DUKE REALTY CORP
Form DEF 14A
March 16, 2005

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant þ
Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to § 240.14a-12

Duke Realty Corporation

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

þ No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

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600 East 96th Street
Suite 100
Indianapolis, Indiana 46240
(317) 808-6000

March 16, 2005

Dear Shareholder:

The Board of Directors and officers of Duke Realty Corporation join me in extending to you a cordial invitation to attend our annual meeting of shareholders. This meeting will be held on Wednesday, April 27, 2005, at 3:00 p.m. local time, at the Marriott Indianapolis North Hotel, 3645 River Crossing Parkway, Indianapolis, Indiana 46240. To reserve your seat at the annual meeting, please call 800-875-3366 or send an e-mail to *ir@dukerealty.com*. As in past years, we believe that both the shareholders and management of Duke Realty Corporation can gain much through participation at this meeting. Our objective is to make it as informative and interesting as possible.

The formal notice of this annual meeting and the proxy statement appear on the following pages. We hope that you will make plans to attend this meeting. **Whether or not you attend, we urge you to vote by mail, by telephone or on the Internet in order to ensure that we record your votes on the business matters presented at the annual meeting.**

We look forward to seeing you on April 27th.

Sincerely,

Dennis D. Oklak
President and Chief Executive Officer

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600 East 96th Street
Suite 100
Indianapolis, Indiana 46240
(317) 808-6000

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To be held April 27, 2005

Notice is hereby given that the Annual Meeting of Shareholders (the Annual Meeting) of Duke Realty Corporation (the Company) will be held at the Marriott Indianapolis North Hotel, 3645 River Crossing Parkway, Indianapolis, Indiana 46240, on Wednesday, April 27, 2005, at 3:00 p.m. local time. At this meeting, the shareholders will be asked to act on the following matters:

1. To elect 13 directors to serve on the Company s Board of Directors for a one-year term ending at the annual meeting of shareholders in 2006;

2. To consider and vote upon a proposal to approve the Company s 2005 Long-Term Incentive Plan;

3. To consider and vote upon amendments to previously existing long-term incentive plans that would permit the Executive Compensation Committee to appropriately adjust outstanding awards in the event of a payment of an extraordinary cash dividend by the Company to its shareholders;

4. To ratify the reappointment by the Board of Directors of KPMG LLP as the Company s independent public accountants for the calendar year 2005;

5. To consider and vote upon a shareholder proposal, if properly presented at the Annual Meeting, requesting that the Company implement a comprehensive policy governing the disclosure of related party transactions; and

6. To transact such other business as may properly come before the Annual Meeting and any adjournment or postponement thereof.

Only shareholders of record at the close of business on Monday, February 28, 2005 are entitled to notice of and to vote at the Annual Meeting or at any adjournments or postponements thereof. At least a majority of the outstanding shares of common stock of the Company present in person or by proxy is required for a quorum.

YOUR VOTE IS IMPORTANT!

Submitting your proxy does not affect your right to vote in person if you attend the Annual Meeting. Instead, it benefits the Company by reducing the expenses of additional proxy solicitation. Therefore, you are urged to submit your proxy as soon as possible, regardless of whether or not you expect to attend the Annual Meeting. You may revoke your proxy at any time before its exercise by (i) delivering written notice of revocation to the Company s Secretary, Howard L. Feinsand, at the above address, (ii) submitting to the Company a duly executed proxy card bearing a later date, (iii) voting via the Internet or by telephone at a later date, or (iv) appearing at the Annual Meeting and voting in person; provided, however, that no such revocation under clause (i) or (ii) shall be effective until written notice of revocation or a later dated proxy card is received by the Company s Secretary at or before the Annual Meeting, and no such revocation under clause (iii) shall be effective unless received on or before 11:59 p.m., Indianapolis local time, on April 26, 2005.

When you submit your proxy, you authorize Dennis D. Oklak or Howard L. Feinsand or either one of them, each with full power of substitution, to vote your shares at the Annual Meeting in accordance with your

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instructions or, if no instructions are given, to vote for the election of the director nominees, for the approval of the 2005 Long-Term Incentive Plan, for the amendments to the Company s previously existing long-term incentive plans, for the appointment of the independent auditors for 2005, and to vote on any adjournments or postponements of the Annual Meeting. The Company s Annual Report for the year ended December 31, 2004 is also enclosed.

By order of the Board of Directors,

Howard L. Feinsand
Executive Vice President,
General Counsel and Secretary

Indianapolis, Indiana
March 16, 2005

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600 East 96th Street
Suite 100
Indianapolis, Indiana 46240
(317) 808-6000

QUESTIONS AND ANSWERS

Why did I receive this proxy?

The Board of Directors of Duke Realty Corporation (the Company) is soliciting proxies to be voted at the Annual Meeting. The Annual Meeting will be held Wednesday, April 27, 2005, at 3:00 p.m. local time at the Marriott Indianapolis North Hotel, 3645 River Crossing Parkway, Indianapolis, Indiana 46240. For driving directions to the Annual Meeting, please call 800-875-3366. This proxy statement summarizes the information you need to know to vote by proxy or in person at the Annual Meeting. You do not need to attend the Annual Meeting in person in order to vote.

Who is entitled to vote?

All shareholders of record as of the close of business on Monday, February 28, 2005 (the Record Date) are entitled to vote at the Annual Meeting.

What is the quorum for the Meeting?

In order for any business to be conducted, the holders of a majority of the shares of common stock entitled to vote at the Annual Meeting must be present, either in person or represented by proxy. For the purpose of determining the presence of a quorum, abstentions and broker non-votes (which occur when shares held by brokers or nominees for beneficial owners are voted on some matters but not on others) will be counted as present. As of the Record Date, 142,924,368 shares of common stock were issued and outstanding.

How many votes do I have?

Each share of common stock outstanding on the Record Date is entitled to one vote on each item submitted for consideration.

How do I vote?

By Mail:	Vote, sign, date your card and mail it in the postage-paid envelope.
In Person:	Vote at the Annual Meeting.
By Telephone:	Call toll-free 800-776-9437 and follow the instructions. You will be prompted for certain information that can be found on your proxy card.
Via Internet:	Log on to *www.voteproxy.com* and follow the on-screen instructions. You will be prompted for certain information that can be found on your proxy card.

How do I vote my shares that are held by my broker?

If you have shares held by a broker, you may instruct your broker to vote your shares by following the instructions that the broker provides to you. Most brokers offer voting by mail, telephone and on the Internet.

What am I voting on?

You will be voting on the following proposals:

Proposal One: The election of 13 directors to serve on the Company s Board of Directors for a one-year term ending at the annual meeting of shareholders in 2006

Proposal Two: The approval of the 2005 Long-Term Incentive Plan

Proposal Three: The approval of amendments to previously existing long-term incentive plans that would permit the Executive Compensation Committee to appropriately adjust outstanding awards in the event of a payment of an extraordinary cash dividend by the Company to its shareholders

Proposal Four: The ratification of the reappointment by the Board of Directors of KPMG LLP as the Company s independent public accountants for the calendar year 2005

Proposal Five: A shareholder proposal, if properly presented at the Annual Meeting, requesting that the Company implement a comprehensive policy governing the disclosure of related party transactions

Will there be any other items of business on the agenda?

The Board of Directors is not presently aware of any other items of business to be presented for a vote at the Annual Meeting other than the proposals noted above. Nonetheless, in case there is an unforeseen need, your proxy gives discretionary authority to Dennis D. Oklak and Howard L. Feinsand with respect to any other matters that might be brought before the meeting. Those persons intend to vote that proxy in accordance with their best judgment.

How many votes are required to act on the proposals?

The election of each director requires the affirmative vote of at least a majority of the common stock present in person or represented by proxy and entitled to vote for the election of directors. The holder of each outstanding share of common stock is entitled to vote for as many persons as there are directors to be elected. An abstention, broker non-vote, or direction to withhold authority will result in a nominee receiving fewer votes, but will not be treated as a vote against the nominee.

The approval of the 2005 Long-Term Incentive Plan, approval of the amendments to the Company s previously existing long-term incentive plans, and approval of the reappointment of KPMG LLP as the Company s independent public accountants for 2005 requires the affirmative vote of the holders of a majority of the common stock present in person or represented by proxy and entitled to vote at the Annual Meeting. Abstentions will be counted toward the tabulation of votes and will have the same effect as negative votes. Broker non-votes are counted towards a quorum, but are not counted for any purpose in determining whether these matters have been approved.

If the shareholder proposal is properly presented at the Annual Meeting, approval of the shareholder proposal will require the affirmative vote of the holders of a majority of the common stock present in person or represented by proxy and entitled to vote. Abstentions are counted towards the tabulation of votes and will have the same effect as negative votes. Broker non-votes are counted towards a quorum, but are not counted for any purpose in determining whether this matter has been approved.

What happens if I return my proxy card without voting on all proposals?

When you return a properly executed proxy card, we will vote the shares that the proxy card represents in accordance with your directions. If you return the signed proxy card with no direction on a proposal, **we will vote your proxy in favor of (FOR) Proposals One, Two, Three, and Four and against (AGAINST) Proposal Five.**

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Will anyone contact me regarding this vote?

It is contemplated that brokerage houses will forward the proxy materials to shareholders at the request of the Company. In addition to the solicitation of proxies by use of the mails, officers and regular employees of the Company may solicit proxies by mail, telephone, facsimile, e-mail, or personal interviews without additional compensation. The Company reserves the right to engage solicitors and pay compensation to them for the solicitation of proxies. The Altman Group has been retained to assist us in the solicitation of proxies at a fee estimated not to exceed $4,000.

Who has paid for this proxy solicitation?

The Company will bear the cost of preparing, printing, assembling and mailing the proxy, proxy statement and other materials that may be sent to shareholders in connection with this solicitation. The Company may also reimburse brokerage houses and other custodians, nominees and fiduciaries for their expenses incurred in forwarding solicitation materials to the beneficial owners of shares held of record by such persons.

How do I submit a proposal for the annual meeting of shareholders in 2006?

If a shareholder wishes to have a proposal considered for inclusion in the proxy statement for the 2006 annual meeting, he or she must submit the proposal in writing to the Company (Attention: Howard L. Feinsand, Secretary) so that the Company receives the proposal by November 18, 2005. Shareholders are also advised to review the Company s by-laws, which contain additional advance notice requirements, including requirements with respect to advance notice of shareholder proposals and director nominations.

The Board of Directors of the Company will review any shareholder proposals that are timely submitted and will determine whether such proposals meet the criteria for inclusion in the proxy solicitation materials or for consideration at the 2006 annual meeting. In addition, the persons named in the proxies retain the discretion to vote proxies on matters of which the Company is not properly notified at its principal executive offices on or before 60 days prior to the 2006 annual meeting, and also retain such authority under certain other circumstances.

What does it mean if I receive more than one proxy card?

It means that you have multiple accounts at the transfer agent or with stockbrokers. Please complete and return vote all proxy cards to ensure that all your shares are voted.

When was this proxy statement mailed?

This proxy statement, the enclosed proxy card and the Annual Report were mailed to shareholders beginning on or about March 16, 2005.

How do I receive future proxy materials electronically?

If you are a shareholder of record, you may, if you wish, receive future proxy statements and annual reports online. To do so, please log on to *www.voteproxy.com* and click on Enroll to receive mailings via e-mail. You will need to refer to the company number and the account number on the proxy card. If you later wish to receive the statements and reports by regular mail, this e-mail enrollment may be cancelled.

Can I find additional information on the Company s website?

Yes. The Company s website is located at *www.dukerealty.com*. Although the information contained on the Company s website is not part of this proxy statement, you can view additional information on the website, such as the Company s code of conduct, corporate governance guidelines, charters of board committees and reports that the Company files and furnishes with the Securities and Exchange Commission (the SEC). A copy of the Company s code of conduct, corporate governance guidelines and charters of board committees may be obtained by written request addressed to Duke Realty Corporation, 600 East 96th Street, Suite 100, Indianapolis, Indiana 46240, Attention: Investor Relations.

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PROPOSAL ONE: ELECTION OF DIRECTORS

The Company s Board of Directors currently consists of fifteen members. The terms of office for each of the Company s directors will expire at the Annual Meeting. Based on the recommendation of the Corporate Governance Committee, the Board of Directors has approved a reduction in the size of the Board from fifteen to thirteen effective as of the Annual Meeting and, accordingly, has nominated thirteen of the current directors for re-election to serve for one-year terms that will expire at the Company s 2006 annual meeting or until their successors have been elected and qualified. The Board of Directors has also designated Mr. Dennis D. Oklak to serve as Chairman of the Board of Directors effective as of the date of the Annual Meeting.

No security holder that held a beneficial ownership interest in the Company s common stock of 5% or more for at least one year recommended any candidates to serve on the Board of Directors.

The Company s Board of Directors has no reason to believe that any of the nominees for director will not be available for election. However, if a nominee is unavailable for election, the proxy holders may vote for another nominee proposed by the Board of Directors. If the Board of Directors does not propose another director nominee prior to or at the Annual Meeting, the Board of Directors, by resolution, may reduce the number of directors to be elected at the Annual Meeting. Each nominee has agreed to be named in this proxy statement and to serve if elected.

The election of each director requires the affirmative vote of the holders of at least a majority of the common stock present in person or represented by proxy and entitled to vote for the election of directors. The holder of each outstanding share of common stock is entitled to vote for as many persons as there are directors to be elected. An abstention, broker non-vote, or direction to withhold authority will result in a nominee receiving fewer votes, but will not be treated as a vote against the nominee.

The Board of Directors unanimously recommends a vote FOR the election of all of the nominees named below for director.

Nominees for Election as Directors

Barrington H. Branch, Age 64

Mr. Branch has served as President of The Branch-Shelton Company, LLC, a private investment banking firm, since 1998. From October 1991 to February 1997, Mr. Branch was President and Chief Executive Officer of DIHC Management Corporation, a wholly owned U.S. real estate investment subsidiary of Pensioenfonds PGGM. He has served as a director of the Company since 1999.

Geoffrey Button, Age 56

Mr. Button has been engaged as an independent real estate and financing consultant since 1995. Prior to December 1995, he was the Executive Director of Wyndham Investments, Ltd., a property holding company of Allied Domecq Pension Funds. Mr. Button has served as a director of the Company since 1993.

William Cavanaugh III, Age 66

Mr. Cavanaugh is Chairman of the World Association of Nuclear Operators (WANO). He retired as Chairman of Progress Energy in May 2004 and as Chief Executive Officer in March 2004, posts he held since August 1999. He previously served as President and Chief Executive Officer of Carolina Power & Light Company (CP&L), one of the predecessors to Progress Energy, Inc., from October 1996 to August 1999 and as President and Chief Operating Officer of CP&L from September 1992 to October 1996. He has served as a Director of the Company since 1999.

Ngaire E. Cuneo, Age 54

Ms. Cuneo currently is a partner of Red Associates, LLC a venture capital firm in the financial services sector.

Ms. Cuneo served as a consultant to Conseco, Inc. from March 2001 through December 2001. From 1992 through March 2001, she was an Executive Vice President of Conseco, Inc., an owner, operator and provider of services to companies in the financial services industry. Conseco, Inc. filed a petition for bankruptcy in December 2002.

Ms. Cuneo has served as a director of the Company since 1995.

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Charles R. Eitel, Age 55
Mr. Eitel has served as Chairman and Chief Executive Officer of The Simmons Company, an Atlanta based manufacturer of mattresses, since 2000. From February 1997 through January 2000, Mr. Eitel was the President and Chief Operating Officer of Interface, Inc. He currently serves on the board of directors of The Simmons Company and American Fidelity Assurance. He has served as a director of the Company since 1999.

R. Glenn Hubbard, Ph.D., Age 46
Dr. Hubbard has served as the Dean of Columbia University, Graduate School of Business since 2004. A Columbia faculty member since 1988, he is also the Russell L. Carson Professor of Finance and Economics. Dr. Hubbard is a member of the Panel of Economic Advisers for the Congressional Budget Office, and is a visiting scholar and Director of the Tax Policy Program for the American Enterprise Institute. Dr. Hubbard also serves as a director for ADP, Inc.; Dex Media; KKR Financial Corporation; BlackRock Closed-End Funds; and Ripplewood Holdings. In addition, Dr. Hubbard was Chairman of the President s Council of Economic Advisers from 2001 to 2003.

Martin C. Jischke, Ph.D., Age 63
Dr. Jischke has been President of Purdue University since 2000. From 1991 to 2000, Dr. Jischke served as President of Iowa State University. Dr. Jischke also served as chancellor of the University of Missouri-Rolla from 1986 to 1991. He serves as a director of Kerr-McGee Corporation, an energy and inorganic chemical company, and Wabash National Corporation, one of the leading manufacturers of truck trailers and composite trailers.

L. Ben Lytle, Age 58
Mr. Lytle currently serves as the Chairman and CEO of AXIA Health Management, LLC, a provider of population health management services. Mr. Lytle is Chairman Emeritus, a member of the Board of Directors and Presiding Director of Executive Sessions of the Board of Wellpoint Inc. (formerly known as Anthem, Inc.), a national insurance and financial services firm. From October 1999 to May 2003, Mr. Lytle served as a non-executive Chairman of the Board. Prior to October 1999 and since 1997, Mr. Lytle was the Chairman, President and Chief Executive Officer of Anthem, Inc. From 1989 through 1997, he was the President and Chief Executive Officer of Anthem, Inc. Mr. Lytle has served as a director of the Company since 1996 and is a director of Anthem, Inc., Monaco Coach Corporation and USI, Inc. He is an Executive-in-Residence at the University of Arizona School of Business, Adjunct Fellow and member of the Board of Trustees of the American Enterprise Institute and Senior Fellow and member of the Board of Trustees of the Hudson Institute. Mr. Lytle is the chair of the Company s Corporate Governance Committee and also serves as the Company s Lead Director.

William O. McCoy, Age 71
Mr. McCoy has been a partner of Franklin Street Partners, an investment management firm in Chapel Hill, North Carolina since 1997. From April 1999 to August 2000, Mr. McCoy served as Interim Chancellor of the University of North Carolina at Chapel Hill. Mr. McCoy was Vice President Finance for the University of North Carolina from February 1995 to November 1998. He retired as Vice Chairman of Bell South Corporation in December 1994. He has served as a director of the Company since 1999. Mr. McCoy also serves on the board of directors of Progress Energy, Inc., Fidelity Investments, Liberty Corporation and North Carolina Capital Management Trust. The Board of Directors has determined that Mr. McCoy, who serves on the Company s Audit Committee, qualifies as an audit committee financial expert as defined under the applicable rules established by the SEC.

John W. Nelley, Jr., Age 56
Mr. Nelley has served as a Managing Director of the Company with responsibilities for the Company s office and industrial activities in Nashville, Tennessee since 1999 and served in that same capacity for Weeks Corporation from 1996 to 1999. He has served as a director of the Company since 1999. Mr. Nelley serves as

the General Partner of NWI Warehouse Group L.P., the real estate assets of which were transferred to Weeks Corporation in 1996.

Dennis D. Oklak, Age 51

Mr. Oklak was appointed President and Chief Executive Officer of the Company in April 2004. From December 1986 through April 2004, Mr. Oklak held various positions within the Company, including President and Chief Operating Officer and Executive Vice President and Chief Administrative Officer. He is a director of Monaco Coach Corporation, a recreational vehicle manufacturer and serves on the board of governors of the National Association of Real Estate Investment Trusts.

Jack R. Shaw, Age 62

Since August 2002, Mr. Shaw has been the Vice President and Treasurer of the Regenstrief Foundation. From 1986 to June 2002, Mr. Shaw served as managing partner of the Indianapolis office of Ernst & Young. He has served as a director of the Company since 2003. Mr. Shaw serves or has served on the board of directors of many community organizations including the Arts Council of Indianapolis, the Indianapolis Chamber of Commerce, the Indianapolis Convention and Visitors Association, the Children s Museum of Indianapolis, United Way of Central Indiana, and the Central Indiana Corporate Partnership. In addition, Mr. Shaw serves on the Dean s Advisory Council of the Indiana University Kelley School of Business. The Board of Directors has determined that Mr. Shaw, who serves as chairman of the Company s Audit Committee, qualifies as an audit committee financial expert as defined under the applicable rules established by the SEC.

Robert J. Woodward, Jr., Age 63

Mr. Woodward has served as a director of the Company since 2002. From 1995 to 2002 he was Executive Vice President Chief Investment Officer of Nationwide, which is one of the largest insurance and financial service organizations in the world. Mr. Woodward currently serves as Chairman of the Board of The Palmer-Donavin Manufacturing Company, a regional building materials distribution company based in Columbus, Ohio. He has held this position since 1997. Mr. Woodward also serves on the Pension Management and Investment Council of Battelle Memorial Institute and as a member of the board of directors of ProCentury Corporation, a publicly bonded insurance holding company

Lead Director

Mr. Lytle serves as the lead director of the Company s Board of Directors. In that capacity, among other things, Mr. Lytle chairs the Company s Corporate Governance Committee and presides over executive sessions of the Company s independent Directors, which are held at least quarterly, and communicates to the Chief Executive Officer the results of such sessions. Accordingly, in establishing the position of lead director, the Company ensures that the Board of Directors has an appropriate balance between the powers of the Chief Executive Officer and those of the independent directors.

Independent Directors

Under the Company s articles of incorporation, at least a majority of the directors must consist of persons who are unaffiliated directors, which means only those persons who are not officers or employees of the Company or any of its affiliates. Commencing with the Annual Meeting, this requirement will increase to 75%. Because none of Mr. Branch, Mr. Button, Mr. Cavanaugh, Ms. Cuneo, Mr. Eitel, Dr. Hubbard, Dr. Jischke, Mr. Lytle, Mr. McCoy, Mr. Shaw nor Mr. Woodward is currently an officer or employee of the Company or any of its affiliates, over 75% of the Company s current Board consists of unaffiliated directors.

In addition, under the enhanced corporate governance listing standards of the NYSE, at least a majority of the Company s directors, and all of the members of the Company s Audit Committee, Executive Compensation Committee and Corporate Governance Committee, must meet the test of independence as defined under the listing standards of the NYSE. The NYSE listing standards provide that to qualify as an independent director, in addition to satisfying certain bright-line criteria, the board of directors must affirmatively determine that a director has no material relationship with the Company (either directly or as a

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partner, shareholder or officer of an organization that has a relationship with the Company). In January 2005, the Board of Directors undertook a review of director independence. During this review, the Board considered, among other things, relationships and transactions during the past three years between each director or any member of his or her immediate family, on the one hand, and the Company and its subsidiaries and affiliates, on the other hand. The purpose of the review was to determine whether any such relationships or transactions were inconsistent with a determination that the director is independent as defined under the NYSE listing standards. Based on the review, the Board of Directors has determined that all of the directors, except Messrs. Oklak and Nelley, are independent under the listing standards of the NYSE.

Director Retirement Policy

The Board of Directors has established a policy requiring a director to retire from the Board no later than the date of the Annual Meeting following such director s 72nd birthday.

BOARD COMMITTEES

The Board of Directors has four standing committees, with each committee described below. The members of each committee are also listed below. The members of each of the committees are comprised solely of independent directors.

Audit Committee

The Audit Committee provides assistance to the Board of Directors in fulfilling its responsibility to the shareholders relating to corporate accounting, reporting practices, the quality and integrity of the financial reports and other operating controls of the Company. The Audit Committee also is responsible for the selection of the independent auditors and oversees the auditors activities. In addition, the committee supervises and assesses the performance of the Company s internal auditing department.

Each member of the Audit Committee satisfies the enhanced independence requirements for audit committee members as defined in the listing standards of the NYSE. The Audit Committee operates under a written charter which is available on the Investor Information/ Corporate Governance section of the Company s website at *www.dukerealty.com.* For information regarding procedures established by the Audit Committee for the submission of complaints or concerns about the Company s accounting, internal accounting controls or auditing matters, you may also visit the Investor Information/ Corporate Governance section of the Company s website at *www.dukerealty.com.*

The Board of Directors has determined that Messrs. Jack Shaw and William O. McCoy are audit committee financial experts as defined under the applicable rules of the SEC.

Corporate Governance Committee

The purpose of the Corporate Governance Committee is to make recommendations to the Board of Directors regarding corporate governance policies and practices, recommend criteria for membership on the Board of Directors, nominate members to the Board of Directors and make recommendations to the Board of Directors concerning the members, size and responsibilities of each of the committees.

In determining appropriate candidates to nominate to the Board of Directors, the Corporate Governance Committee generally weighs the age, expertise, business experience, character and other board memberships of the candidate. The Board of Directors requires that at least one member of the Board of Directors should meet the criteria for an audit committee financial expert as defined under the rules of the SEC. The Corporate Governance Committee may employ a search firm to be used to identify director candidates. In nominating members to the Board of Directors, the Corporate Governance Committee will consider nominees recommended by shareholders if such recommendations are made in writing to the committee. The Company s by-laws state that the committee must consider such nominees so long as the recommendation is submitted to the Company s Secretary at least one hundred twenty (120) calendar days before the first anniversary of the date that the Company s proxy statement was released to shareholders in connection with the previous year s annual meeting of shareholders. However, the Corporate Governance Committee may, in its sole discretion, reject any such recommendation for any reason.

The Corporate Governance Committee operates under a written charter, which is available on the Investor Information/Corporate Governance section of the Company s website at *www.dukerealty.com.*

Executive Compensation Committee

The Executive Compensation Committee reviews and approves the compensation of the Chief Executive Officer and the Company s compensation strategies, programs, plans and policies. It also oversees the administration of all Company officer and employee benefit plans. In addition, the committee reviews and determines the individual elements of compensation for the executive officers of the Company. The Executive Compensation Committee operates under a written charter, which is available on the Investor Information/ Corporate Governance section of the Company s website at *www.dukerealty.com.*

Finance Committee

The Finance Committee reviews the current and long-term capital raising strategies and policies of the Company, including significant borrowings, the issuance and redemption of preferred and common stock, the establishment and payment of dividends and other significant financial transactions. The committee also reviews and authorizes property developments, property acquisitions, property dispositions and lease transactions exceeding certain threshold amounts established by the Board. The Finance Committee operates under a written charter, which is available on the Investor Information/Corporate Governance section of the Company s website at *www.dukerealty.com.*

2004 BOARD COMMITTEE MEMBERSHIP AND MEETINGS

The table below provides current membership and meeting information for each of the Board committees during 2004.

	Board	Audit	Compensation	Finance	Governance
Mr. Branch	Member		Member	Member	
Mr. Button	Member	Member		Member	
Mr. Cavanaugh	Member		Member		Member
Ms. Cuneo	Member		Member		Member
Mr. Eitel	Member		Chair	Member	
Mr. Hefner	Chair				
Dr. Hubbard	Member				
Dr. Jischke	Member		Member	Member	
Mr. Lytle	Lead Director		Member		Chair
Mr. McCoy	Member	Member			Member
Mr. Nelley	Member				
Mr. Oklak	Member				
Mr. Rogers	Member	Member			Member
Mr. Shaw	Member	Chair		Member	
Mr. Woodward	Member	Member		Chair	
Number of 2004 Meetings	4	8	5	6	5

The independent directors met separately in executive sessions four times in 2004, in addition to the committee meetings noted above. As Lead Director, Mr. Lytle presided over each of these sessions.

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Communications from Shareholders

As required by the listing standards established by the New York Stock Exchange, the Company provides a procedure for the Board of Directors to accept communications from shareholders of the Company that are reasonably related to protecting or promoting legitimate shareholder interests. Such procedure can be found on the Investor Information/ Corporate Governance section of the Company s website *(www.dukerealty.com)*. The Company believes that providing a method for interested parties to communicate with the independent directors of the Board of Directors and/or the entire Board of Directors provides a more confidential, candid and efficient method of relaying any interested parties concerns or comments. Such communications should be directed to the independent directors by writing to: Independent Directors, c/o Secretary, Duke Realty Corporation, 600 East 96th Street, Suite 100, Indianapolis, Indiana 46240. Communications should be directed to the entire Board of Directors by writing to: Board of Directors, c/o Secretary, Duke Realty Corporation, 600 East 96th Street, Suite 100, Indianapolis, Indiana 46240.

Attendance at Annual Meeting

In 2004, all directors attended at least 75% of the meetings of the Board of Directors, including meetings of the committees of which they were members. The Company encourages all of its directors to attend the Annual Meeting and, in 2004, all directors attended such meeting.

Compensation of Directors

The Company does not pay directors who are also employees of the Company additional pay for their services as directors. The non-employee directors currently are entitled to receive the following compensation:

- 400 shares of Company common stock per quarter;
- $3,500 for attendance at each meeting of the Board of Directors;
- $500 for participation in each telephonic meeting of the Board or its committees;
- a $7,500 annual retainer for the chairman of the Audit Committee and $6,500 for all other committee chairs; and
- a $2,000 annual retainer for the Lead Director.

The directors are also reimbursed for expenses of attending Board and Committee meetings.

Each non-employee director also receives 2,500 stock options and dividend increase units per year pursuant to the Company s 1999 Director s Stock Option and Dividend Increase Unit Plan. These awards currently have the following terms:

- The grant date is the date of the first Executive Compensation Committee meeting for any calendar year.
- These awards vest ratably over a five-year period and generally expire 10 years after the date of grant.
- The exercise price of the options is the closing price of the Company s common stock on the date of grant.
- The value of a dividend increase unit on the date of exercise is equal to the increase in the Company s annualized dividend per share of common stock from the date of grant to the date of exercise divided by the Dividend Yield. The Dividend Yield is defined as the annualized dividend per share of common stock divided by the market value of one share of common stock on the date of grant.

Newly appointed non-employee directors are also entitled to a one-time grant of 5,000 stock options and dividend increase units. If the shareholders approve the 2005 Long-Term Incentive Plan, as described in Proposal Two, the Company will not grant additional stock options or dividend increase units to directors under the 1999 Director s Stock Option and Dividend Increase Unit Plan, but may grant awards to directors in other forms, including, but not limited to, restricted stock.

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Non-employee directors may elect to receive all or a portion of their board attendance fees in shares of the Company s common stock pursuant to the Company s Directors Stock Payment Plan rather than in cash. The number of shares any such non-employee director receives is equal to the attendance fee otherwise payable divided by the closing price of the common stock as reported on the NYSE on the date the fee was earned.

Non-employee directors may also elect to defer the receipt of all or a portion of their annual cash and stock director fees pursuant to the Company s Directors Deferred Compensation Plan. The deferred fees and earnings thereon are to be paid to the directors after they cease to be members of the Board. Deferred fees that are otherwise payable in Company common stock must be invested in a deferred stock account. Annual cash fees may be deferred in either a deferred stock account or an interest account.

Deferred Stock Account. This account allows the director, in effect, to invest his or her deferred compensation in Company common stock. Funds in this account are credited as hypothetical shares of Company common stock based on the market price of the stock at the time the compensation would otherwise have been paid. Dividends on these hypothetical shares are deemed to be paid and reinvested in additional hypothetical shares based upon the market price of the stock on the date the dividends are paid. Actual shares are only issued when a Director ends his or her service.

Interest Account. Amounts in this account earn interest at the prime rate. The rate is adjusted quarterly. The aggregate amount of interest that accrued in 2004 for the participating Director was $946.

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AUDIT COMMITTEE REPORT

The Audit Committee of the Board of Directors (the Audit Committee) is composed of five directors, each of whom is independent under Securities and Exchange Commission Rule 10A-3 and the listing standards of the New York Stock Exchange. The duties and responsibilities of the Audit Committee are set forth in a written Audit Committee Charter, which was amended in January 2004 to comply with the enhanced corporate governance rules of the New York Stock Exchange and regulations adopted by the Securities and Exchange Commission pursuant to the Sarbanes-Oxley Act of 2002.

Management is responsible for the Company s internal controls, financial reporting process and compliance with laws and regulations and ethical business standards. KPMG LLP, the Company s independent registered public accounting firm, is responsible for performing an independent audit of the Company s consolidated financial statements in accordance with generally accepted auditing standards and to issue a report thereon. The Audit Committee s responsibility is to monitor and oversee these processes.

In connection with these responsibilities, the Audit Committee meets separately at most regular committee meetings with management, the Internal Audit Department and the Company s independent registered public accounting firm. The Audit Committee met with management and KPMG to review and discuss the Company s 2004 consolidated financial statements. The Audit Committee also discussed with the Company s independent registered public accounting firm, the matters required by Statement on Auditing Standards No. 61 (Communication with Audit Committees), as amended by SAS No. 90 Audit Committee Communications. Management and the Company s independent registered public accounting firm also made presentations to the Audit Committee throughout the year on specific topics of interest, including: (i) current developments and best practices for audit committees; (ii) updates on the substantive requirements of the Sarbanes-Oxley Act of 2002, including management s responsibility for assessing the effectiveness of internal control over financial reporting; (iii) the Company s critical accounting policies; (iv) the applicability of several new and proposed accounting releases; (v) and numerous SEC initiatives. In addition, the Audit Committee received written disclosures from KPMG required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and the Audit Committee discussed with the Company s independent registered public accounting firm that firm s independence. The Audit Committee also reviewed the amount of fees paid to KPMG for audit and non-audit services.

Based upon the Audit Committee s discussions with management and the Company s independent registered public accounting firm, and the Audit Committee s review of the representations of management and KPMG, the Audit Committee recommended that the Board of Directors include the audited consolidated financial statements in the Company s Annual Report on Form 10-K for the year ended December 31, 2004 to be filed with the SEC.

Audit Committee
Jack R. Shaw, Chair
Geoffrey Button
William O. McCoy
James E. Rogers
Robert J. Woodward, Jr.

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FEES PAID TO INDEPENDENT ACCOUNTANTS

The Company incurred the following fees for services rendered by KPMG LLP, the Company s independent accountants, during 2004 and 2003:

Audit Fees: $977,065 for 2004 and $661,163 for 2003.

Audit-Related Fees: $35,724 for 2004 and $17,000 for 2003. These fees include employee benefit plan audits, Sarbanes-Oxley Section 404 planning and testing, and other accounting related consultation.

Tax Fees: None for 2004 and 2003 for tax compliance and tax planning services.

All Other Fees: None for 2004 and 2003.

Audit Committee Pre-Approval Policies

In 2003, the Audit Committee adopted a policy, which requires the pre-approval of all fees paid to KPMG for non-audit related services. Under that policy, the committee pre-approved the following services:

Audits of the Company s employee benefit plans in an amount not to exceed $20,000 per year;

Tax consulting services in an amount not to exceed $20,000 per year; and

Accounting and compensation consulting services in an amount not to exceed $10,000 per year.

Any services in excess of the pre-approved amounts, or any services not described above, require the pre-approval of the Audit Committee chair, with a review by the Audit Committee at its next scheduled meeting.

Audit Committee Review

The Company s Audit Committee has reviewed the services rendered and the fees billed by KPMG LLP for the fiscal year ended December 31, 2004. The Audit Committee has determined that the services rendered and the fees billed last year that were not related directly to the audit of the Company s financial statements were compatible with the maintenance of independence of KPMG LLP as the Company s independent public accountants.

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REPORT OF THE EXECUTIVE COMPENSATION COMMITTEE

This report contains information regarding the cash and equity compensation of persons who served as the Company s Chief Executive Officer during the last completed fiscal year and the Company s four other most highly compensated executive officers (the Named Executive Officers).

Executive Compensation Philosophy

The Executive Compensation Committee (the Compensation Committee) of the Board of Directors makes all decisions about reviewing and determining the compensation for the Company s Chief Executive Officer. The Compensation Committee also has authority to review and approve the compensation for the Company s executive officers, other than the Chief Executive Officer. The primary objectives of the Compensation Committee in determining total compensation of the Company s executive officers are (i) to enable the Company to attract and retain high quality executives by providing total compensation opportunities with a combination of compensation elements which are at or above competitive opportunities, and (ii) to align shareholder interests and executive rewards by providing substantial incentive opportunities to be earned by the executives if they meet pay-for-performance standards designed to increase long-term shareholder value. In order to accomplish these objectives, the Compensation Committee established an executive compensation program that provides for the following:

- annual base salaries at or near the market median;
- annual incentive opportunities that reward the executives for achieving or surpassing performance goals which represent norms of excellence for the real estate industry; and
- long-term incentive opportunities that are directly related to increasing shareholder value.

The Compensation Committee reviews compensation levels for the executive officers of the Company near the beginning of each calendar year. In determining compensation for a specific executive, the Compensation Committee considers many factors, including the nature of the executive s job, the executive s job performance, the compensation levels of competitive jobs, and the financial performance of the Company. For executive officers other than the Chief Executive Officer, the Compensation Committee considers the recommendations of the Chief Executive Officer. The Compensation Committee also considers competitive market data compiled from independent sources. From time to time, the Compensation Committee utilizes the services of independent consultants to perform analyses and to make recommendations to the Compensation Committee relative to executive compensation matters. This year, the Compensation Committee engaged Frederic W. Cook & Company for assistance in performing a comprehensive review of executive compensation programs at the Company.

Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code), imposes a limitation on the deductibility of certain compensation in excess of $1 million paid to the Chief Executive Officer and the four other most highly paid executive officers of publicly held companies. Certain performance based compensation plans are excluded from this limitation provided the shareholders approve the plan and certain other requirements are met. While the Committee considers the deduction limitation in designing compensation plans and making awards under those plans, the Committee also considers many other factors. The Company did not pay any compensation in 2004 that was not deductible under Section 162 (m) of the Code, and does not believe that any future nondeductible compensation that is paid will have a material impact on the Company.

Base Salaries and Annual Cash Incentives

The base salaries for the Company s executive officers, including the Named Executive Officers, are established after a review by the Compensation Committee of the salaries paid to executive officers of a comparison group of other publicly traded REITs, as well as a comparison group of other public, general industry companies. Other factors considered include the individual s experience, performance and level of responsibility.

The Compensation Committee establishes an annual cash incentive target at the beginning of each year for each Named Executive Officer. The actual amount paid to an executive is based upon the Compensation Committee s assessment of (i) the Company s overall performance versus goals established by the Compensation Committee, and (ii) each executive s individual performance, with a higher emphasis on overall Company performance for the most senior executives. The overall Company performance factor is based upon a three-tier measurement system consisting of funds from operations (FFO) growth per share of common stock, return on shareholders equity and return on real estate investments.

Long-Term Incentive Opportunities

The amount of long-term incentives awarded to the Company s executive officers, including the Named Executive Officers, on an annual basis is determined at the discretion of the Compensation Committee but is based upon the participant s level of responsibility within the Company. Through the end of 2004, the long-term incentive opportunities consisted of stock options (Options), dividend increase units (DIUs), shareholder value plan grants and performance share plan grants. The Compensation Committee expects that future long-term incentive awards will consist of Options, restricted stock units and shareholder value plan grants if the shareholders approve the 2005 Long-Term Incentive Plan as described in Proposal Two of this proxy statement.

Stock Option and Dividend Increase Unit Plans

The objectives of the Option and DIU plans are to provide executive officers with long-term incentive opportunities aligned with the shareholder benefits of an increased common stock value and increased annual dividends. The number of Options and DIUs issued to each executive is determined annually by the Compensation Committee, with one DIU granted for each Option that is granted. The Options and DIUs are for terms of no more than ten years. With certain limited exceptions, awards made under the Option and DIU plans vest 20% per year over a five-year period. The exercise price of the Options may not be less than the fair market value of the Company s common stock on the date of grant. The value of each DIU at the date of exercise is equal to the increase in the Company s annualized dividend per share of common stock from the date of grant to the date of exercise divided by the Dividend Yield. The Dividend Yield is defined as the annualized dividend per share of common stock divided by the market value of one share of common stock on the date of grant. DIU value is payable in cash upon exercise.

Shareholder Value Plan

The objective of the shareholder value plan is to provide executive officers with long-term incentive opportunities directly related to providing total shareholder return in excess of the median of independent market indices. The Compensation Committee determines the annual shareholder value plan award for each executive officer. The award vests entirely three years after the date of grant and the amount paid is based upon the Company s total shareholder return for such three-year period as compared to independent market indices. The independent market indices used for comparison are the S&P 500 Index and the Equity REIT Total Return Index published by the National Association of Real Estate Investment Trusts (NAREIT). The amount of the award payable may range from a low of zero, if both of the rankings of the Company return are less than the 50th percentile of both of the indices, to a high of 300% of the award if the rankings of the Company return are in the 90th percentile or higher of both of the indices, with 100% of the award being payable at the 60th percentile. Shareholder value plan awards are payable in cash.

Performance Share Plan

Unlike awards under other Company plans, awards under this plan are made from time to time and not on an annual basis. Awards are made in the form of performance shares, with each performance share representing the economic equivalent of one share of common stock. Awards are granted at the discretion of the Compensation Committee after considering the participant s position and level of responsibilities within the Company and the overall compensation of the executive relative to competitive overall compensation levels for such position. Vesting of the awards is based upon the Company s attainment of certain predefined

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levels of earnings growth. At the beginning of each calendar year, the Compensation Committee sets a targeted earnings growth percentage for the year. The amount vested for a particular year is based upon a comparison of the actual earnings growth of the Company to the targeted earnings growth percentage. The value of vested performance shares is paid in cash upon termination of employment.

Compensation of the Chief Executive Officer

Dennis D. Oklak

The compensation awarded to Mr. Oklak in 2004 consisted of the same elements as the other Named Executive Officers, including an annual base salary, an annual cash incentive award and grants under the Company s long-term incentive plans.

Base Salary

Mr. Oklak was appointed President and Chief Executive Officer of the Company in April 2004. Upon appointment, his initial base salary was at $500,000 on an annualized basis for 2004. The Compensation Committee determined Mr. Oklak s salary after considering his performance level and experience with the Company, and after reviewing a survey of compensation paid to chief executive officers of comparable equity-based REITs and other general publicly traded companies.

Annual Cash Incentive

Mr. Oklak is generally eligible to receive an annual cash incentive bonus determined by the Compensation Committee. At the beginning of each calendar year, the Compensation Committee establishes a target amount of the award. The amount actually earned is based upon the attainment of certain corporate performance measurements as compared to predetermined targets. These performance measurements include FFO growth per share of common stock, return on shareholders equity and return on real estate investments. For 2004, the Company s FFO per share of common stock was $2.47, its return on shareholders equity was 12.23% and its return on real estate investments was 9.06%. Based upon these results versus the predetermined targets, the Compensation Committee determined that Mr. Oklak earned an annual cash incentive award of $425,000 for 2004.

Long-Term Incentive Opportunity Awards

Mr. Oklak is eligible for Option and DIU grants with a value on the date of grant equal to a percentage of his annual base salary. In February 2004, Mr. Oklak received the following awards:

Options to purchase 26,729 shares of common stock at an exercise price of $32.51 per share;

26,729 DIUs with a Dividend Yield of 5.66%; and

a target amount of $126,000 under the Shareholder Value Plan, subject to vesting as described above under Long-Term Incentive Opportunities Shareholder Value Plan.

Mr. Oklak received a performance share plan grant with a value of $450,000 in 2004. The award contains annual variable vesting provisions, with the amount vested based upon a comparison of actual FFO growth per share of common stock to a target established annually by the Compensation Committee. The annual vesting percentages range from 0% to 30%. The FFO growth target established by the Compensation Committee for the 2004 performance period was $2.48 per share of common stock, with a threshold for vesting under this plan of $2.43 per share of common stock. For 2004, the Company s FFO per share of common stock was $2.47. Based upon the Company s actual performance, the targets set by the Compensation Committee and the formulas contained in the plan, 18% of Mr. Oklak s 2004 award vested on January 1, 2005.

In February 2004, Mr. Oklak received a payment of $115,785 pursuant to a grant under the shareholder value plan made in 2001. In February 2005, Mr. Oklak received a payment of $113,887 pursuant to a grant under the shareholder value plan made in 2002. The payout percentages of these awards as determined by formulas contained in the shareholder value plan were 126.31% and 124.24% for the grants made in 2001 and

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2002, respectively, during which time Mr. Oklak served as the Company s Executive Vice President and Chief Operating Officer.

Thomas L. Hefner

The compensation awarded to Mr. Hefner in 2004 consisted of the same elements as the other Named Executive Officers, including an annual base salary, an annual cash incentive award and grants under the Company s long-term incentive plans.

Base Salary

Mr. Hefner served as Chief Executive Officer through April 30, 2004. Mr. Hefner s total base salary earned in 2004 was $257,692. The Compensation Committee determined Mr. Hefner s salary while he served as Chief Executive Officer after considering his performance level and experience with the Company, and after reviewing a survey of compensation paid to chief executive officers of comparable equity based REITs.

Annual Cash Incentive

Mr. Hefner is generally eligible to receive an annual cash incentive bonus determined by the Compensation Committee. At the beginning of each calendar year, the Committee establishes a target amount of the award. The amount actually earned is based upon the attainment of certain corporate performance measurements as compared to predetermined targets. These performance measurements include FFO growth per share of common stock, return on shareholders equity and return on real estate investments. At his request, Mr. Hefner did not receive an annual cash incentive award for 2004 and recommended that the Compensation Committee instead approve the payment of equivalent amounts to a trust to be exclusively used to provide additional benefit programs to employees of the Company.

Long-Term Incentive Opportunity Awards

Mr. Hefner is eligible for Option and DIU grants with a value on the date of grant equal to a percentage of his annual base salary. In February 2004, Mr. Hefner received the following awards:

Options to purchase 36,682 shares of common stock at an exercise price of $32.51 per share;

36,682 DIUs with a Dividend Yield of 5.66%; and

a target amount of $172,917 under the Shareholder Value Plan, subject to vesting as described above under Long-Term Incentive Opportunities Shareholder Value Plan.

In February 2004, Mr. Hefner received a payment of $126,310 pursuant to a grant under the shareholder value plan made in 2001. In February 2005, Mr. Hefner received a payment of $91,109 pursuant to a grant under the shareholder value plan made in 2002. The payout percentages of these awards as determined by formulas contained in that plan were 126.31% and 124.24% for the grants made in 2001 and 2002, respectively.

Compensation Committee

Charles R. Eitel, Chair
Barrington H. Branch
William Cavanaugh III
Ngaire E. Cuneo
Martin C. Jischke
L. Ben Lytle

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COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

As noted above, the Executive Compensation Committee is comprised of six independent directors: Messrs. Branch, Cavanaugh, Cuneo, Eitel, Jischke, and Lytle. No member of the Executive Compensation Committee is or was formerly an officer or an employee of the Company. No executive officer of the Company serves as a member of the Board of Directors or compensation committee of any entity that has one or more executive officers serving as a member of the Company s Board of Directors, nor has such interlocking relationship existed in the past.

STOCK PURCHASE PLANS

Under two stock purchase plans sponsored by the Company, directors and senior managers were entitled to purchase shares of the Company s common stock using the proceeds of loans that were guaranteed by the Company. Shares of the Company s common stock were purchased under these stock purchase plans in 1998 and 1999. The 1999 stock purchase plan program was concluded with full repayment of the loans in 2004.

The Named Executive Officers and directors that participated in the plans borrowed the entire purchase price of the shares from a bank and are personally obligated to repay the loans. The Company unconditionally guaranteed the payment and performance obligations of the officers and directors to the bank. However, each participant is personally liable to the Company for any payments made under the guarantee as a result of any default by a participant on his loan. As of February 15, 2005, Mr. Matthew A. Cohoat holds a loan guaranteed by the Company in the amount of $450,000. This loan held by Mr. Cohoat relates to the 1998 stock purchase plan and existed prior to the enactment of the Sarbanes-Oxley Act of 2002. No other Named Executive Officers have outstanding loans under stock purchase plans.

The Company shares purchased with the loan proceeds contain restrictive legends that may not be removed unless the loans are repaid. As of February 15, 2005, 72,603 shares of the Company s common stock with a market value of $2,350,885 were available to pay the $1,570,000 of loans guaranteed by the Company.

EMPLOYMENT AND SEVERANCE AGREEMENTS

The Duke Realty Severance Pay Plan (the Severance Plan) provides for the payment of severance amounts to certain key officers of the Company if, within one year following a change in control of the Company, the officer s employment with the Company is terminated by the Company other than for cause or if an officer voluntarily terminates his or her employment because of a reduction in the officer s pay or his forced relocation. A Level One participant will receive two times the sum of the compensation awarded to such terminated participant for the calendar year preceding the date of termination and a Level Two participant will receive an amount equal to his prior year compensation. All of the Named Executive Officers, other than Mr. Hefner, participate in the Severance Plan, and the Executive Compensation Committee has designated each of these participants as eligible for Level One benefits. Because Mr. Hefner no longer serves as an executive officer of the Company, he is no longer entitled to any benefits under the Severance Plan.

In 1999, Weeks Corporation (Weeks) was merged with and into the Company (the Merger). Prior to the Merger, Weeks entered into change of control agreements with certain of its officers. The Company assumed the obligations of Weeks under these agreements on the effective date of the Merger. Under one of these agreements, John W. Nelley, Jr., a director and officer of the Company, is entitled to receive severance payments based upon a multiple of his current compensation, plus immediate vesting of his stock options, if (a) his employment is terminated without cause within two years following a change of control of the Company, or (b) his employment is terminated for any reason within one year following a change of control.

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PERFORMANCE GRAPH

The following graph compares, over the five years ending December 31, 2004, the cumulative total shareholder return on the Company s common stock with the cumulative total return of the S&P 500 Index and the cumulative total return of the NAREIT Equity REIT Total Return Index.

Comparison of Five-year Cumulative Total Return
Company Common Stock, S&P 500 Index
and NAREIT Equity REIT Total Return Index *

	Fiscal Years Ended December 31,					
	1999	**2000**	**2001**	**2002**	**2003**	**2004**
The Company	100.00	136.20	144.71	162.42	211.04	245.60
NAREIT Index	100.00	126.37	143.97	149.47	204.98	269.70
S&P 500 Index	100.00	90.90	80.09	62.39	80.29	89.03

* Assumes that the value of the investment in shares of the Company s common stock and each index was $100 on December 31, 1999 and that all dividends were reinvested.

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EXECUTIVE COMPENSATION

The compensation of those individuals who served as Chief Executive Officer during the last completed fiscal year, and the four most highly compensated executive officers other than the Chief Executive Officer who were serving as executive officers at the end of the last completed fiscal year (collectively, the Named Executive Officers) at December 31, 2004, the most recent fiscal year end, is shown below.

Summary Compensation Table

The following table sets forth the compensation awarded, earned by, or paid to the Named Executive Officers of the Company during the last three fiscal years.

					Long-Term Compensation Awards			Long-Term Compensation Payouts	
		Annual Compensation			(4) Shareholder Value Plan	(7) Performance Share Plan	Securities Underlying	(5) Shareholder Value Plan	(6) All Other
Name and Principal Position	Year	Salary	Bonus	Other	Awards	Awards	Options(#)	Payments	Compensation
Dennis D. Oklak	2004	$ 519,231	$ 425,000	$ 0	$ 126,000	$ 450,000	26,729	$ 115,785	$ 6,666
President and Chief	2003	315,000	285,000	0	126,000	0	34,184	178,016	6,192
Executive Officer	2002	259,559	125,000	0	91,667	0	27,074	56,437	6,430
Robert M. Chapman	2004	$ 311,538	$ 260,000	$ 8,929(2)	$ 100,000	$ 400,000	21,214	$ 126,310	$ 6,666
Senior Executive Vice	2003	264,308	270,000	18,825(2)	86,667	0	23,513	178,016	6,192
President, Real Estate Operations	2002	220,000	140,000	19,599(2)	91,667	0	27,074	70,546	6,430
Matthew A. Cohoat	2004	$ 270,000	$ 220,000	$ 0	$ 33,333	$ 350,000	7,071	$ 34,104	$ 6,666
Executive Vice President	2003	156,000	100,000	0	20,000	0	5,426	32,043	6,523
and Chief Financial Officer	2002	150,000	60,000	0	20,000	0	5,907	11,287	5,817
James B. Connor	2004	$ 249,231	$ 220,000	$ 0	$ 80,000	$ 200,000	16,971	$ 52,630	$ 6,666
Regional Executive Vice	2003	201,538	175,000	0	43,333	0	11,757	89,009	6,523
President, Chicago	2002	150,962	135,000	0	46,667	0	13,783	33,862	6,192

Region									
Robert D. Fessler	2004	$ 259,615	$ 210,000	$ 167,423(3)	$83,334	$ 200,000	17,678	$ 63,155	$ 6,666
Regional Executive Vice President,	2003	228,308	200,000	360,569(3)	45,500	0	22,344	121,052	6,523
Atlanta Region	2002	152,308	160,000	0	50,000	0	14,768	43,739	6,192
Thomas L. Hefner(1)	2004	$ 257,692	$ 0	$ 0	$ 172,917	$ 0	36,682	$ 126,310	$ 4,607
Chairman of the Board	2003	415,000	200,000	5,000(2)	172,917	0	46,913	195,819	16,192
	2002	360,000	0	0	73,333	0	21,659	70,546	5,830

(1) Mr. Hefner served as Chief Executive Officer through April 30, 2004. At his request, Mr. Hefner did not receive an annual cash incentive award for 2004 and recommended that the Compensation Committee instead approve the payment of equivalent amounts to a trust to be exclusively used to provide additional benefit programs to employees of the Company.

(2) Represents tax reimbursements.

(3) Represents relocation related compensation payments of $132,920 and $317,535 in 2004 and 2003, and relocation payment related tax reimbursements of $34,503 and $43,034 in 2004 and 2003.

(4) Represents awards made under the Company s shareholder value plan that are payable three years following the date of grant. See a description of this plan under the heading above entitled Report of the Executive Compensation Committee Long-Term Incentive Plan Opportunities.

(5) Represents payments made under the Company s shareholder value plan.

(6) Represents Company match and profit sharing contributions to the Company s 401(k) and profit sharing plan. Includes a reimbursement of $10,000 to Mr. Hefner in 2003 for fees incurred from the early repayment of loans described under Stock Purchase Plans.

(7) Under the performance share plan, awards are made in the form of performance units, each of which is equivalent to one share of common stock. The awards have variable vesting provisions over five-year

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terms that are based on the achievement of certain FFO growth targets for the Company. Awards are not paid until retirement or termination of employment. Dividends are paid on the awards in cash or additional performance units, at the election of the participant.

As of December 31, 2004, the number of vested and unvested performance shares for the Named Executive Officers were as follows:

	# Vested	# Unvested	$ Value Vested	$ Value Unvested
Mr. Oklak	7,579	16,913	$ 258,738	$ 577,397
Mr. Chapman	5,544	15,813	189,263	539,859
Mr. Cohoat	611	10,766	20,846	367,551
Mr. Connor	349	6,152	11,912	210,029
Mr. Fessler	349	6,152	11,912	210,029
Mr. Hefner	7,764	3,509	265,056	119,801

Stock Option Grants in 2004

The following table contains information concerning stock option grants made to each of the Named Executive Officers during 2004 under the Company s 1995 Stock Option Plan:

	Individual Grants				
Name	Number of Securities Underlying Options Granted(1)	% of Total Options Granted to Employees	Exercise Price Per Share	Expiration Date	Grant Date Present Value(2)
Dennis D. Oklak	26,729	5.61%	$ 32.51	1/28/14	$ 75,985
Robert M. Chapman	21,214	4.45%	$ 32.51	1/28/14	$ 60,307
Matthew A. Cohoat	7,071	1.48%	$ 32.51	1/28/14	$ 20,101
James B. Connor	16,971	3.56%	$ 32.51	1/28/14	$ 48,245
Robert D. Fessler	17,678	3.71%	$ 32.51	1/28/14	$ 50,255
Thomas L. Hefner	36,682	7.70%	$ 32.51	1/28/14	$ 104,280

(1) With the exception of options that qualify as incentive stock options under Section 422 of the Code, the options may be transferred to immediate family members or entities beneficially owned by such family members.

(2) These values were established using the Black-Scholes stock option valuation model. The following assumptions were used in the model: expected volatility of 20.0%, risk-free interest rate of 3.56%, dividend yield of 6.5%, and expected life of the options of six years. The actual value of the options will depend upon the performance of the Company during the period of time the options are outstanding and the price of the Company s common stock on the date of exercise.

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Aggregated Option Exercises and Year-End Option Values

The following table contains information concerning option exercises and option holdings by each of the Named Executive Officers for 2004:

Name	Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options at 12/31/04 Exercisable	Unexercisable	Value of Unexercised In-the-Money Options at 12/31/04(1) Exercisable	Unexercisable
Dennis D. Oklak	22,096	$ 410,992	89,998	86,189	$ 1,002,119	$ 631,287
Robert M. Chapman	0	0	142,589	73,057	1,623,479	556,282
Matthew A. Cohoat	8,987	132,898	12,062	18,969	134,471	129,526
James B. Connor	0	0	43,225	42,118	486,787	281,657
Robert D. Fessler	9,462	136,498	63,962	53,842	703,789	355,636
Thomas L. Hefner	5,220	69,376	111,571	104,570	1,262,719	717,793

(1) Based upon the per share closing price of the Company s common stock on December 31, 2004 of $34.14, less the exercise price per share.

Long-Term Incentive Plan Awards

The following table sets forth awards made to the Named Executive Officers in 2004 under the Company s dividend increase unit plan and shareholder value plan:

Name	Date of Grant	Number of Shares, DIUs, or Other Rights	Performance Period Until Payout	Estimated Future Payouts Under Non-Stock Priced-Based-Plans Threshold	Target	Maximum
Dennis D. Oklak						
Dividend Increase Unit Plan(1)	1/28/04	26,729 DIUs	N/A	N/A	N/A	N/A
Shareholder Value Plan(2)	1/1/04	N/A	3 Years	$ 0	$ 126,000	$ 378,000
Robert M. Chapman						
Dividend Increase Unit Plan(1)	1/28/04	21,214 DIUs	N/A	N/A	N/A	N/A
Shareholder Value Plan(2)	1/1/04	N/A	3 Years	$ 0	$ 100,000	$ 300,000
Matthew A. Cohoat						
Dividend Increase Unit Plan(1)	1/28/04	7,071 DIUs	N/A	N/A	N/A	N/A
Shareholder Value Plan(2)	1/1/04	N/A	3 Years	$ 0	$ 33,333	$ 100,000
James B. Connor						

Dividend Increase Unit Plan(1)	1/28/04	16,971 DIUs	N/A	N/A	N/A	N/A
Shareholder Value Plan(2)	1/1/04	N/A	3 Years	$ 0	$ 80,000	$ 240,000
Robert D. Fessler						
Dividend Increase Unit Plan(1)	1/28/04	17,678 DIUs	N/A	N/A	N/A	N/A
Shareholder Value Plan(2)	1/1/04	N/A	3 Years	$ 0	$ 83,334	$ 250,000
Thomas L. Hefner						
Dividend Increase Unit Plan(1)	1/28/04	36,682 DIUs	N/A	N/A	N/A	N/A
Shareholder Value Plan(2)	1/1/04	N/A	3 Years	$ 0	$ 172,917	$ 518,751

(1) Under the Company s dividend increase unit plan, DIUs are granted to key employees. DIUs vest over a five-year period at 20% per year. The value of each DIU at the date of exercise is determined by calculating the Dividend Yield at the date the DIU is granted and dividing the increase in the Company s annualized dividend from the date of grant to the date of exercise by such Dividend Yield. DIUs not exercised within 10 years of the date of grant are forfeited. Distribution of a participant s benefits under the plan will be made in cash. The in-the-money value of vested DIUs at December 31, 2004 for these executives was $490,235 for Mr. Oklak, $968,963 for Mr. Chapman, $111,835 for Mr. Cohoat, $232,466 for Mr. Connor, $556,344 for Mr. Fessler, and $815,352 for Mr. Hefner.

(2) Under the Company s shareholder value plan, awards are granted in specified dollar amounts to selected key employees. The specified award is payable to the participant on the third anniversary of the grant of the award. The actual payments under the plan are determined based upon the Company s cumulative total shareholder return for the three-year period beginning on the date of grant as compared to the cumulative total return for the S&P 500 Index and the NAREIT Equity REIT Total Return Index (the Indices) for the same period. The Company s cumulative total shareholder return is calculated by determining the average per share closing price of the Company s common stock for the 30 day period preceding the end of the three year period, increased by an amount that would be realized if all cash dividends paid during the three year period were reinvested in common stock of the Company, and comparing this amount to the average per share closing price of the Company s common stock for the 30 day period preceding the date of grant. The payment of one-half of the bonus award is adjusted based upon the percentile ranking of the Company s cumulative total shareholder return as compared to each of the Indices for the same period. The payment adjustment may range from zero percent of the amount awarded, if both of the rankings of the Company s returns are less than the 50th percentile of both of the Indices, to 300 percent of the amount awarded if both of the rankings are in the 90th percentile or higher of both of the Indices, with 100 percent of the award being payable at the 60th percentile. Distribution of a participant s adjusted bonus award at the end of the three-year period after the date of grant will be made in cash.

Equity Compensation Plan Information

The following table sets forth certain information as of February 10, 2005 regarding compensation plans under which shares of the Company s common stock may be issued.

Plan Category	(A) Number of Securities to be Issued Upon Exercise of Outstanding Options(#)	(B) Weighted-average Exercise Price of Outstanding Options($)	(C) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (A))(#)
Equity compensation plans approved by security holders	3,824,210(1)	$ 26.37	3,092,846(2)
Equity compensation plans not approved by security holders(3)		N/A	290,602
Total	3,824,210	$ 26.37	3,383,448

(1) Represents common stock issuable upon the exercise of outstanding options granted under the Company s stock option plans, except for 249,150 shares of common stock issuable upon the exercise of outstanding options assumed by the Company in its acquisition of Weeks Corporation. The weighted average exercise price of outstanding options granted under the Weeks Corporation plans was $21.17. The Company cannot grant any additional options under the Weeks Corporation plans.

(2) Includes 2,723,223 shares of common stock available for issuance under 1995 Stock Option Plan, 289,807 shares available for issuance for dividend increase units under the 1999 Director Stock Option and DIU Plan, and 79,816 shares available for issuance under the 1999 Directors Stock Payment Plan. These plans will be frozen as

to future grants and of the 3,092,846 remaining shares authorized for issuance as of that date, 2,723,223 shares will never be issued if the shareholders approve the Duke Realty Corporation 2005 Long-Term Incentive Plan as discussed in Proposal Two to this proxy statement.

(3) Consists of shares of common stock registered for issuance under the Company s Employee Stock Purchase Plan, a plan amended and restated in July 2001. Pursuant to Amendment One of the Company s Employee Stock Purchase Plan approved in October 2002, the Company now purchases all shares on the open market to satisfy its obligations under this plan.

OWNERSHIP OF COMPANY SHARES

The following table sets forth the beneficial ownership of shares of common stock as of February 15, 2005 for each person or group known to the Company to be holding more than 5% of such common stock and for each director and Named Executive Officer and the directors and executive officers of the Company as a g