for the state of Tennessee. Prior to that, he had similar responsibilities for Denver, Birmingham and Chattanooga after managing the leasing and marketing activities for Atlanta. Prior to joining ProLogis, Mr. Ruen was with CB Richard Ellis-Atlanta and was responsible for various institutional account activities including general brokerage. He received his Bachelor of Sciences degree from the University of Alabama and an M.B.A. from Georgia State University.

*John G. Spiegleman*, age 45, has been Executive Vice President and General Counsel of our company since May 2011. Mr. Spiegleman is responsible for all legal, risk management and compliance matters. Mr. Spiegleman brings more than 21 years of experience to our company. Prior to joining our company in 2011, Mr. Spiegleman served as a Senior Vice President and Assistant General Counsel of Aimco from January 2006 to April 2011. While at Aimco, Mr. Spiegleman managed the legal aspects for all its transactions. Prior to joining Aimco, Mr. Spiegleman was Senior Vice President of Miller Global Properties for seven years. While at Miller Global, a privately-held company that owns, develops, and operates office and hotel properties throughout the world, Mr. Spiegleman served in legal and business roles. Mr. Spiegleman received his Juris Doctor from the University of Colorado, School of Law and his Bachelor's degree in Economics from Denison University.

There is no family relationship between our directors or executive officers. None of the organizations at which our directors or executive officers served or were employed prior to their employment with us is an affiliate of us, other than our former advisor and its affiliates.

**Table of Contents****Principal Stockholders**

The following table sets forth, as of February 1, 2013, ownership information with respect to our common stock and partnership units in our operating partnership, for those persons known to us to be the beneficial owner of 5% or more of our outstanding common stock, each of our named executive officers, directors and director nominees, individually, and all of our executive officers and directors, as a group.

Name and Address of Beneficial Owner	Common Stock		Common Stock and Units	
	Number of Shares Beneficially Owned <sup>(1)</sup>	Percent of Common Stock <sup>(2)</sup>	Number of Shares and Units Beneficially Owned <sup>(1)</sup>	Percent of Common Stock and Units <sup>(2)</sup>
<b>Directors and Executive Officers</b>				
Thomas G. Wattles	2,361,195 <sup>(3)</sup>	*	2,430,590 <sup>(3)</sup>	*
Philip L. Hawkins	1,521,750 <sup>(4)</sup>	*	2,384,601 <sup>(4)</sup>	*
Marilyn A. Alexander	11,216 <sup>(5)</sup>	*	21,420 <sup>(5)</sup>	*
Thomas F. August	58,781 <sup>(6)</sup>	*	68,985 <sup>(6)</sup>	*
John S. Gates, Jr.	83,781 <sup>(7)</sup>	*	93,985 <sup>(7)</sup>	*
Raymond B. Greer	14,861 <sup>(8)</sup>	*	25,065 <sup>(8)</sup>	*
Tripp H. Hardin	62,248 <sup>(9)</sup>	*	72,452 <sup>(9)</sup>	*
John C. O. Keeffe	62,850 <sup>(10)</sup>	*	73,054 <sup>(10)</sup>	*
Bruce L. Warwick	101,132 <sup>(11)</sup>	*	111,336 <sup>(11)</sup>	*
Matthew T. Murphy	272,300 <sup>(12)</sup>	*	478,756 <sup>(12)</sup>	*
Jeffrey F. Phelan	135,635 <sup>(13)</sup>	*	612,766 <sup>(13)</sup>	*
Michael J. Ruen	491,455 <sup>(14)</sup>	*	988,978 <sup>(14)</sup>	*
All directors and officers as a group (17 persons)	5,352,569 <sup>(15)</sup>	1.9%	8,073,322 <sup>(15)</sup>	2.7%
<b>Five Percent Stockholders</b>				
FMR LLC				
Edward C. Johnson 3d <sup>(16)</sup>	40,384,525	14.4%	40,384,525	13.4%
Invesco Ltd. <sup>(17)</sup>	34,404,220	12.2%	34,404,220	11.4%
The Vanguard Group, Inc. <sup>(18)</sup>	34,261,371	12.2%	34,261,371	11.3%
Cohen & Steers, Inc. <sup>(19)</sup>	28,951,935	10.3%	28,951,935	9.6%
BlackRock, Inc. <sup>(20)</sup>	19,111,180	6.8%	19,111,180	6.3%
Vanguard Specialized Funds Vanguard REIT Index Fund <sup>(1)</sup>	17,649,788	6.3%	17,649,788	5.8%
Morgan Stanley <sup>(22)</sup>	16,231,573	5.8%	16,231,573	5.4%

Unless otherwise indicated below, to our knowledge, all persons named in the table have sole voting and investment power with respect to their shares of common stock or units, except to the extent authority is shared by spouses under community property laws. Unless otherwise listed, the address of each of the stockholders is c/o DCT Industrial Trust Inc., 518 17<sup>th</sup> Street, Suite 800, Denver, Colorado 80202.

\* Less than 1.0% of the outstanding securities of our company and its subsidiaries.

- (1) Number of shares beneficially owned includes shares of common stock that may be acquired by (i) exercising stock options within 60 days of February 1, 2013 or (ii) converting phantom shares vested or vesting within 60 days of February 1, 2013 to actual shares, but does not include shares of common stock that may be acquired by redeeming OP units in our operating partnership. Number of shares and units beneficially owned includes all shares included in the column titled Number of shares beneficially owned plus shares of common stock that may be acquired by converting all unvested phantom shares and redeeming OP units in our operating partnership assuming that (i) all outstanding OP units are immediately redeemable/exchangeable, (ii) all outstanding LTIP units have vested in full and have been converted into an equal number of OP units and (iii) all OP units have been exchanged for shares of common stock. Pursuant to the limited partnership agreement of our operating partnership, after receiving a redemption notice from a unit holder, our operating partnership must redeem units for cash or, at our option, shares of



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common stock on a one-for-one basis, subject to certain conditions including that such OP units have been issued and outstanding for at least a year. The terms of the LTIP units are described in Executive and Director Compensation Compensation Discussion and Analysis Long-Term Equity Incentive Compensation LTIP Units.

- (2) As of February 1, 2013, 280,945,617 shares of common stock, 19,394,390 OP units and 2,373,392 LTIP units were outstanding. To compute the percentage of outstanding shares of common stock held by each person and unless otherwise noted, any share of common stock which such person has the right to acquire pursuant to the exercise of stock options exercisable, or conversion of phantom shares vested or vesting within 60 days of February 1, 2013 is deemed to be outstanding, but is not deemed to be outstanding for the purpose of computing the percentage ownership of any other person. The percentage of outstanding shares of common stock and units held by each person is calculated in the same manner as the percentage of outstanding shares of common stock, except that in performing this calculation we assume that: (i) all outstanding LTIP units held by all persons have vested in full and have been converted into an equal number of OP units, (ii) all OP units held by all persons, other than us, have been exchanged for shares of common stock and (iii) all phantom shares held by all persons, whether vested or not, have been converted into shares of common stock.
- (3) Includes 623,438 shares issuable upon exercise of options which are currently exercisable or which will become exercisable within 60 days after February 1, 2013. Also, includes 1,312,678 shares held by the Thomas George Wattles Revocable Trust and 425,079 shares held by the Thomas George Wattles 2012 Irrevocable Trust. Additionally, the number of shares and units beneficially owned column includes 69,395 LTIP units (of which 17,349 are vested as of February 1, 2013).
- (4) Includes 805,820 shares issuable upon exercise of options which are currently exercisable or which will become exercisable within 60 days after February 1, 2013. Additionally, the number of shares and units beneficially owned column includes 862,851 LTIP units (of which 502,075 are vested as of February 1, 2013).
- (5) Includes 6,598 vested phantom shares. Additionally, the number of shares and units beneficially owned column includes 10,204 phantom shares that are not currently vested.
- (6) Includes 27,522 vested phantom shares. Additionally, the number of shares and units beneficially owned column includes 10,204 phantom shares that are not currently vested.
- (7) Includes 10,533 shares held by the John S. Gates Jr. Trust and 50,000 shares owned by the Gates Charitable Trust. Additionally, the number of shares and units beneficially owned column includes 10,204 phantom shares that are not currently vested.
- (8) Includes 14,861 vested phantom shares. Additionally, the number of shares and units beneficially owned column includes 10,204 phantom shares that are not currently vested.
- (9) Includes 2,277 shares held through a trust for the benefit of Mr. Hardin, an additional 1,190 shares held through his profit sharing plan (self-directed), and 30,670 vested phantom shares. Also includes 25,000 shares issuable upon exercise of options which are currently exercisable or which will become exercisable within 60 days after February 1, 2013. Additionally, the number of shares and units beneficially owned column includes 10,204 phantom shares that are not currently vested.
- (10) Includes 25,000 shares issuable upon exercise of options which are currently exercisable or which will become exercisable within 60 days after February 1, 2013. Additionally, the number of shares and units beneficially owned column includes 10,204 phantom shares that are not currently vested.
- (11) Includes 15,000 shares issuable upon exercise of options which are currently exercisable or which will become exercisable within 60 days after February 1, 2013 and 27,522 vested phantom shares. Also, includes 42,000 shares held by the Fairfield Darien Green Associates Limited Partnership. Additionally, the number of shares and units beneficially owned column includes 10,204 phantom shares that are not currently vested.
- (12) Includes 91,894 shares issuable upon exercise of options which are currently exercisable or which will become exercisable within 60 days after February 1, 2013. Additionally, the number of shares and units beneficially owned column includes 206,456 LTIP units (of which 61,145 are vested as of February 1, 2013).
- (13) Includes 21,085 shares issuable upon exercise of options which are currently exercisable or which will become exercisable within 60 days after February 1, 2013. Also, includes 114,550 shares held by the

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- Phelan Trust. The number of shares and units beneficially owned column includes 477,131 LTIP units (of which 87,547 are vested as of February 1, 2013).
- (14) Includes 364,010 shares issuable upon exercise of options which are currently exercisable or which will become exercisable within 60 days after February 1, 2013. Additionally, the number of shares and units beneficially owned column includes 325,301 LTIP units (of which 170,069 are vested as of February 1, 2013) and 172,222 OP Units.
- (15) Includes an aggregate of 3,170,341 shares of common stock, 357,493 OP units, 2,291,832 LTIP units, 178,601 phantom shares and 2,075,055 shares of common stock underlying currently exercisable stock options which will become exercisable within 60 days after February 1, 2013. See also notes (3) (14) above.
- (16) Information regarding FMR LLC and Edward C. Johnson 3d is based solely upon a Schedule 13G filed jointly by FMR LLC and Edward C. Johnson 3d with the SEC on February 14, 2013. FMR LLC reported sole voting power with respect to 1,624,240 shares and each of FMR LLC and Edward C. Johnson 3d reported sole investment power with respect to the same 40,384,525 shares. FMR LLC and Edward C. Johnson 3d reported that Fidelity Management & Research Company, a wholly-owned subsidiary of FMR LLC and an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, is the beneficial owner of 29,144,378 shares or 10.4% of our outstanding common stock. The address of FMR LLC, Edward C. Johnson 3d and Fidelity Management & Research Company is 82 Devonshire Street, Boston, Massachusetts 02109.
- (17) Information regarding Invesco Ltd. is based solely on a Schedule 13G filed by Invesco Ltd. with the SEC on January 31, 2013. The Invesco Ltd. reported sole voting power with respect to 22,526,267 shares, shared voting power with respect to 240,179 shares, sole investment power with respect to 34,231,037 shares and shared investment power with respect to 173,183 shares. The address of Invesco is 1555 Peachtree Street NE, Atlanta, Georgia 30309.
- (18) Information regarding The Vanguard Group, Inc. is based solely upon a Schedule 13G filed by The Vanguard Group, Inc. with the SEC on February 11, 2013. The Vanguard Group, Inc. reported sole voting power with respect to 800,875 shares, shared voting power with respect to 209,200 shares, sole investment power with respect to 33,613,996 shares and shared investment power with respect to 647,375 shares. The address of The Vanguard Group, Inc. is 100 Vanguard Blvd., Malvern, Pennsylvania 19355.
- (19) Information regarding Cohen & Steers, Inc. (Cohen) is based solely on a Schedule 13G filed jointly by Cohen, Cohen & Steers Capital Management, Inc. and Cohen & Steers Europe S.A. with the SEC on February 14, 2013. The Schedule 13G filed by Cohen indicates that (i) Cohen & Steers Capital Management, Inc. is the beneficial owner of 28,075,841 shares or 10.0% of our outstanding common stock and has sole voting power with respect to 22,644,434 shares and sole investment power with respect to 28,075,841 shares and (ii) Cohen & Steers Europe S.A. has sole voting power with respect to 476,079 shares and sole investment power with respect to 876,094 shares. The address of Cohen is 280 Park Avenue, 10th Floor, New York, New York 10017.
- (20) Information regarding BlackRock, Inc. is based solely upon a Schedule 13G filed by BlackRock, Inc. with the SEC on February 8, 2013. BlackRock, Inc. reported sole voting power and sole investment power with respect to 19,111,180 shares. The address of BlackRock, Inc. is 40 East 52nd Street, New York, New York 10022.
- (21) Information regarding Vanguard Specialized Funds Vanguard REIT Index Fund (Vanguard) is based solely on a Schedule 13G filed by Vanguard with the SEC on February 14, 2013. Vanguard reported sole voting power with respect to 17,649,788 shares. The address of Vanguard is 100 Vanguard Blvd., Malvern, Pennsylvania 19355.
- (22) Information regarding Morgan Stanley is based solely upon a Schedule 13G filed jointly by Morgan Stanley and Morgan Stanley Investment Management Inc. with the SEC on February 14, 2013. Morgan Stanley reported sole voting power with respect to 13,395,441 shares and sole investment power with respect to 16,231,573 shares and Morgan Stanley Investment Management Inc. reported sole voting power with respect to 13,395,441 shares and sole investment power with respect to 16,231,573 shares. The address of Morgan Stanley is 1585 Broadway, New York, New York 10036 and the address of Morgan Stanley Investment Management Inc. is 522 Fifth Avenue, New York, New York 10036.



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**Transactions with Related Persons**

*For purposes of this section titled Transactions with Related Persons, the terms we and our refer to DCT Industrial Trust Inc. together with its consolidated subsidiaries.*

**Transactions with Jeffrey F. Phelan**

In December 2010, we entered into two agreements whereby we acquired from third parties ownership interests of approximately 44.8% and 52.6% in two bulk industrial buildings located in Ontario, California, totaling 0.5 million square feet. Entities indirectly owned by Mr. Phelan and his wife had existing ownership interests in these buildings of approximately 21.3% and 25.0%, respectively, and acquired from third parties additional ownership interests in these buildings of approximately 19.1% and 22.4%, respectively, pursuant to these two agreements. We purchased our interests in these buildings for approximately \$11.6 million (plus the assumption of our pro rata share of approximately \$9.4 million of indebtedness encumbering one of the properties). Following the transaction, we owned each of these buildings as tenants-in-common with entities indirectly owned by Mr. Phelan and his wife and are entitled to earn returns on these buildings in accordance with our respective ownership interests. We control the operation and management of these buildings. In connection with this transaction, we also provided approximately \$1.0 million of secured debt financing for the second building that we acquired at an interest rate of 5.75% and a maturity date of January 1, 2012; which maturity date has been extended on a month-to-month basis. The loan obligation was split among us and the entities indirectly owned by Mr. Phelan and his wife based on respective ownership interests. From January 1, 2012 through March 15, 2013, \$70,186 in interest was paid on the loan and, as of March 15, 2013, the full principal balance of the loan was outstanding.

In January 2011, we formed a joint venture, DCT Palmiowa LLC, with Iowa Investments, LLC, a company indirectly owned by Mr. Phelan and his wife. The joint venture acquired two bulk industrial buildings, totaling approximately 0.2 million square feet, located in Riverside, California from entities indirectly owned by Mr. Phelan and his wife for approximately \$11.7 million. These entities indirectly owned by Mr. Phelan and his wife had acquired the two bulk industrial buildings shortly before the sale to DCT Palmiowa LLC in order to facilitate the transaction. Pursuant to the operating agreement for the joint venture, we contributed approximately 52.6% of the initial equity capital and Iowa Investments, LLC contributed the remainder, and all distributions will be made pro rata based on the parties' capital contributions. In connection with this transaction, we also provided DCT Palmiowa LLC with an approximately \$7.6 million secured loan at an interest rate of 5.75% and a maturity date of January 1, 2012; which maturity date has been extended on a month-to-month basis. From January 1, 2012 through March 15, 2013, \$508,921 in interest was paid on the loan and, as of March 15, 2013, the full principal balance of the loan was outstanding.

**Transactions with Related Person Approval Policy**

Our corporate governance guidelines set forth in writing our transactions with related person approval policy. According to this policy, each related person transaction must be reviewed and approved in advance by the audit committee or, for contributions, acquisitions, and dispositions of real property, the investment committee; provided that if we enter into a transaction without recognizing that it constitutes a related person transaction, this approval requirement can be satisfied if the transaction is subsequently ratified by the audit committee or investment committee, as applicable. Our transactions with related person approval policy under our corporate governance guidelines covers all transactions with related parties required to be disclosed in the proxy statement under SEC rules and all other related person transactions in which the amount involved exceeds \$60,000.

Our code of business conduct and ethics sets forth in writing the standards, policies and procedures that the Company follows in situations where there is a possibility of a conflict of interest. Each employee, officer or director is expected to avoid any situation in which his or her personal interests conflict, or have the appearance of conflicting, with those of the Company. All employees, officers and directors must promptly and fully disclose the occurrence of any situation that may amount to such conflict of interest, including the existence of a personal

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direct or indirect financial interest in a transaction, to our general counsel. Non-employee directors are expected to make appropriate disclosures to our board and recuse themselves from board decisions with respect to transactions involving the Company to which they are an interested party. A waiver with respect to any transaction involving a director or officer that may violate our code of business conduct and ethics may be made only by the board of directors or by the nominating and corporate governance committee and must be promptly disclosed to our stockholders in accordance with all applicable laws and regulations. Our code of business conduct and ethics may or may not cover all transactions with related parties required to be disclosed in the proxy statement under SEC rules.

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**Executive and Director Compensation**

**Compensation Discussion and Analysis**

We provide what we believe is a competitive total compensation package to our executive management team through a combination of base salary, annual cash incentive bonuses, long-term equity incentive compensation and broad-based benefits programs. This Compensation Discussion and Analysis explains our compensation objectives, policies and practices with respect to our Chief Executive Officer, our Chief Financial Officer and the other three most highly-compensated executive officers as of the end of 2012 as determined in accordance with applicable SEC rules (collectively referred to as our named executive officers or, in this Compensation Discussion and Analysis section, our executives). Our named executive officers are as follows: Philip L. Hawkins, Chief Executive Officer; Thomas G. Wattles, Executive Chairman of the Board; Jeffrey F. Phelan, President; Matthew T. Murphy, Chief Financial Officer and Treasurer; and Michael J. Ruen, Managing Director, East Region.

***Objectives of Our Executive Compensation Programs***

Our compensation programs for our executives are designed to achieve the following objectives:

Attract and retain top contributors to ensure that we have high caliber executives;

Create and maintain a performance-driven organization, by providing upside compensation opportunity for outstanding performance and downside compensation risk in the event of performance below expectations;

Align the interests of our executives and stockholders by motivating executives to increase stockholder value along with the achievement of other key corporate goals and objectives and rewarding executives when stockholder value increases;

Encourage teamwork and cooperation while recognizing individual contributions by linking variable compensation to company and individual performance based on position responsibilities and ability to influence financial and organizational results;

Provide flexibility and allow for discretion in applying our compensation principles in order to appropriately reflect individual circumstances as well as changing business conditions and priorities;

Motivate our executives to manage our business to meet and appropriately balance our short- and long-term objectives, and reward them for meeting these objectives; and

Reinforce our entrepreneurial culture.

**Table of Contents*****Peer Group Data***

During 2011 and 2012, the compensation committee assessed and affirmed the independence of Frederic W. Cook & Co., Inc., or F.W. Cook, a nationally recognized consulting firm, and engaged it to be the compensation committee's independent executive compensation consultant and to conduct a competitive review of our executive compensation program. As part of F.W. Cook's engagement, the compensation committee directed F.W. Cook to, among other things, compare our executive compensation with competitive market compensation data for two different peer groups: an asset-based peer group consisting of eight public REITs (which was reduced to seven public REITs during 2012) with an industrial asset class focus; and a size-based REIT peer group consisting of 14 public REITs similar in size (as defined by equity market capitalization and enterprise value) to our company, but in varying asset classes. These two peer groups, which were developed by F.W. Cook in consultation with our management and subsequently approved by the compensation committee, were comprised of the following companies:

**Asset-Based Peers**

AMB Property Corporation<sup>(1)</sup>  
 Duke Realty Corporation  
 EastGroup Properties, Inc.  
 First Industrial Realty Trust, Inc.  
 First Potomac Realty Trust  
 Liberty Property Trust  
 ProLogis<sup>(1)</sup>  
 PS Business Parks, Inc.  
 STAG Industrial, Inc.<sup>(1)</sup>

**Size-Based Peers**

American Campus Communities, Inc.  
 Colonial Properties Trust  
 Diamondrock Hospitality Company  
 EastGroup Properties, Inc.  
 Equity One, Inc.  
 Extra Space Storage Inc.  
 Healthcare Realty Trust Incorporated  
 LaSalle Hotel Properties  
 Lexington Realty Trust  
 Medical Properties Trust, Inc.  
 Post Properties, Inc.  
 PS Business Parks, Inc.  
 Sovran Self Storage, Inc.  
 Sunstone Hotel Investors, Inc.

(1) Due to the merger between AMB Property Corporation and ProLogis, those companies were removed from the asset based peer list in the compensation analysis performed by F.W. Cook during August 2012 and were replaced with STAG Industrial, Inc.

The peer group data presented included information regarding base salary, actual and target bonus amounts, total annual compensation, long-term equity and cash incentives and total compensation. F.W. Cook also presented the same categories of information for all industrial REITs and all REITs with an enterprise value between \$1.0 billion and \$3.0 billion that were included in the 2011 NAREIT Compensation and Benefits Survey. For each of these categories of information, F.W. Cook presented information comparing our compensation to the compensation paid by the companies in these peer groups at the 25<sup>th</sup>, 50<sup>th</sup> and 75<sup>th</sup> percentiles for comparable positions.

For purposes of 2012 compensation, the compensation committee used this competitive market compensation data to gain a greater understanding of market practices in connection with establishing base salaries, target annual cash incentive bonus amounts and target values for annual grants of long-term equity incentive compensation, all of which were established in early 2012. The compensation committee did not target a single percentile or range of percentiles to be used consistently for all of our executives, but rather used this information in connection with a number of factors, including, among others, the individual experience and skills of, and expected contributions from, our executives, the difficulty that we would have in replacing each of our executives and current economic conditions.

**Table of Contents*****Our Executive Compensation Programs***

Our executive compensation primarily consists of base salary, annual cash incentive bonuses, long-term equity incentive compensation and broad-based benefits programs. Additionally, with the exception of Mr. Wattles, we have employment agreements with each of our executives that provide for payments and other benefits in connection with a termination of employment in certain circumstances or a change-in-control. Overall, we designed our executive compensation programs to achieve the objectives described above. In particular, consistent with the emphasis we place on maintaining a performance-driven organization and aligning the interests of our executives and stockholders, long-term equity incentive compensation constitutes a significant portion of our total executive compensation. We also structured our annual cash incentive bonuses and annual grants of long-term equity incentive compensation to be based on our actual performance compared to predetermined performance goals. In determining the mix of the different elements of executive compensation, we considered the mix being offered by comparable companies. We generally structured the mix of base salary, target annual cash incentive bonuses and target long-term equity incentive compensation to approximate the average mix for our peers, except that we placed a greater emphasis on long-term equity incentive compensation. For 2012, we generally kept the mix of the different elements of executive compensation consistent with the mix that we have had in prior years recognizing that each year, depending on actual performance during the year, the amount of cash incentive bonuses paid and long-term equity incentive compensation granted relative to base salary will fluctuate.

Each of the primary elements of our executive compensation is discussed in detail below, including a description of the particular element and how it fits into our overall executive compensation and a discussion of the amounts of compensation paid to our executives for 2012 under each of these elements. In the descriptions below, we highlight particular compensation objectives that are addressed by specific elements of our executive compensation program; however, it should be noted that we have designed our compensation programs to complement each other and collectively serve all of our executive compensation objectives described above. Accordingly, whether or not specifically mentioned below, we believe that, as a part of our overall executive compensation, each element, to a greater or lesser extent, serves each of our objectives.

At our 2012 annual meeting, a non-binding, advisory resolution approving the compensation paid to our named executive officers, as disclosed in our proxy statement for the 2012 annual meeting, including the Compensation Discussion and Analysis, compensation tables and narrative discussions, was approved by our stockholders, with more than 96% of the votes cast having been voted in favor of the proposal to approve such resolution. The compensation committee has considered the results of this vote and, as a result of the high percentage of votes cast in favor of this proposal, the compensation committee viewed these results as an indication of stockholders' overall satisfaction with the manner in which we compensated our named executive officers in 2011. Accordingly, based in part on the results of this vote, the compensation committee generally has maintained the structure of our executive compensation programs that had been described in our proxy statement for the 2012 annual meeting.

***2012 Total Annual Compensation***

The following table sets forth the amounts of base salary, annual cash incentive bonus and annual long-term equity incentive compensation (based on the value approved) awarded by the compensation committee for each of our executives for 2012.

<b>Name</b>	<b>Base Salary</b>	<b>Annual Bonus</b>	<b>Annual Equity<sup>(1)</sup></b>	<b>Total</b>
Philip L. Hawkins	\$ 600,000	\$ 900,982	\$ 1,476,391	\$ 2,977,373
Thomas G. Wattles	260,000	268,531	604,196	1,132,727
Jeffrey F. Phelan	260,000	248,153	519,022	1,027,175
Matthew T. Murphy	275,000	377,284	321,892	974,176
Michael J. Ruen	260,000	235,012	504,239	999,251

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- (1) Annual equity represents the value of the annual long-term equity incentive compensation approved by the compensation committee. All of the annual equity grants were made in the form of restricted stock or LTIP units, at the election of the executive. We valued the annual grants at \$7.13 per share or unit, which was the closing stock price of our common stock on February 6, 2013, the date the awards were approved. With the exception of Mr. Wattles, each of these annual equity awards vests over four years with 25% vesting on each of the first four anniversaries of January 1, 2013, subject to continued employment with us through such date. Mr. Wattles' equity award vests over four years with 25% vesting on each of the first four anniversaries of January 1, 2013, however, vesting is not subject to continued employment with us through such date.

The foregoing table more accurately reflects the decisions of the compensation committee with respect to our executive officers' compensation than the Summary Compensation Table below. This primarily results from the fact that, in order to link our annual long-term equity incentive compensation to our annual performance, the compensation committee typically grants our annual long-term equity incentive compensation for a particular year in January or February of the following year. Due to the rules governing the presentation of the Summary Compensation Table, we are required to present these grants as compensation for the year in which they were granted (as opposed to the year for which they were granted). As a result, for example, the Stock Awards granted in February 2012 for 2011 performance are required to be reported as 2012 compensation in the Summary Compensation Table.

A detailed discussion of the base salary, annual cash incentive bonus and annual long-term equity incentive compensation paid or awarded to our executives for 2012 is contained below.

***Base Salary***

We pay our executives a base salary, which we review and determine annually, subject to the commitments we have made to our executives in their employment agreements. We believe that a competitive base salary is a necessary element of any compensation program that is designed to attract and retain talented and experienced executives. We also believe that attractive base salaries can motivate and reward executives for their overall performance. Although base salaries are established in part based on the individual experience, skills and expected contributions during the coming year of our executives and our executives' performance during the prior year, we do not view base salaries as primarily serving our objective of paying for performance.

The following table sets forth the annual base salaries for our executives for 2012 and 2011:

<b>Named Executive Officer</b>	<b>2012 Base Salary</b>	<b>2011 Base Salary</b>	<b>Percentage Change</b>
Philip L. Hawkins	\$ 600,000	\$ 600,000	
Thomas G. Wattles	\$ 260,000	\$ 260,000	
Jeffrey F. Phelan	\$ 260,000	\$ 260,000	
Matthew T. Murphy	\$ 275,000	\$ 275,000	
Michael J. Ruen	\$ 260,000	\$ 260,000	

During 2012, we maintained base salaries at 2011 levels for Messrs. Hawkins, Wattles, Phelan, Murphy and Ruen. Overall, base salaries for 2012 were based on the compensation committee's review of competitive market compensation data and its conclusion that, in most cases, the amount of the base salaries for our executives remain competitive.

In setting base salary, we also took into account the commitments that we have made to our executives in their employment agreements. Under the employment agreements that were in effect for 2012, minimum annual base salaries for these executives for 2012 were established based on the annual base salaries at the time the agreements were entered into as follows: Mr. Hawkins' minimum base salary was \$600,000 per year;

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Mr. Phelan's minimum base salary was \$260,000 per year; Mr. Murphy's minimum base salary was \$275,000 per year; and Mr. Ruen's minimum base salary was \$260,000 per year. Annual base salary for each of Messrs. Hawkins, Phelan, Murphy and Ruen for 2012 equaled the minimum base salaries in these employment agreements. We have not entered into an employment agreement with Mr. Wattles.

***Annual Cash Incentive Bonuses***

Our executives are eligible to receive annual cash incentive bonuses each year primarily based upon their performance. Our annual cash incentive bonuses are intended to reward our executives with currently paid compensation based on annual performance.

***2012 Target Bonuses***

Similar to base salary, the employment agreements that we entered into with our executives provide for minimum target annual cash incentive bonuses. These agreements provided for the following minimum target annual cash incentive bonuses for 2012: Mr. Hawkins 100% of base salary; Mr. Phelan \$200,000; Mr. Murphy \$250,000; and Mr. Ruen \$200,000. The commitments in these employment agreements related to minimum target annual cash incentive bonuses, and we have discretion to establish the criteria that must be met for the annual cash incentive bonuses to be paid and may grant annual cash incentive bonuses in amounts above or below the target level based on our assessment of performance.

In February 2012, we established target annual cash incentive bonuses for each of our executives. Similar to base salary, we maintained the levels of our executives' target annual cash incentive bonuses for 2012 at 2011 levels. For 2012, our decisions regarding the amount of the target annual cash incentive bonuses were also based on the compensation committee's analysis of competitive market compensation data and its conclusion that the amount of the target annual cash incentive bonuses for our executives did not need to increase in order to remain competitive.

The following table sets forth the target annual cash incentive bonuses for each of our executives for 2012 and 2011:

<b>Named Executive Officer</b>	<b>2012 Target Bonus</b>	<b>2011 Target Bonus</b>	<b>Percentage Change</b>
Philip L. Hawkins	\$ 600,000	\$ 600,000	
Thomas G. Wattles	\$ 200,000	\$ 200,000	
Jeffrey F. Phelan	\$ 200,000	\$ 200,000	
Matthew T. Murphy	\$ 250,000	\$ 250,000	
Michael J. Ruen	\$ 200,000	\$ 200,000	

***2012 Bonus Objectives***

For 2012, consistent with 2011, a substantial majority of each executive's target annual cash incentive bonus was linked in a formulaic manner to the achievement of specific, objectively measurable goals, with the remainder based on each executive's achievement of more subjective goals, subject, in each case, to the compensation committee's ability to exercise negative discretion to award executives annual bonuses that are less than what would have been earned based on the formulaic application of the predetermined objectives.

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The table set forth below describes the objectives that we established for each of our executives and the percentage of that executive's annual cash incentive bonus that was linked to the achievement of each objective.

Objectives	Hawkins	Wattles	Phelan	Murphy	Ruen
Total net operating income	25.0%		15.0%	25.0%	15.0%
Regional net operating income			25.0%		25.0%
Total capital deployment	25.0%	30.0%	20.0%	25.0%	20.0%
Regional/national capital deployment		70.0%	20.0%		20.0%
Asset sales/equity raises	25.0%			25.0%	
Individual/Subjective	25.0%		20.0%	25.0%	20.0%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

We selected these specific objectives because (i) net operating income is one of the most significant financial measures that we report to investors and use to evaluate our ongoing performance, (ii) the deployment of capital through the completion of acquisitions and commencement of development projects, consistent with our investment criteria, during 2012 was one of our key strategic goals for the year and (iii) our assets sales and equity raises were expected to provide an important source of funding to be used to meet our capital deployment goals.

For each of these objectives, in February 2012, we established five different levels of performance pursuant to which executives could earn from 0-200% of the target amount of the portion of the annual cash incentive bonus attributable to that objective. The table below sets forth the goals established at each of these performance levels, actual performance for 2012 and the percentage of target earned for each objective.

Objectives	Min. (0%)	Thresh. (50%)	Target (100%)	High (150%)	Max. (200%)	Actual	Earned % <sup>(4)</sup>
Total net operating income (% of budget) <sup>(1)</sup>	84%	92%	100%	108%	116%	102.0%	113%
Regional net operating income (% of budget) <sup>(1)</sup>							
<i>West region (Phelan)</i>	84%	92%	100%	108%	116%	99.3%	96%
<i>East region (Ruen)</i>	84%	92%	100%	108%	116%	100.7%	104%
Total capital deployment <sup>(2)</sup>	\$ 100	\$ 150	\$ 250	\$ 350	\$ 460	\$ 376.0	163%
Regional/National capital deployment <sup>(2)</sup>							
<i>West region (Phelan)</i>	\$ 50	\$ 70	\$ 100	\$ 140	\$ 175	\$ 116.5	121%
<i>East region (Ruen)</i>	\$ 25	\$ 40	\$ 60	\$ 85	\$ 100	\$ 58.5	97%
<i>National (Wattles)</i>	\$ 0	\$ 50	\$ 100	\$ 150	\$ 200	\$ 122.0	122%
Assets sales/equity raises <sup>(3)</sup>	\$ 25	\$ 75	\$ 175	\$ 275	\$ 325	\$ 330.2	200%

- (1) Represents net operating income, excluding new acquisitions and adjusted for dispositions. Regional net operating income for Messrs. Phelan and Ruen relates to net operating income, excluding new acquisitions and adjusted for dispositions, for properties in each executive's region.
- (2) Capital deployment is based on the unlevered investment in acquisitions closed during 2012, plus total projected capital committed to development projects started in 2012. Regional capital deployment for Messrs. Phelan and Ruen is based on acquisitions sourced in each executive's region, excluding deals primarily sourced by Mr. Wattles, plus total projected capital committed to development projects started in each executive's region in 2012. National capital deployment for Mr. Wattles is based on acquisitions sourced through Mr. Wattles with support from our acquisition teams, excluding widely marketed properties.
- (3) Represent total capital raised through asset sales and the issuance of our equity through public offerings.
- (4) To the extent performance fell between two of the established levels of performance, the percentage earned was determined based on linear interpolation between the percentages that would have been earned for the established levels of performance.



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In addition, in February 2012, the compensation committee established the following objectives for each of our executives for use, together with our actual funds from operations, which we refer to as FFO, as adjusted, for 2012 as compared to a target of \$0.38 per diluted share that approximately represented the midpoint of our initial guidance for 2012 of \$0.36-\$0.41 per diluted share, in determining the individual/subjective component of the annual cash incentive bonuses for our executives to the extent applicable:

<b>Named Executive Officer</b>	<b>Objectives</b>
Philip L. Hawkins	Objectives relating to executive hiring, the opening of new market offices, internalizing property management in certain markets and dividend coverage
Jeffrey F. Phelan	Objectives relating to our value-add and development activities, capital expenditures and overseeing the Houston office on an interim basis
Mathew T. Murphy	Objectives relating to dividend coverage, department hiring, development forecasting, capital expenditures and debt financing
Michael J. Ruen	Objectives relating to development activities, capital expenditures and overseeing the Cincinnati office on an interim basis

With respect to the individual/subjective component of the annual cash incentive bonuses, the compensation committee determined that each of these executives had exceeded target performance. Based on an evaluation of the foregoing objectives, including that our FFO, as adjusted, of \$0.42 per diluted share exceeded our target of \$0.38 per diluted share, the compensation committee determined that the executives had earned the following percentages of their target amounts with respect to the individual/subjective component of the annual cash incentive bonuses: Mr. Hawkins 125%; Mr. Phelan 133%; Mr. Murphy 128%; and Mr. Ruen 113%.

*2012 Bonus Amounts*

The compensation committee determined 2012 annual cash incentive bonuses for each of the executives based on the percentage earned for each objective, the executive's pre-established percentage weighting for each objective and the executive's target amount, all as set forth above. The amounts earned with respect to the objectives relating net operating income, capital deployment, asset sales and equity raises, which represented from 75%-100% of the overall bonus opportunity, were determined in a formulaic manner based on actual performance as compared to the goals established in February 2012. The remainder, relating to the individual/subjective component, was determined based on the compensation committee's evaluation of the performance of each of our executives against the objectives established for that executive, including FFO, as described above. The following are the target and actual annual cash incentive bonuses for each of our executives for 2012 and the percentages of the target annual cash incentive bonuses that were paid:

<b>Named Executive Officer</b>	<b>2012 Target Bonus</b>	<b>2012 Actual Bonus</b>	<b>Percentage Payout</b>
Philip L. Hawkins	\$ 600,000	\$ 900,982	150%
Thomas G. Wattles	\$ 200,000	\$ 268,531	134%
Jeffrey F. Phelan	\$ 200,000	\$ 248,153	124%
Matthew T. Murphy	\$ 250,000	\$ 377,284	151%
Michael J. Ruen	\$ 200,000	\$ 235,012	118%

*Long-Term Equity Incentive Compensation*

We grant long-term equity incentive awards to executives as part of our total compensation package. During 2012, there were two primary components of our long-term equity incentive awards: an annual grant program and a multi-year program.

*Annual Grant Program*

Under the annual grant program, our executives are eligible to receive annual grants of long-term equity incentive compensation. Our annual grant program is intended to reward our executives with long-term

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compensation for annual performance. The primary objectives of this program are to incent our executives to achieve annual performance goals, further align the interests of our executives with our stockholders over the longer term and serve as a retention tool for our executives. We determine our annual grants based on a dollar value, and pay all of the annual grants in the form of restricted stock or LTIP units. Historically, we have used restricted stock or LTIP units for all or the majority of our long-term equity incentive compensation because we believe that these full value awards provide the best alignment with our stockholders by fully reflecting the total return we provide to our stockholders, including dividends or other distributions as well as potential future increases or decreases in our stock price.

Similar to annual cash incentive bonuses, the employment agreements that we entered into with our executives provide for minimum target values for our annual grants. The terms of their respective employment agreements provided for the following minimum target values for annual grants for 2012: Mr. Hawkins \$1,150,000; Mr. Phelan \$450,000; Mr. Murphy \$250,000; and Mr. Ruen \$450,000. The commitments in these employment agreements related to minimum target values; however, we have discretion to establish the criteria that must be met for the annual grants to be awarded and may grant awards with actual values above or below the target level based on our assessment of performance in order to fully motivate and reward our executives. These employment agreements also specify that the vesting of these awards must occur in equal annual installments over no more than five years.

In February 2012, we established target values for the annual grants for each of our executives. Similar to base salary and annual cash incentive bonus targets, we maintained the levels of the target values for the annual grants for 2012 for our executives at 2011 levels. Our decisions regarding the amount of the target values was also based on the compensation committee's analysis of competitive market compensation data and its conclusion that, generally, the amount of the target values for annual grants for our executives did not need to increase in order to remain competitive.

The following table sets forth the target values of the annual grants for each of our executives for 2012 and 2011:

Named Executive Officer	2012 Target Value	2011 Target Value	Percentage Change
Philip L. Hawkins	\$ 1,150,000	\$ 1,150,000	
Thomas G. Wattles	\$ 450,000	\$ 450,000	
Jeffrey F. Phelan	\$ 450,000	\$ 450,000	
Mathew T. Murphy	\$ 250,000	\$ 250,000	
Michael J. Ruen	\$ 450,000	\$ 450,000	

With the exception of Mr. Wattles, half of the actual values of the annual equity awards granted to each of our executives were determined using the same overall percentage payouts relative to the targets that were used to determine the annual cash incentive bonuses, except that the amounts that could be earned ranged from 50% to 150% of the target amount for each of our executives. The remaining half of the actual values of the annual equity awards granted to each of our executives, with the exception of Mr. Wattles, were based on our total stockholder return as compared to the median total stockholder return of a selected peer group, which we refer to as the median TSR. The peer group consisted of Duke Realty Corporation, EastGroup Properties, Inc., First Industrial Realty Trust, Inc., Liberty Property Trust, STAG Industrial, Inc. and the SNL US REIT Industrial Index. The amounts that could be earned ranged from 50% to 150% of the target and reaching the median TSR would result in a payout equal to 100% of target. For 2012, the median TSR was 30.52% as compared to our total stockholder return of 32.52%, and as a result the compensation committee awarded a payout equal to 106.6% of target. For Mr. Wattles, all of his annual equity award granted to him was determined using the same objectives and percentage weightings that were used to determine Mr. Wattles' annual cash incentive bonus. In each case, the equity awards were subject to the compensation committee's ability to exercise negative discretion to award our executives equity awards that were less than what would have been earned based on the formulaic application of the predetermined objectives. Accordingly, the

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following are the target and actual values of the annual equity awards for each of our executives for 2012 and the percentages of the target value that were awarded:

Named Executive Officer	2012 Target Value	2012 Actual Value	Percentage Payout
Philip L. Hawkins	\$ 1,150,000	\$ 1,476,391	128%
Thomas G. Wattles	\$ 450,000	\$ 604,196	134%
Jeffrey F. Phelan	\$ 450,000	\$ 519,022	115%
Matthew T. Murphy	\$ 250,000	\$ 321,892	129%
Michael J. Ruen	\$ 450,000	\$ 504,239	112%

For each of our executives, the annual grant was made in the form of restricted stock or LTIP units, at the election of the executive. For purposes of determining the annual grants, we valued restricted stock and LTIP units based on \$7.13 per share or unit, which was the closing stock price of our common stock on February 6, 2013, the date the awards were approved. With the exception of Mr. Wattles, each of these annual equity awards vests over four years with 25% vesting on January 1, 2014 and 25% on each January 1<sup>st</sup> thereafter, subject to continued employment with us through such date. Mr. Wattles' equity award vests over four years with 25% vesting on January 1, 2014 and 25% on each January 1<sup>st</sup> thereafter, however, vesting is not subject to continued employment with us through such date.

The following table sets forth the terms of the equity awards actually made to our executives in 2013 with respect to 2012:

Named Executive Officer	LTIP Units (# of units)
Philip L. Hawkins	207,068
Thomas G. Wattles	84,740
Jeffrey F. Phelan	72,795
Matthew T. Murphy	45,147
Michael J. Ruen	70,721

*Multi-Year Outperformance Program*

On January 11, 2010, the compensation committee adopted the DCT Industrial Trust Inc. Multi-Year Outperformance Program, or the Outperformance Program, which is a long-term incentive compensation program, and granted awards under the program to certain officers and senior executives for 2010.

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The 2010 awards entitled participants to receive shares of our common stock with a maximum value of \$10 million based on our absolute and relative total return to stockholders during the three-year performance period beginning on December 31, 2009. Half of the awards were based on our absolute total return to stockholders during the performance period and the other half were based on our relative total return to stockholders during the performance period compared to the performance of the MSCI US REIT Index during the same period. The calculation of the awards was based on the following table (provided that the aggregate award values set forth below was pro-rated between the percentages set forth below to reflect actual performance that falls between the specific percentages set forth below and the aggregate award value under the relative total return metric could not exceed the greater of (1) \$500,000 or (2) 50% of the excess total return generated as a result of our outperformance above the MSCI US REIT Index):

Absolute Total Return		Relative Total Return	
Percentage Per Year, Compounded Annually	Aggregate Award Value	Percentage of MSCI US REIT Index	Aggregate Award Value
<8%	\$0	<100%	\$0
8%	\$500,000	100%	\$500,000
9%	\$1,000,000	102.5%	\$1,000,000
10%	\$1,500,000	105%	\$1,500,000
11%	\$2,000,000	107.5%	\$2,000,000
12%	\$2,500,000	110%	\$2,500,000
13%	\$3,000,000	112.5%	\$3,000,000
14%	\$3,500,000	115%	\$3,500,000
15%	\$4,000,000	117.5%	\$4,000,000
16%	\$4,500,000	120%	\$4,500,000
= or > 17%	\$5,000,000	= or > 122.5%	\$5,000,000

Each participant's award was designated as a specified percentage of the aggregate award value earned during the performance period, and participants were also entitled to a share of any unallocated portion of the aggregate award value. At the end of the performance period, the compensation committee calculated the aggregate award value earned, and each participant was issued LTIP units as of the end of the performance period with a value equal to that participant's share of the aggregate award value. Half of the LTIP units issued were fully vested upon issuance and the remaining half will vest on the first anniversary of the end of the performance period based on continued employment. In the event of a change-in-control after a performance period has ended, all unvested awards issued under the Outperformance Program for such performance period will fully vest. If a participant's employment is terminated as a result of death or disability, or is terminated by us without cause or by the participant for good reason, in each case as determined under the Outperformance Program, then all of the participant's unvested awards that had been earned will fully vest. If a participant is terminated for any other reason, the participant will forfeit all unvested shares granted under the Outperformance Program.

During 2010, the compensation committee granted our executives, with the exception of Mr. Wattles, awards under the Outperformance Program. The three-year performance period for these awards ended on December 31, 2012. Over the three year performance period the absolute total return was 14.8% per year compounded annually and the relative total return was less than 100% of the MSCI US REIT Index. As a result, the aggregate award value for the absolute total return was approximately \$3.9 million and the aggregate award value for the relative total return was \$0. The following table sets forth the awards earned under the Outperformance Program for each of our executives:

Named Executive Officer	Total Participation Percentage <sup>(1)</sup>	Dollar Value of Award Earned	LTIP Units (# of units) <sup>(2)</sup>
Philip L. Hawkins	18.6%	\$ 726,460	113,168
Jeffrey F. Phelan	12.4%	\$ 484,307	75,445
Matthew T. Murphy	9.3%	\$ 363,230	56,584
Michael J. Ruen	12.4%	\$ 484,307	75,445

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- (1) Represents the total participation percentage specifically allocated to each executive as well as each executive's share of the unallocated percentage.
- (2) The number of LTIP units was determined by dividing the dollar value of each award earned by the average closing price of one share of our common stock on the New York Stock Exchange for the ten trading days ending on, and including, December 31, 2012. As previously noted, half of these LTIP units granted were fully vested upon issuance and the remaining half will vest on the first anniversary of the end of the performance period based on continued employment.

In 2011, based on its overall review of our executive compensation programs, the compensation committee discontinued use of the Outperformance Program on a prospective basis.

*LTIP Units*

In 2006, we established a program under our Second Amended and Restated 2006 Long-Term Incentive Plan, or the 2006 Plan, for the grant of other equity-based awards, valued by reference to shares of our common stock, consisting of equity interests in our operating partnership which we refer to as long-term incentive units or LTIP units. LTIP units are a separate class of units of limited partnership interest in our operating partnership. LTIP units, which can be granted either as free-standing awards or together with other awards under the 2006 Plan are valued by reference to the value of our common stock, and may be subject to such conditions and restrictions as the compensation committee may determine, including continued employment or service, computation of financial metrics and/or achievement of pre-established performance goals and objectives. If applicable conditions and/or restrictions are not attained, participants will forfeit their LTIP units. Generally, LTIP unit awards, whether vested or unvested, entitle the holder to receive distributions from our operating partnership that are equivalent to the dividends and distributions that would be made with respect to the number of shares of our common stock underlying the LTIP unit award, though receipt of such distributions may be delayed or made contingent on vesting.

LTIP units are structured as profits interests for U.S. federal income tax purposes, and we do not expect the grant, vesting or conversion of LTIP units into common units to produce a tax deduction for us. As profits interests, LTIP units initially will not have full parity, on a per-unit basis, with common units with respect to liquidating distributions. Upon the occurrence of specified events, LTIP units can over time achieve full parity with common units and therefore accrete to an economic value for the participant equivalent to common units. This accretion to parity is driven, in part, by partnership tax rules and is based on the book capital account associated with LTIP units for tax purposes. Generally, the book capital account associated with LTIP units when they are initially issued is zero, while the book capital account associated with common units is equal on a per unit basis to the price per share of our common stock. Economic parity is reached when the book capital account of the LTIP units has grown, through special allocations of unrealized or realized gain, to be equal to that of an equal number of common units. Events that allow such special allocations under the partnership agreement and applicable federal tax regulations include: (1) our issuance of common stock, (2) the issuance by our operating partnership of common or other partnership units, (3) our repurchases of significant amounts of common stock for cash, and (4) the redemption by our operating partnership of common units for cash, in each case so long as the price of our common stock at the time is higher than the price on the date on which the LTIP units were initially issued. If such parity is achieved, LTIP units may be converted, subject to the satisfaction of applicable vesting conditions, on a one-for-one basis into common units, which in turn are redeemable by the holder for cash or, at our election, shares of our common stock on a one-for-one basis. However, there are circumstances under which LTIP units will not achieve parity with common units, and until such parity is reached, the value that a participant in the program could realize for a given number of LTIP units will be less than the value of an equal number of shares of our common stock and may be zero. Ordinarily, we anticipate that each LTIP unit awarded will be equivalent to an award of one share of common stock reserved under our 2006 Plan, thereby reducing the number of shares of common stock available for subsequent awards of stock options, shares of restricted stock, phantom shares, dividend equivalent rights and other equity-based awards on a one-for-one

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basis. However, the compensation committee has the authority to determine the number of shares of common stock underlying an award of LTIP units in light of all applicable circumstances, including performance-based vesting conditions, operating partnership capital account allocations, to the extent set forth in the limited partnership agreement for our operating partnership, the Internal Revenue Code or applicable regulations, value accretion factors or conversion ratios.

LTIP units are designed to offer executives the same long-term incentive as shares of restricted stock, while allowing them to enjoy the more favorable U.S. federal income tax treatment available for profits interests. More specifically, one key disadvantage of restricted stock is that executives are generally taxed on the full market value of a grant at the time of vesting, even if they choose to hold the stock. As a result, executives often need to sell a portion of their vested shares upon vesting to pay taxes on their restricted stock awards from prior years, which may limit an executive's ability to increase his or her equity ownership over the long term. Conversely, an executive would generally be taxed only when he or she chooses to liquidate his or her LTIP units. Therefore, an executive who wishes to hold his or her equity awards for the long term can do so in a more tax-efficient manner with LTIP units. In light of the trade-offs between increased tax efficiency and incremental economic risk involved in LTIP units as compared to restricted stock, it is generally our policy to allow eligible executives a choice between restricted stock and LTIP units on a one-for-one basis for their equity-based incentive compensation awards. We believe that the use of LTIP units (1) enhances our equity-based compensation package overall, (2) advances the goal of promoting long-term equity ownership by executives, (3) has no adverse impact on dilution as compared to restricted stock, and (4) further aligns the interests of our executives with the interests of our stockholders. We also believe that these benefits outweigh the loss of the U.S. federal income tax business-expense deduction from the issuance of LTIP units, as compared to restricted stock.

*Stock Ownership Guidelines*

In order to complement our long-term equity incentive compensation program and further align the interests of our executives with those of our stockholders, our board of directors adopted stock ownership guidelines that apply to our executives. See Executive and Director Compensation Director and Officer Stock Ownership Guidelines below for a summary of these guidelines.

*Equity Award Grant Policy*

Since 2007, we have maintained an equity award grant policy in order to formalize our approach regarding the timing and pricing of equity awards made to the executives and all other employees. Under our current equity award grant policy, generally, equity awards will only be made to existing employees on an annual basis or in connection with a promotion or other extraordinary event. The amount of annual awards will be determined at a pre-scheduled meeting of the compensation committee that is expected to be held in January or February of each year. Shares of restricted stock, LTIP units or other full-value awards granted as part of the annual awards will be denominated in dollars and will be priced based on the closing price of our common stock on the date of the meeting at which they were approved. Stock options, if granted as part of the annual awards, will either be denominated in shares or dollars, will have an exercise price per share equal to the closing price of our common stock on the date of the meeting at which they were approved and, if denominated in dollars, will be for the number of shares determined using the formula approved by the compensation committee at the time of the grants. Promotional or extraordinary grants will be granted and priced on the later of the date on which the promotion or other extraordinary event occurs or the date on which the grant is approved.

*Tax Treatment*

We generally take into account the tax treatment of the compensation of our executives, including the expected tax treatment to our executives and whether we will be able to deduct the amount of any compensation paid as a result of limitations under Section 162(m) of the Internal Revenue Code or otherwise. To the extent consistent with our other compensation objectives, we attempt to preserve the deductibility of the compensation that we pay

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to our executives. However, in order to appropriately compensate our executives and maintain the flexibility we desire in our bonus programs, we are prepared to exceed the \$1 million limit under Section 162(m) for compensation to our executives. Additionally, we use LTIP units or offer to executives the choice of LTIP units (as described above under Our Executive Compensation Programs Long-Term Equity Incentive Compensation LTIP Units ) which may be more advantageous to executives from a tax perspective than other types of full-value awards, such as shares of restricted stock, but result in the loss of a tax deduction for us.

***Employment Agreements***

We have employment agreements with Messrs. Hawkins, Murphy, Phelan and Ruen. We entered into new employment agreements with Messrs. Hawkins, Murphy and Ruen in October 2012, which superseded their previous employment agreements with us. In December 2012, we entered into an employment agreement with Mr. Phelan in connection with his appointment as President, which took effect on January 1, 2013. We do not have an employment agreement with Mr. Wattles.

The new employment agreements with Messrs. Hawkins, Murphy and Ruen are substantially the same as the previous employment agreements, except that (i) they each provide for new three-year terms of employment ending on October 9, 2015, (ii) the Section 280G excise tax gross-up provision was removed from Mr. Hawkins' new employment agreement and, as a result, none of our employment agreements provide for a Section 280G excise tax gross-up, (iii) the period of time during which Mr. Ruen agreed not to compete with us following termination of employment was extended in certain circumstances and (iv) the multiple of annual base salary and target or average historical annual bonus that is payable upon a termination by us without cause or by Messrs. Hawkins or Ruen for good reason within a specified period of time of a change in control was increased from two times to three times for Mr. Hawkins and from one and one-half times to two times for Mr. Ruen. The elimination of gross up payments from Mr. Hawkins' new employment agreement and the increase in the multiple received by Messrs. Hawkins and Ruen under their new employment agreement upon a termination in connection with a change in control more closely align their agreements with the peer data reviewed by the compensation committee. For Messrs. Hawkins, Murphy and Ruen, consistent with their previous agreements, the new employment agreements, among other things, provide for severance payments generally equal to a multiple of salary and bonus plus acceleration of all time-based vesting on equity awards and continuation of coverage under our group health plan for a period of time in the event of a termination of employment by us without cause or by an executive for good reason. In return, each of these executives has agreed to non-compete, non-solicitation, non-interference and confidentiality provisions.

Commensurate with his new title as President, under his new employment agreement Mr. Phelan's salary was increased from \$260,000 to \$400,000, his annual target cash bonus was increased from at least \$200,000 to at least \$300,000 and he was given a one-time equity grant of \$400,000. Otherwise the terms of Mr. Phelan's new employment agreement are substantially the same as his previous employment agreement. Both under Mr. Phelan's new employment agreement and his employment agreement in place during 2012, in the event of a termination of employment by us without cause or by Mr. Phelan for good reason, the employment agreements, among other things, permit Mr. Phelan to offer to enter into a one-year consulting agreement with us on pre-negotiated terms, including non-compete, non-solicitation and confidentiality provisions that apply during the term. We then have the option to either enter into the agreement and, among other things, pay the pre-negotiated compensation to Mr. Phelan during the term or refuse Mr. Phelan's offer and provide him with severance payments generally equal to a multiple of salary and bonus plus acceleration of all time-based vesting on equity awards and continuation of coverage under our group health plan for a period of time. For Mr. Phelan, in the event that the termination occurs within 12 months after a change-in-control, we have agreed to provide him with severance payments regardless of whether he has offered to enter into the consulting agreement. Each of the agreements also provides for acceleration of all time-based vesting on equity awards upon the occurrence of a change-in-control regardless of whether Mr. Phelan's employment is terminated.

For each of our executives with whom we have entered into an employment agreement, we believe that because the severance level and/or terms of any continuing consulting agreement are negotiated up front, it makes it

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easier for us to terminate these executives without the need for protracted negotiations over severance. We also believe that providing pre-negotiated severance benefits for all of our executives in the event they are terminated without cause or terminate their employment for good reason following a change-in-control helps to further align the interests of our executives and our stockholders in the event of a potentially attractive proposed change-in-control transaction following which one or more of our executives may be expected to be terminated. See

Executive and Director Compensation Potential Payments Upon Termination or Change-in-Control for a summary of the employment agreements.

### ***Broad-Based Benefits***

All full-time employees, including our executives, may participate in our health and welfare benefit programs, including medical, dental and vision care coverage, disability insurance and life insurance, and our 401(k) plan. We do not provide any other benefits or perquisites to our executives.

### ***Anti-Hedging and Anti-Pledging Policy***

None of our executives have engaged in any hedging transactions with respect to our stock or pledged any of his shares of our stock. In 2013, we established formal anti-hedging policies that generally prohibits all of our executive officers and directors, including our executives, from engaging in any hedging transactions. Exceptions to this anti-hedging policy can only be made with the prior approval of the audit committee. We also have an anti-pledging policy that generally prohibits all of our executive officers and directors, including our executives, from pledging any shares of our stock. Exceptions to this policy can only be made with the prior approval of our compliance officer.

### ***Executive Compensation Process***

Information regarding our processes and procedures for considering and determining the compensation of our executives, including the role of any executive officers, is described below under Executive and Director Compensation Executive and Director Compensation Process.



**Table of Contents****Summary of Executive Compensation**

The following table sets forth certain information with respect to compensation paid for 2012, 2011 and 2010 to each of our named executive officers.

**SUMMARY COMPENSATION TABLE**

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock	Option	Non-Equity	All	Total (\$)
				Awards	Awards	Incentive	Other	
				Awards	Awards	Plan	Compensation	
				(\$) <sup>(1)</sup>	(\$) <sup>(1)</sup>	(\$) <sup>(2)</sup>	(\$)	
Philip L. Hawkins	2012	\$ 600,000	\$	\$ 1,357,315	\$	\$ 900,982	\$	\$ 2,858,297
Chief Executive Officer	2011	600,000		754,334	195,758	740,000		2,290,092
	2010	600,000	510,000	1,119,765	204,275			2,434,040
Thomas G. Wattles	2012	260,000		375,427		268,531		903,958
Executive Chairman of the Board								

By  
Order of  
the Board  
of  
Directors,

ARRHYTHMIA

RESEARCH  
TECHNOLOGY, INC.

/s/

E.P. Marinos

E.

P. Marinos, Secretary  
Fitchburg, Massachusetts  
March 15, 2010

APPENDIX I

ARRHYTHMIA RESEARCH TECHNOLOGY, INC.

2010 EQUITY INCENTIVE PLAN

1. Purpose and Objectives

The Arrhythmia Research Technology, Inc. 2010 Equity Incentive Plan (the “Plan”) is designed to align the interests of (i) designated employees of Arrhythmia Research Technology, Inc. (the “Company”) and its subsidiaries, (ii) non-employee members of the board of directors of the Company, and (iii) consultants and key advisors of the Company and its subsidiaries with the interests of the Company’s stockholders and to provide an opportunity for such persons to acquire and maintain a proprietary interest in the Company through stock ownership. By extending the opportunity to receive grants of stock options, stock units, stock awards, stock appreciation rights and other stock-based awards, the Company believes that the Plan will encourage the participants to contribute materially to the growth of the Company, thereby benefitting the Company’s shareholders, and will align the economic interests of the participants with those of the shareholders. The Plan may furthermore be expected to benefit the Company and its stockholders by making it possible for the Company to attract and retain the best available talent. The Plan shall become effective if and at the time it is approved by the shareholders of the Company.

2. Definitions

Whenever used in this Plan, the following terms will have the respective meanings set forth below:

a. “Board” means the Company’s Board of Directors.

b. “Cause,” unless otherwise defined in the instrument evidencing an award or in a written employment, services or other agreement between the Participant and the Company, means dishonesty, fraud, serious or willful misconduct, violation of Company policies and procedures including the Code of Ethics, unauthorized use or disclosure of confidential information or trade secrets, or conduct prohibited by law (except minor violations), in each case as determined by the Compensation Committee, whose determination shall be conclusive and binding.

c. “Change of Control” shall be deemed to have occurred if:

i. A merger, consolidation, liquidation or reorganization of the Company into or with another company or other legal person, after which merger, consolidation, liquidation or reorganization of the capital stock of the Company outstanding prior to consummation of the transaction is not converted into or exchanged for or does not represent more than 50% of the aggregate voting power of the surviving or resulting entity;

ii. The direct or indirect acquisition by any person (as the term “person” is used in Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended) of more than fifty percent (50%) of the voting capital stock of the Company, in a single or series of related transactions; or

iii. The sale, exchange, or transfer of all or substantially all of the Company’s assets (other than a sale, exchange or transfer to one or more entities where the stockholders of the Company immediately before such sale, exchange or transfer retain, directly or indirectly, at least a majority of the beneficial interest in the voting stock of the entity or

entities to which the assets were transferred).

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

e. “Committee” means the Compensation Committee of the Board or another committee appointed by the Board to administer the Plan. Grants that are intended to be “qualified performance-based compensation” under section 162(m) of the Code shall be made by a committee that consists of two or more persons appointed by the Board, all of whom shall be “outside directors” as defined under section 162(m) of the Code and related Treasury regulations.

f. “Company” means Arrhythmia Research Technology, Inc., any present or future subsidiary, and any successor corporation.

g. “Company Stock” means the common stock, \$0.01 par value, of the Company.

h. “Consultant” means a consultant or advisor who performs services for the Employer and who renders bona fide services to the Employer, if the services are not in connection with the offer and sale of securities in a capital-raising transaction and the Consultant does not directly or indirectly promote or maintain a market for the Employer’s securities.

i. “Disability” means a Participant’s becoming disabled within the meaning of section 22(e)(3) of the Code, within the meaning of the Employer’s long-term disability plan applicable to the Participant, or as otherwise determined by the Committee.

j. “Effective Date” of the Plan means \_\_\_\_\_, 2010 [the date of approval by stockholders].

k. “Employee” means an employee of the Employer (including an officer or director who is also an employee).

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- l. “Employer” means the Company and its subsidiaries.
- m. “Exchange Act” means the Securities Exchange Act of 1934, as amended.
- n. “Exercise Price” means the per share price at which shares of Company Stock may be purchased under an Option, as designated by the Committee.
- o. “Fair Market Value” means, with respect to a share of Common Stock, the fair market value thereof as of the relevant date of determination, as determined in accordance with the valuation methodology approved by the Committee. In the absence of any alternative valuation methodology approved by the Committee, the Fair Market Value of a share of Common Stock shall equal the closing price for the Common Stock on any given date during regular trading, or if not trading on that date, such price on the last preceding date on which the Common Stock was traded.
- p. “Grant” means an Option, Stock Unit, Stock Award, SAR or Other Stock-Based Award granted under the Plan.
- q. “Grant Agreement” means the written instrument that sets forth the terms and conditions of a Grant, including all amendments thereto.
- r. “Incentive Stock Option” means an Option that is intended to meet the requirements of an incentive stock option under section 422 of the Code.
- s. “Non-Employee Director” means a member of the Board who is not an employee of the Employer.
- t. “Nonqualified Stock Option” means an Option that is not intended to be taxed as an incentive stock option under section 422 of the Code.
- u. “Option” means an option to purchase shares of Company Stock, as described in Section 7.
- v. “Other Stock-Based Award” means any Grant based on, measured by or payable in Company Stock (other than a Grant described in Sections 7, 8 or 9 of the Plan), as described in Section 10.
- w. “Participant” means an Employee, Consultant or Non-Employee Director designated by the Committee to participate in the Plan.
- x. “Plan” means this Arrhythmia Research Technology, Inc. 2010 Equity Incentive Plan, as in effect from time to time.
- y. “SAR” means a stock appreciation right as described in Section 10.
- z. “Stock Award” means an award of Company Stock as described in Section 9.
- aa. “Stock Unit” means an award of a phantom unit representing a share of Company Stock, as described in Section 8.

### 3. Administration

a. Committee. The Plan shall be administered and interpreted by the Committee. The Committee may delegate to officers or managers of the Company or any subsidiary of the Company the authority, subject to such terms as the Committee shall determine, to perform functions designated by the Committee, to the extent that such delegation is permitted under the Delaware General Corporation Law and other applicable laws. Other provisions of the Plan notwithstanding, the Board may perform any function of the Committee under the Plan, in order to ensure that transactions under the Plan are exempt under Rule 16b-3 or for any other reason; provided, however, that authority

specifically reserved to the Board under the terms of the Plan, the Company's Certificate of Incorporation or By-Laws, or applicable law shall be exercised by the Board and not by the Committee.

b. **Committee Authority.** Except as otherwise provided herein or as required by law, the Committee shall have the authority to make recommendations to the Board as to (i) the Participants to whom Grants shall be made under the Plan, (ii) the type, size and terms and conditions of the Grants to be made to each such Participant, (iii) the time when the grants will be made and the duration of any applicable exercise or restriction period, including the criteria for exercisability and the acceleration of exercisability, and (iv) amendment of the terms and conditions of any previously issued Grant, subject to the provisions of Section 17 below, and to deal with any other matters arising under the Plan.

c. **Committee Determinations.** The Committee shall have full power and express discretionary authority to administer and interpret the Plan, to make factual determinations and to adopt or amend such rules, regulations, agreements and instruments for implementing the Plan and for the conduct of its business as it deems necessary or advisable. The interpretations of the Plan and all determinations made by the Committee and/or the Board pursuant to the powers vested in it hereunder shall be conclusive and binding on all persons having any interest in the Plan or in any awards granted hereunder. All powers of the Committee and/or the Board shall be executed in its sole discretion, in the best interest of the Company, not as a fiduciary, and in keeping with the objectives of the Plan and need not be uniform as to similarly situated Participants.

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d. **Limitation of Liability.** Each member of the Committee or the Board shall be entitled to, in good faith, rely or act upon any report or other information furnished to him by any officer or other employee of the Company or any subsidiary, the Company's independent certified public accountants, or any executive compensation consultant, legal counsel, or other professional retained by the Company to assist in the administration of the Plan. No member of the Committee or the Board, nor any officer or employee of the Company acting on behalf of the Committee or the Board, shall be personally liable for any action, determination, or interpretation taken or made in good faith with respect to the Plan, and all members of the Committee or the Board and any officer or employee of the Company acting on behalf of the Committee or the Board or members thereof shall, to the extent permitted by law, be fully indemnified and protected by the Company with respect to any such action, determination, or interpretation.

#### 4. Grants

a. Grants under the Plan may consist of Options as described in Section 7, Stock Units as described in Section 8, Stock Awards as described in Section 9, and SARs or Other Stock-Based Awards as described in Section 10. All Grants shall be subject to such terms and conditions as the Committee deems appropriate and as are specified in writing by the Committee to the Participant in the Grant Agreement.

b. All Grants shall be made conditional upon the Participant's acknowledgement, in writing or by acceptance of the Grant, that all decisions and determinations of the Committee shall be final and binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under such Grant. Grants under a particular Section of the Plan need not be uniform as among the Participants.

#### 5. Shares Subject to the Plan

a. **Shares Authorized.** The aggregate number of shares of Company Stock that may be issued under the Plan shall be, subject to adjustment as described in subsection (d) below:

i. 400,000 shares plus

ii. 100,000 shares reserved for issuance pursuant to the 2005 Stock Award Plan, which shares shall cease, as of the Effective Date, to be available for grant and issuance under the 2005 Stock Award Plan but shall be available for issuance under the Plan.

b. **Source of Shares; Share Counting.** Shares issued under the Plan may be authorized but unissued shares of Company Stock or reacquired shares of Company Stock, including shares purchased by the Company on the open market. If and to the extent Options and SARs granted under the Plan terminate, expire, or are canceled, forfeited, exchanged or surrendered without having been exercised, and if and to the extent that any Stock Awards, Stock Units or Other Stock-Based Awards are forfeited or terminated, or otherwise are not paid in full, the shares reserved for such Grants shall again be available for purposes of the Plan.

c. **Individual Limits.** In no event shall the aggregate fair market value (determined at the time the option is granted) of Common Stock for which ISOs granted to any employee are exercisable for the first time by such employee during any calendar year (under all stock plans of the Company) exceed \$100,000.

d. **Adjustments.** If there is any change in the number or kind of shares of Company Stock outstanding (i) by reason of a stock dividend, spinoff, recapitalization, stock split, or combination or exchange of shares, (ii) by reason of a merger, reorganization or consolidation, (iii) by reason of a reclassification or change in par value, or (iv) by reason of any other extraordinary or unusual event affecting the outstanding Company Stock as a class without the Company's receipt of consideration, or if the value of outstanding shares of Company Stock is substantially reduced as a result of

a spinoff or the Company's payment of an extraordinary dividend or distribution, the maximum number of shares of Company Stock available for issuance under the Plan, the maximum number of shares of Company Stock for which any individual may receive Grants in any year, the number of shares covered by outstanding Grants, the kind of shares issued and to be issued under the Plan, and the price per share or the applicable market value of such Grants may be appropriately adjusted by the Board to reflect any increase or decrease in the number of, or change in the kind or value of, issued shares of Company Stock to preclude, to the extent practicable, the enlargement or dilution of rights and benefits under such Grants; provided, however, that any fractional shares resulting from such adjustment shall be eliminated. Any adjustments determined by the Board shall be final, binding and conclusive.

## 6. Eligibility for Participation

a. Eligible Persons. All Employees, Consultants and Non-Employee Directors shall be eligible to participate in the Plan.

b. Selection of Participants. The Committee shall recommend and the Board shall select the Employees, Consultants and Non-Employee Directors to receive Grants, and shall determine the type of Grant and the number of shares of Company Stock subject to each Grant.

## 7. Options

a. **General Requirements.** The Committee may recommend and the Board may grant Options to an Employee, Consultant or Non-Employee Director upon such terms and conditions as the Board deems appropriate under this Section 7. The Committee shall recommend to the Board for its determination the number of shares of Company Stock that will be subject to each Grant of Options to Employees, Consultants and Non-Employee Directors.

b. **Type of Option, Price and Term.** The Committee may recommend and the Board may grant Incentive Stock Options or Nonqualified Stock Options or any combination of the two, all in accordance with the terms and conditions set forth herein. Incentive Stock Options may be granted only to Employees of the Company or its parents or subsidiaries, as defined in section 424 of the Code. Nonqualified Stock Options may be granted to Employees, Consultants or Non-Employee Directors.

i. The Exercise Price of Company Stock subject to an Option shall be determined by the Board; provided, however, that the Exercise Price for an Incentive Stock Option will be equal to, or greater than, the Fair Market Value of a share of Company Stock on the date the Option is granted and further provided that an Incentive Stock Option may not be granted to an Employee who, at the time of grant, owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any parent or subsidiary, as defined in section 424 of the Code, unless the Exercise Price per share is not less than 110% of the Fair Market Value of the Company Stock on the date of grant.

ii. The Committee shall recommend to and the Board shall determine the term of each Option, which shall not exceed ten years from the date of grant. However, an Incentive Stock Option that is granted to an Employee who, at the time of grant, owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any parent or subsidiary, as defined in section 424 of the Code, may not have a term that exceeds five years from the date of grant.

iii. **Exercisability of Options.**

iv. Options shall become exercisable in accordance with such terms and conditions as may be determined by the Board and specified in the Grant Agreement. The Board upon the recommendation of the Committee may accelerate the exercisability of any or all outstanding Options at any time for any reason.

v. Options granted to persons who are non-exempt employees under the Fair Labor Standards Act of 1938, as amended, may not be exercisable for at least six months after the date of grant (except that such Options may become exercisable, as determined by the Board upon the recommendation of the Committee, upon the Participant's death, Disability or retirement, or upon a Change of Control or other circumstances permitted by applicable regulations).

c. **Termination of Employment or Service.** Unless otherwise specifically provided in the instrument evidencing an award or in a written employment, services or other agreement between the Participant and the Company, upon termination of employment or the services of a Participant, an Option may only be exercised as follows:

i. In the event that a Participant ceases to be employed by, or provide service to, the Employer for any reason other than Disability, death, or termination for Cause, any Option which is otherwise exercisable by the Participant shall terminate unless exercised within three months after the date on which the Participant ceases to be employed by, or provide service to, the Employer (or within such other period of time as may be specified by the Board upon the recommendation of the Committee), but in any event no later than the date of expiration of the Option term. Any of



the Participant's Options that are not otherwise exercisable as of the date on which the Participant ceases to be employed by, or provide service to, the Employer shall terminate as of such date.

ii. In the event the Participant ceases to be employed by, or provide service to, the Employer on account of a termination for Cause by the Employer, any Option held by the Participant shall terminate as of the date the Participant ceases to be employed by, or provide service to, the Employer. In addition, notwithstanding any other provisions of this Section 7, if the Board determines that the Participant has engaged in conduct that constitutes Cause at any time while the Participant is employed by, or providing service to, the Employer or after the Participant's termination of employment or service, any Option held by the Participant shall immediately terminate and the Participant shall automatically forfeit all shares underlying any exercised portion of an Option for which the Company has not yet delivered the share certificates, upon refund by the Company of the Exercise Price paid by the Participant for such shares. Upon any exercise of an Option, the Company may withhold delivery of share certificates pending resolution of an inquiry that could lead to a finding resulting in a forfeiture.

iii. In the event the Participant ceases to be employed by, or provide service to, the Employer on account of the Participant's Disability, any Option which is otherwise exercisable by the Participant shall terminate unless exercised within one year after the date on which the Participant ceases to be employed by, or provide service to, the Employer (or within such other period of time as may be specified by the Board), but in any event no later than the date of expiration of the Option term. Except as otherwise provided by the Board, any of the Participant's Options which are not otherwise exercisable as of the date on which the Participant ceases to be employed by, or provide service to, the Employer shall terminate as of such date.

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iv. If the Participant dies while employed by, or providing service to, the Employer or while an Option remains outstanding under Section 7(d)(i) or 7(d)(iii) above (or within such other period of time as may be specified by the Board), any Option that is otherwise exercisable by the Participant shall terminate unless exercised within one year after the date on which the Participant ceases to be employed by, or provide service to, the Employer (or within such other period of time as may be specified by the Board), but in any event no later than the date of expiration of the Option term. Except as otherwise provided by the Board, any of the Participant's Options that are not otherwise exercisable as of the date on which the Participant ceases to be employed by, or provide service to, the Employer shall terminate as of such date.

d. Exercise of Options. A Participant may exercise an Option that has become exercisable, in whole or in part, by delivering a notice of exercise to the Company. The Participant shall pay the Exercise Price for the Option (i) in cash, (ii) by delivering shares of Company Stock owned by the Participant and having a Fair Market Value on the date of exercise equal to the Exercise Price or by attestation to ownership of shares of Company Stock having an aggregate Fair Market Value on the date of exercise equal to the Exercise Price, (iii) by payment through a broker in accordance with procedures permitted by Regulation T of the Federal Reserve Board, or (iv) by such other method as the Committee may approve. Shares of Company Stock used to exercise an Option shall have been held by the Participant for the requisite period of time to avoid adverse accounting consequences to the Company with respect to the Option. Payment for the shares pursuant to the Option, and any required withholding taxes, must be received by the time specified by the Committee depending on the type of payment being made, but in all cases prior to the issuance of the Company Stock.

e. Limits on Incentive Stock Options. Each Incentive Stock Option shall provide that, if the aggregate Fair Market Value of the stock on the date of the grant with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year, under the Plan or any other stock option plan of the Company or a parent or subsidiary, as defined in section 424 of the Code, exceeds \$100,000, then the Option, as to the excess, shall be treated as a Nonqualified Stock Option. An Incentive Stock Option shall not be granted to any person who is not an Employee of the Company or a parent or subsidiary, as defined in section 424 of the Code.

## 8. Stock Units

a. General Requirements. The Committee may recommend and the Board may grant Stock Units to an Employee, Consultant or Non-Employee Director, upon such terms and conditions as it deems appropriate under this Section 8. Each Stock Unit shall represent the right of the Participant to receive a share of Company Stock or an amount based on the value of a share of Company Stock. All Stock Units shall be credited to bookkeeping accounts on the Company's records for purposes of the Plan.

b. Terms of Stock Units. The Committee may recommend and the Board may grant Stock Units that are payable on terms and conditions determined by it, which may include payment based on achievement of performance goals. Stock Units may be paid at the end of a specified vesting or performance period, or payment may be deferred to a date authorized by the Committee. The Committee shall recommend and the Board shall determine the number of Stock Units to be granted and the requirements applicable to such Stock Units.

c. Payment With Respect to Stock Units. Payment with respect to Stock Units shall be made in cash, in Company Stock, or in a combination of the two, as determined by the Committee. The Grant Agreement shall specify the maximum number of shares that can be issued under the Stock Units.

d. Requirement of Employment or Service. The Committee shall recommend and the Board shall determine in the Grant Agreement under what circumstances a Participant may retain Stock Units after termination of the Participant's employment or service, and the circumstances under which Stock Units may be forfeited.

9. Stock Awards

a. General Requirements. The Committee may recommend and the Board may issue shares of Company Stock to an Employee, Consultant or Non-Employee Director under a Stock Award, upon such terms and conditions as it deems appropriate under this Section 9. Shares of Company Stock issued pursuant to Stock Awards may be issued for cash consideration or for no cash consideration, and subject to restrictions or no restrictions, as determined by the Board. The Committee may recommend and the Board may establish conditions under which restrictions on Stock Awards shall lapse over a period of time or according to such other criteria as the Committee deems appropriate, including restrictions based upon the achievement of specific performance goals. The Committee shall recommend and the Board shall determine the number of shares of Company Stock to be issued pursuant to a Stock Award.

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b. Requirement of Employment or Service. The Committee shall recommend and the Board shall determine in the Grant Agreement under what circumstances a Participant may retain Stock Awards after termination of the Participant's employment or service, and the circumstances under which Stock Awards may be forfeited.

c. Restrictions on Transfer. While Stock Awards are subject to restrictions, a Participant may not sell, assign, transfer, pledge or otherwise dispose of the shares subject thereof except upon death as described in Section 14(a). Each certificate for a share subject of a Stock Award shall contain a legend giving appropriate notice of the restrictions in the Grant. The Participant shall be entitled to have the legend removed when all restrictions on such shares have lapsed. The Company may retain possession of any certificates for Stock Awards until all restrictions on such shares have lapsed.

d. Right to Vote and to Receive Dividends. The Committee shall recommend and the Board shall determine to what extent, and under what conditions, the Participant shall have the right to vote shares subject of Stock Awards and to receive any dividends or other distributions paid on such shares during the restriction period.

#### 10. Stock Appreciation Rights and Other Stock-Based Awards

a. The Committee may recommend and the Board may grant SARs to an Employee, Non-Employee Director or Consultant separately or in tandem with an Option. The following provisions are applicable to SARs:

i. Base Amount. The base amount of the SAR shall be established at the time the SAR is granted. The base amount of each SAR shall be equal to the per share Exercise Price of the related Option or, if there is no related Option, an amount that is at least equal to the Fair Market Value of a share of Company Stock as of the date of Grant of the SAR.

ii. Tandem SARs. Tandem SARs may be granted either at the time the Option is granted or at any time thereafter while the Option remains outstanding; provided, however, that, in the case of an Incentive Stock Option, SARs may be granted only at the date of the grant of the Incentive Stock Option. In the case of tandem SARs, the number of SARs granted to a Participant that shall be exercisable during a specified period shall not exceed the number of shares of Company Stock that the Participant may purchase upon the exercise of the related Option during such period. Upon the exercise of an Option, the SARs relating to the Company Stock covered by such Option shall terminate. Upon the exercise of SARs, the related Option shall terminate to the extent of an equal number of shares of Company Stock.

iii. Exercisability. An SAR shall be exercisable during the period specified in the Grant Agreement and shall be subject to such vesting and other restrictions as may be specified in the Grant Agreement. SARs may be granted that are subject to achievement of performance goals or other conditions. The Board may accelerate the exercisability of any or all outstanding SARs at any time for any reason. SARs may only be exercised while the Participant is employed by, or providing service to, the Employer or during the applicable period after termination of employment or service as described in Section 7(d). A tandem SAR shall be exercisable only during the period when the Option to which it is related is also exercisable.

iv. Grants to Non-Exempt Employees. SARs granted to persons who are non-exempt employees under the Fair Labor Standards Act of 1938, as amended, may not be exercisable for at least six months after the date of grant (except that such SARs may become exercisable, as determined by the Committee, upon the Participant's death, Disability or retirement, or upon a Change of Control or other circumstances permitted by applicable regulations).

v. Value of SARs. When a Participant exercises SARs, the Participant shall receive in settlement of such SARs an amount equal to the value of the stock appreciation for the number of SARs exercised. The stock appreciation for an SAR is the amount by which the Fair Market Value of the underlying Company Stock on the date of exercise of the SAR exceeds the base amount of the SAR as described in subsection (i).

vi. Form of Payment. The Committee shall determine whether the stock appreciation for an SAR shall be paid in the form of shares of Company Stock, cash or a combination of the two. For purposes of calculating the number of shares of Company Stock to be received, shares of Company Stock shall be valued at their Fair Market Value on the date of exercise of the SAR. If shares of Company Stock are to be received upon exercise of an SAR, cash shall be delivered in lieu of any fractional share.

b. Other Stock-Based Awards. The Committee may recommend and the Board may grant other awards not specified in Sections 7, 8 or 9 above that are based on or measured by Company Stock to Employees, Consultants and Non-Employee Directors, on such terms and conditions as it deems appropriate. Other Stock-Based Awards may be granted subject to achievement of performance goals or other conditions and may be payable in Company Stock or cash, or in a combination of the two, as determined by the Committee in the Grant Agreement.

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## 11. Qualified Performance-Based Compensation

a. Designation as Qualified Performance-Based Compensation. The Committee may recommend and the Board may determine that Stock Units, Stock Awards, SARs or Other Stock-Based Awards granted to an Employee shall be considered “qualified performance-based compensation” under section 162(m) of the Code, in which case the provisions of this Section 11 shall apply to such Grants. The Committee may recommend and the Board may also grant Options under which the exercisability of the Options is subject to achievement of performance goals as described in this Section 11 or otherwise.

b. Performance Goals. When Grants are made under this Section 11, the Grant shall set forth in writing (i) the objective performance goals that must be met, (ii) the period during which performance will be measured, (iii) the maximum amounts that may be paid if the performance goals are met, and (iv) any other conditions that the Committee deems appropriate and consistent with the requirements of section 162(m) of the Code for “qualified performance-based compensation.” The performance goals shall satisfy the requirements for “qualified performance-based compensation,” including the requirement that the achievement of the goals be substantially uncertain at the time they are established and that the performance goals be established in such a way that a third party with knowledge of the relevant facts could determine whether and to what extent the performance goals have been met. The Board shall not have discretion to increase the amount of compensation that is payable, but may reduce the amount of compensation that is payable, pursuant to Grants identified by the Board as “qualified performance-based compensation.”

c. Criteria Used for Objective Performance Goals. Objectively determinable performance goals shall be based on one or more of the following criteria: stock price, earnings per share, price-earnings multiples, gross profit, net earnings, operating earnings, revenue, revenue growth, number of days sales outstanding in accounts receivable, number of days of cost of sales in inventory, productivity, margin, EBITDA (earnings before interest, taxes, depreciation and amortization), net capital employed, return on assets, shareholder return, return on equity, return on capital employed, growth in assets, unit volume, sales, cash flow, market share, performance relative to a designated comparison group, debt reduction, market capitalization or strategic business criteria consisting of one or more objectives based on meeting specified R&D programs, new product releases, revenue goals, market penetration goals, customer growth, geographic business expansion goals, cost targets, quality improvements, cycle time reductions, manufacturing improvements and/or efficiencies, human resource programs, customer programs, or goals relating to acquisitions or divestitures. The performance goals may relate to one or more business units or the performance of the Company as a whole, or any combination of the foregoing. Performance goals need not be uniform among Participants. Performance goals may be set on a pre tax or after tax basis, may be defined by absolute or relative measures, and may be valued on a growth or fixed basis.

d. Timing of Establishment of Goals. Performance goals shall be established in writing either before the beginning of the performance period or during a period ending no later than the earlier of (i) 90 days after the beginning of the performance period or (ii) the date on which 25% of the performance period has been completed, or such other date as may be required or permitted under applicable regulations under section 162(m) of the Code.

e. Certification of Results. The Board shall certify the performance results for the performance period specified in the Grant Agreement after the performance period ends. The Board shall determine the amount, if any, to be paid pursuant to each Grant based on the achievement of the performance goals and the satisfaction of all other terms of the Grant Agreement.

f. Death, Disability or Other Circumstances. The Grant Agreement may provide that Grants under this Section 11 shall be payable, in whole or in part, in the event of the Participant's death or Disability, a Change of Control or under other circumstances consistent with the Treasury regulations and rulings under section 162(m) of the Code.

## 12. Deferrals

The Company may permit or require a Participant to defer receipt of the payment of cash or the delivery of shares that would otherwise be due to the Participant in connection with any Grant. The Company shall establish rules and procedures for any such deferrals, consistent with applicable requirements of section 409A of the Code.

## 13. Withholding of Taxes

a. Required Withholding. All Grants under the Plan shall be subject to applicable federal (including FICA), state and local tax withholding requirements. The Company may require that the Participant or other person receiving or exercising Grants pay to the Company the amount of any federal, state or local taxes that the Company is required to withhold with respect to such Grants, or the Company may deduct from other wages paid by the Company the amount of any withholding taxes due with respect to such Grants.

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b. Election to Withhold Shares. If the Committee so permits, a Participant may elect to satisfy the Company's tax withholding obligation with respect to Grants paid in Company Stock by having shares withheld, at the time such Grants become taxable, up to an amount that does not exceed the minimum applicable withholding tax rate for federal (including FICA), state and local tax liabilities. The election must be in a form and manner prescribed by the Committee.

#### 14. Transferability of Grants

a. Restrictions on Transfer. Except as described in subsection (b) below, only the Participant may exercise rights under a Grant during the Participant's lifetime, and a Participant may not transfer those rights except by will or by the laws of descent and distribution. When a Participant dies, the personal representative or other person entitled to succeed to the rights of the Participant may exercise such rights. Any such successor must furnish proof satisfactory to the Company of his or her right to receive the Grant under the Participant's will or under the applicable laws of descent and distribution.

b. Transfer of Nonqualified Stock Options to or for Family Members. Notwithstanding the foregoing, the Company may provide, in a Grant Agreement, that a Participant may transfer Nonqualified Stock Options to family members, or one or more trusts or other entities for the benefit of or owned by family members, consistent with the applicable securities laws, according to such terms as the Company may determine; provided that the Participant receives no consideration for the transfer of an Option and the transferred Option shall continue to be subject to the same terms and conditions as were applicable to the Option immediately before the transfer.

#### 15. Consequences of a Change of Control

In the event of a Change of Control, the Company may take any one or more of the following actions with respect to any or all outstanding Grants, without the consent of any Participant: (i) determine that outstanding Options and SARs shall be fully exercisable, and restrictions on outstanding Stock Awards and Stock Units shall lapse, as of the date of the Change of Control or at such other time or subject to specific conditions as the Committee recommends, (ii) require that Participants surrender their outstanding Options and SARs in exchange for one or more payments by the Company, in cash or Company Stock as recommended by the Committee, in an amount equal to the amount by which the then air Market Value of the shares of Company Stock subject to the Participant's unexercised Options and SARs exceeds the Exercise Price, if any, and on such terms as the Committee determines, (iii) after giving Participants an opportunity to exercise their outstanding Options and SARs, terminate any or all unexercised Options and SARs at such time as the Committee recommends, (iv) with respect to Participants holding Stock Units or Other Stock-Based Awards, determine that such Participants shall receive one or more payments in settlement of such Stock Units or Other Stock-Based Awards, in such amount and form and on such terms as may be determined by the Committee, or (v) determine that Grants that remain outstanding after the Change of Control shall be converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation). Such acceleration, surrender, termination, settlement or assumption shall take place as of the date of the Change of Control or such other date as the Company may specify.

#### 16. Requirements for Issuance of Shares

No Company Stock shall be issued in connection with any Grant hereunder unless and until all legal requirements applicable to the issuance of such Company Stock have been complied with to the satisfaction of the Company. The Company shall have the right to condition any Grant made to any Participant hereunder on such Participant's undertaking in writing to comply with such restrictions on his or her subsequent disposition of such shares of Company Stock as the Company shall deem necessary or advisable, and certificates representing such shares may be



legended to reflect any such restrictions. Certificates representing shares of Company Stock issued under the Plan will be subject to such stop-transfer orders and other restrictions as may be required by applicable laws, regulations and interpretations, including any requirement that a legend be placed thereon. No Participant shall have any right as a shareholder with respect to Company Stock covered by a Grant until shares have been issued to the Participant.

#### 17. Amendment and Termination of the Plan

a. Amendment. The Board may amend or terminate the Plan at any time; provided, however, that the Board shall not amend the Plan without approval of the shareholders of the Company if such approval is required in order to comply with the Code or applicable laws, or to comply with applicable stock exchange requirements. No amendment or termination of this Plan shall, without the consent of the Participant, materially impair any rights or obligations under any Grant previously made to the Participant under the Plan, unless such right has been reserved in the Plan or the Grant Agreement, or except as provided in Section 18(b) below. Notwithstanding anything in the Plan to the contrary, the Board may amend the Plan in such manner as it deems appropriate in the event of a change in applicable law or regulations.

b. Stockholder Approval for “Qualified Performance-Based Compensation.” If Grants are made under Section 11 above, the Plan must be reapproved by the Company’s shareholders no later than the first stockholders meeting that occurs in the fifth year following the year in which the stockholders previously approved the provisions of Section 11, if additional Grants are to be made under Section 11 and if required by section 162(m) of the Code or the regulations thereunder.

c. Termination of Plan. The Plan shall terminate on the day immediately preceding the tenth anniversary of its Effective Date, unless the Plan is terminated earlier by the Board or is extended by the Board with the approval of the shareholders. The termination of the Plan shall not impair the power and authority of the Board or the Committee with respect to an outstanding Grant.

#### 18. Miscellaneous

a. Grants in Connection with Corporate Transactions and Otherwise. Nothing contained in this Plan shall be construed to (i) limit the right of the Board to make Grants under this Plan in connection with the acquisition, by purchase, lease, merger, consolidation or otherwise, of the business or assets of any corporation, firm or association, including Grants to employees thereof who become Employees, or for other proper corporate purposes, or (ii) limit the right of the Company to grant stock options or make other stock-based awards outside of this Plan. Without limiting the foregoing, the Grant may be made to an employee of another corporation who becomes an Employee by reason of a corporate merger, consolidation, acquisition of stock or property, reorganization or liquidation involving the Company in substitution for a grant made by such corporation. The terms and conditions of the Grants may vary from the terms and conditions required by the Plan and from those of the substituted stock incentives, as recommended by the Committee and determined by the Board.

b. Compliance with Law. The Plan, the exercise of Options and the obligations of the Company to issue or transfer shares of Company Stock under Grants shall be subject to all applicable laws and to approvals by any governmental or regulatory agency as may be required. With respect to persons subject to section 16 of the Exchange Act, it is the intent of the Company that the Plan and all transactions under the Plan comply with all applicable provisions of Rule 16b-3 or its successors under the Exchange Act. In addition, it is the intent of the Company that Incentive Stock Options comply with the applicable provisions of section 422 of the Code, that Grants of “qualified performance-based compensation” comply with the applicable provisions of section 162(m) of the Code and that, to the extent applicable, Grants comply with the requirements of section 409A of the Code. To the extent that any legal requirement of section 16 of the Exchange Act or section 422, 162(m) or 409A of the Code as set forth in the Plan ceases to be required under section 16 of the Exchange Act or section 422, 162(m) or 409A of the Code, that Plan provision shall cease to apply. The Board may revoke any Grant if it is contrary to law or modify a Grant to bring it into compliance with any valid and mandatory government regulation. The Committee may also adopt rules regarding the withholding of taxes on payments to Participants. The Committee may, in its sole discretion, agree to limit its authority under this Section.

c. Enforceability. The Plan shall be binding upon and enforceable against the Company and its successors and assigns.

d. Funding of the Plan; Limitation on Rights. This Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to assure the payment of any Grants under this Plan. Nothing contained in the Plan and no action taken pursuant hereto shall create or be construed to create a fiduciary relationship between the Company and any Participant or any other person. No Participant or any other person shall under any circumstances acquire any property interest in any specific assets of the Company. To the extent that any person acquires a right to receive payment from the Company hereunder, such right shall be no greater than the right of any unsecured general creditor of the Company.

e. Rights of Participants. Nothing in this Plan shall entitle any Employee, Non-Employee Director or other person to any claim or right to receive a Grant under this Plan. Neither this Plan nor any action taken hereunder shall be construed as giving any individual any rights to be retained by or in the employment or service of the Employer nor shall it interfere in any way with the right of the Company or any subsidiary to terminate such person’s employment or service at any time. Unless otherwise specified in the applicable Grant Agreement, an approved leave of absence shall not be considered a termination of employment or service for purposes of a Grant under the Plan

f. No Fractional Shares. No fractional shares of Company Stock shall be issued or delivered pursuant to the Plan or any Grant. The Company shall determine whether cash, other awards or other property shall be issued or paid in lieu of such fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.

g. Employees Subject to Taxation Outside the United States. With respect to Participants who are subject to taxation in countries other than the United States, the Board may make Grants on such terms and conditions as the Committee recommends to comply with the laws of the applicable countries, and the Committee may adopt such procedures, or recommend the Board adopt such addenda and subplans and make such modifications as may be necessary or advisable to comply with such laws.

h. Governing Law. The validity, construction, interpretation and effect of the Plan and Grant Agreements issued under the Plan shall be governed and construed by and determined in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

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APPENDIX II

ARRHYTHMIA RESEARCH TECHNOLOGY, INC.

This proxy is solicited by the Board of Directors  
for the Annual Meeting of Stockholders to be held on  
April 30, 2010

The undersigned stockholder acknowledges receipt of the Notice of Annual Meeting of Stockholders and the Proxy Statement, each dated March 15, 2010, and hereby appoints Judy Lucier and David A. Garrison, or either of them, proxies for the undersigned, each with full power of substitution, to vote all of the undersigned's shares of common stock of Arrhythmia Research Technology, Inc. (the "Company") at the Annual Meeting of Stockholders of the Company to be held at The Charles Hotel, One Bennett Street, Cambridge, Massachusetts, on April 30, 2010 at 10:00 a.m., local time, and at any adjournments or postponements thereof.

1. Election of Class III Director (3 year term)

Nominee: Paul F. Walter

VOTE FOR THE NOMINEE  
NOMINEE

or

VOTE WITHHELD FOR THE

2. Approval of the adoption of the Company's 2010 Equity Incentive Plan.

VOTE FOR

VOTE AGAINST

ABSTAIN

3. To ratify the appointment of CCR LLP as the Company's independent registered public accounting firm for the year ending December 31, 2010.

VOTE FOR

VOTE AGAINST

ABSTAIN

4. Authorization to adjourn the Annual Meeting.

VOTE FOR

VOTE AGAINST

ABSTAIN

5. Other Matters

In their discretion, to vote with respect to any other matters that may come before the Annual Meeting or any adjournment thereof, including matters incident to its conduct.

Please sign and date on the reverse side.

The board of directors recommends a vote FOR the nominees and proposals above and if no specification is made, the shares will be voted for such nominees and proposals.

PLEASE SIGN AND DATE.

Dated \_\_\_\_\_, 2010

Signature

Printed Name

Signature

Printed Name

(Joint Owners Should Each Sign,  
Attorneys-in-Fact, Executors, Administrators,  
Custodians, Partners, or Corporate Officers  
Should Give Their Full Title.)

Signature should agree with name printed hereon. If stock is held in the name of more than one person, EACH joint owner should sign. Executors, administrators, trustees, guardians, and attorneys should indicate the capacity in which they sign. Attorneys should submit powers of attorney.

PLEASE DATE, SIGN AND RETURN THIS PROXY  
NO POSTAGE NECESSARY IF MAILED IN THE UNITED STATES

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