PROLOGIS
Form 10-K
February 28, 2011

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

FORM 10-K

(Mark One)

þ	**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** **For the fiscal year ended December 31, 2010**
	OR
o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** **For the transition period from to**

Commission File Number 1-12846

(Exact name of registrant as specified in its charter)

Maryland	**74-2604728**
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)

4545 Airport Way
Denver, CO 80239
(Address of principal executive offices and zip code)

(303) 567-5000
(Registrant s telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of each exchange on which registered**
Common Shares of Beneficial Interest, par value $0.01 per share	New York Stock Exchange
Series F Cumulative Redeemable Preferred Shares of Beneficial Interest, par value $0.01 per share	New York Stock Exchange
Series G Cumulative Redeemable Preferred Shares of Beneficial Interest, par value $0.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **NONE**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website; if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter periods that the registrant was required to submit and post such files). Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

(Check one)	þ Large accelerated filer	o Accelerated filer
	o Non-accelerated filer (do not check if a smaller reporting company)	o Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes o No þ

Based on the closing price of the registrant s shares on June 30, 2010, the aggregate market value of the voting common equity held by non-affiliates of the registrant was $4,817,236,572.

At February 18, 2011, there were outstanding approximately 570,437,118 common shares of beneficial interest of the registrant.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Part III of this report are incorporated by reference to the registrant s definitive proxy statement for the 2011 annual meeting of its shareholders or will be provided in an amendment filed on Form 10-K/A.

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Certain statements contained in this discussion or elsewhere in this report may be deemed forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Words and phrases such as expects , anticipates , intends , plans , believes , seeks , estimates , designed to achieve , variations of such words and similar expressio intended to identify such forward-looking statements, which generally are not historical in nature. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future including statements relating to rent and occupancy growth, development activity and changes in sales or contribution volume or profitability of developed properties, economic and market conditions in the geographic areas where we operate, the availability of capital in existing or new property funds and the consummation of the Merger are forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Although we believe the expectations reflected in any forward-looking statements are based on reasonable assumptions, we can give no assurance that our expectations will be attained and therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Many of the factors that may affect outcomes and results are beyond our ability to control. For further discussion of these factors see Item 1A Risk Factors in this annual report on Form 10-K. All references to we , us and our refer to ProLogis and our consolidated subsidiaries. Unless otherwise noted herein, all statements, particularly those in Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations, are not reflective of the impact of the proposed transaction with AMB Property Corporation discussed herein.

PART I

ITEM 1. Business

ProLogis is a leading global provider of industrial distribution facilities. We are a Maryland real estate investment trust (REIT) and have elected to be taxed as such under the Internal Revenue Code of 1986, as amended (the Code). Our world headquarters is located in Denver, Colorado. Our European headquarters is located in the Grand Duchy of Luxembourg with our European customer service headquarters located in Amsterdam, the Netherlands. Our primary office in Asia is located in Tokyo, Japan.

Our Internet website address is www.prologis.com. All reports required to be filed with the Securities and Exchange Commission (the SEC) are available or may be accessed free of charge through the Investor Relations section of our Internet website as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Our Internet website and the information contained therein or connected thereto are not intended to be incorporated into this Annual Report on Form 10-K. Our common shares trade under the ticker symbol PLD on the New York Stock Exchange (NYSE).

We were formed in 1991, primarily as a long-term owner of industrial distribution space operating in the United States. Over time, our business strategy evolved to include the development of properties for contribution to property funds in which we maintain an ownership interest and the management of those property funds and the properties they own. Originally, we sought to differentiate ourselves from our competition by focusing on our corporate customers distribution space requirements on a national, regional and local basis and providing customers with consistent levels of service throughout the United States. However, as our customers needs expanded to markets outside the United States, so did our portfolio and our management team. Today, we are an international real estate company with operations in North America, Europe and Asia. Our business strategy is to integrate international scope and expertise with a strong local presence in our markets, thereby becoming an attractive choice for our targeted customer base, the largest global users of distribution space, while achieving long-term sustainable growth in cash flow.

Industrial distribution facilities are a crucial link in the modern supply chain, and they serve three primary purposes for supply-chain participants: (i) support accurate and seamless flow of goods to their appointed destinations; (ii) function as processing centers for goods; and (iii) enable companies to store enough inventory to meet surges in demand and to cushion themselves from the impact of a break in the supply chain.

At December 31, 2010, our total portfolio of properties owned, managed, and under development includes direct-owned properties and properties owned by property funds and joint ventures that we manage. These properties are located in North America, Europe and Asia and are broken down as follows:

	Number of Properties	**Square Feet (in thousands)**	**Investment (in thousands)**
Total owned, managed and under development:			
Industrial properties:			
Operating properties	985	168,547	$ 10,714,799
Properties under development	14	4,858	365,362
Land	n/a	n/a	1,533,611
Other real estate investments	n/a	n/a	265,869
Total properties owned	999	173,405	12,879,641
Investment management-industrial properties (1)	1,179	255,367	18,064,230
Total properties owned and under management	**2,178**	**428,772**	**$ 30,943,871**

(1) Amounts represent the entity s investment in the operating property, not our proportionate share.

Proposed Merger with AMB Property Corporation

On January 30, 2011, we and three of our newly formed, wholly owned subsidiaries, entered into a definitive Agreement and Plan of Merger (the Merger Agreement), with AMB Property Corporation, a Maryland corporation (AMB), and AMB Property, L.P., a Delaware limited partnership (AMB LP). The Merger Agreement provides that, upon the terms and subject to the conditions set forth in the Merger Agreement, (i) ProLogis will be reorganized into an umbrella partnership REIT, or UPREIT , structure through the merger of ProLogis with an indirect wholly owned subsidiary (the ProLogis Merger); (ii) thereafter, the new holding company formed by the ProLogis Merger will be merged with and into AMB (the Topco Merger and, together with the ProLogis Merger, the Merger), with AMB continuing as the surviving corporation with its corporate name changed to ProLogis Inc. ; and (iii) thereafter, the surviving corporation will contribute all of the indirect equity interests of ProLogis to AMB LP in exchange for the issuance by AMB LP of partnership interests in AMB LP to the surviving corporation. AMB LP s name will be changed to ProLogis L.P. . The all-stock merger is intended to be a tax-free transaction. Upon completion of the Merger, the common stock of the surviving corporation will trade on the NYSE under the ticker symbol PLD. Pursuant to the Merger Agreement and the Merger upon the terms and subject to the conditions set forth in the Merger Agreement, (i) each ProLogis common share will be converted into 0.4464 (the Exchange Ratio) of a newly issued share of common stock of AMB and (ii) each outstanding Series C Cumulative Redeemable Preferred Share of Beneficial Interest of ProLogis, Series F Cumulative Redeemable Preferred Share of Beneficial Interest of ProLogis and Series G Cumulative Redeemable Preferred Share of Beneficial Interest of ProLogis will be exchanged for one newly issued share of a corresponding series of preferred stock of AMB. Cash will be issued in lieu of any fractional shares. Each share of AMB common stock and AMB preferred stock will remain outstanding following the effective time of the Merger as shares of the surviving corporation. From an accounting perspective, ProLogis will be the acquirer.

The Merger is subject to customary closing conditions, including receipt of approval of our shareholders and AMB stockholders and certain regulatory approvals outside the United States. We currently expect the transactions contemplated by the Merger Agreement to close during the second quarter of 2011.

Business Strategy

After the global financial market and economic disruptions that began at the end of 2008, our strategy included specific goals aimed at generating liquidity in order to reduce our debt, reducing general and administrative costs, and postponing most development to allow us to focus on leasing our existing properties. During 2010, we focused on our longer-term strategy of conservative growth through the ownership, management and development of industrial properties, with a concentrated focus on customer service. This allowed us to concentrate on our objectives, which were to:

- retain more of our development properties in order to improve the geographic diversification of our direct owned properties, as most of our planned developments were in international markets;
- monetize a portion of our investment in land through disposition or development; and
- continue to focus on staggering and extending our debt maturities.

During 2010 we made progress on these objectives, as well as completed other activities (discussed in more detail in Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations), such as:

- increased the leased percentage of our completed development properties from 62.2% at December 31, 2009 to 78.7% at December 31, 2010, and increased the leased percentage of our total portfolio from 82.7% at December 31, 2009 to 87.6% at December 31, 2010;

- monetized an aggregate of approximately $320.8 million in land through development, contributions and sales to third parties;

- reduced our net debt by approximately $1.5 billion through three debt tender offers of certain senior notes and the buyback of other outstanding senior and convertible notes;

- staggered our debt maturities with $176.3 million maturing in 2011 and, excluding our global credit facility, less than $800 million in any year thereafter; and

- generated proceeds of $1.7 billion on the dispositions of investments in real estate and $1.1 billion through a public offering of common shares, which was principally used to reduce debt and fund development activities.

In 2011, we plan to continue to focus on our longer-term strategy of conservative growth through the ownership, management and development of industrial properties with a concentrated focus on customer service. Building off our objectives for 2010, our goals for 2011 and beyond include:

- increase occupancy in our operating portfolio (representing 168.5 million square feet at December 31, 2010 that was 87.6% leased);

- develop new industrial properties on our land, primarily in our major logistics corridors; and

- along with development, monetize our investment in land through dispositions to third parties as raw land or subsequent to the development of a building.

We plan to accomplish these objectives through the disposition of certain assets. During the fourth quarter of 2010, we made a strategic decision to more aggressively pursue land sales and, as a result, we have almost $1.0 billion in land targeted for disposition at December 31, 2010. We also plan to dispose of our retail, mixed use and other non-core assets in early 2011. We will use these proceeds to help fund our development activities, allowing us to develop our investment of over $0.5 billion in land held for development at December 31, 2010 into income producing properties through new build-to-suit and potential speculative opportunities. In addition, we will analyze any opportunities for acquisitions of quality industrial portfolios within our current business model.

Our Operating Segments

The following discussion of our business segments should be read in conjunction with Item 1A Risk Factors , our property information presented in Item 2 Properties , Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations and our segment footnote - Note 20 to our Consolidated Financial Statements in Item 8.

Our current business strategy includes two operating segments: (i) direct owned and (ii) investment management. Our direct owned segment represents the direct long-term ownership of industrial properties. Our investment management segment represents the long-term investment management of property funds, other unconsolidated investees and the properties they own.

Operating Segments - Direct Owned

Our direct owned segment represents the long-term ownership of industrial properties. Our investment strategy focuses primarily on the ownership and leasing of industrial operating properties in key distribution markets. Within our direct owned operating portfolio are properties that we developed that we sometimes refer to as completed development properties. Also included in this segment are industrial properties that are currently under development, land and land subject to ground leases.

Investments

At December 31, 2010, the following properties are in the direct owned segment located in North America, Europe and Asia (square feet and investment in thousands):

	Number of Properties	Square Feet	Leased Percentage		Investment (before depreciation)
Industrial properties:					
Operating properties	985	168,547	87.6 %	$	10,714,799
Properties under development	14	4,858	67.6		365,362
Total industrial properties	999	173,405	87.0 %		11,080,161
Land	n/a	n/a	n/a		1,533,611
Other real estate investments	n/a	n/a	n/a		265,869
Total				$	**12,879,641**

Results of Operations

We earn rent from our customers, including reimbursement of certain operating costs, under long-term operating leases (with an average lease term of six years at December 31, 2010). The revenue in this segment increased in 2010 due to the lease up and increased occupancy levels of our completed development properties, as well as the acquisition of properties and the completion of new development properties, partially offset by decreases due to contributions of properties to the unconsolidated property funds in 2010 and 2009 and decreases in effective rental rates. We expect our total revenues from this segment to continue to increase in 2011 from 2010 predominantly through increases in occupied square feet in our development properties, offset partially by lower rents on turnover of space. We anticipate the increases in occupied square feet to come from leases that were signed in 2010, but where the space was not occupied until 2011, and future leasing activity.

Market Presence

At December 31, 2010, our 985 industrial operating properties in this segment aggregating 168.5 million square feet were located in three countries in North America (Canada, Mexico and the United States), in 12 countries in Europe (Czech Republic, France, Germany, Hungary, Italy, the Netherlands, Poland, Romania, Slovakia, Spain, Sweden and the United Kingdom) and in one country in Asia (Japan). Our largest investments for this segment in North America (based on our investment in the properties) are Atlanta, Chicago, Dallas, Los Angeles basin/Inland Empire, New Jersey/Eastern Pennsylvania and the San Francisco Bay Area/Central Valley. Our largest investments in Europe are in Poland and the United Kingdom and our largest investment in Asia is in Tokyo. Our 14 properties under development at December 31, 2010 aggregated 4.9 million square feet and were located in North America, Europe and Asia. At December 31, 2010, we owned 8,990 acres of land with an investment of $1.5 billion located in North America (5,214 acres, $0.6 billion investment), Europe (3,724 acres, $0.7 billion investment) and Asia (52 acres, $0.2 billion investment). Within our portfolio of land, we have identified almost $1.0 billion of land that we have targeted for disposition. See further detail in Item 2 Properties .

Competition

The existence of competitively priced distribution space available in any market could have a material impact on our ability to rent space and on the rents that we can charge. To the extent we wish to acquire land for future development of properties in our direct owned segment or dispose of land, we may compete with local, regional, and national developers. We also face competition from other investment managers in attracting capital for our property funds to be utilized to acquire properties from us or third parties.

We believe we have competitive advantages due to (i) our ability to quickly respond to customer s needs for high-quality distribution space in key global distribution markets; (ii) our established relationships with key customers served by our local personnel; (iii) our ability to leverage our organizational structure to provide a single point of contact for our global customers; (iv) our property management and leasing expertise; (v) our relationships and proven track record with current and prospective investors in the property funds; (vi) our

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global experience in the development and management of industrial properties; (vii) the strategic locations of our land that we expect to develop; and (viii) our personnel who are experienced in the land entitlement process.

Property Management

Our business strategy includes a customer service focus that enables us to provide responsive, professional and effective property management services at the local level. To enhance our management services, we have developed and implemented proprietary operating and training systems to achieve consistent levels of performance and professionalism and to enable our property management team to give the proper level of attention to our customers. We manage substantially all of our operating properties.

Customers

We have developed a customer base that is diverse in terms of industry concentration and represents a broad spectrum of international, national, regional and local distribution space users. At December 31, 2010, in our direct owned segment, we had 2,002 customers occupying 144.7 million square feet of industrial properties. Our largest customer and 25 largest customers accounted for 2.7% and 21.0%, respectively, of our annualized collected base rents at December 31, 2010.

Employees

We employ 1,100 persons in our entire business. Our employees work in three countries in North America (692 persons), in 13 countries in Europe (313 persons) and in three countries in Asia (95 persons). Of the total, we have assigned 605 employees to our direct owned segment and 45 employees to our investment management segment. We have 450 employees who work in corporate positions who are not assigned to a segment who may assist with segment activities. We believe our relationships with our employees are good. Our employees are not organized under collective bargaining agreements, although some of our employees in Europe are represented by statutory Works Councils and benefit from applicable labor agreements.

Future Plans

Our current business plan allows for the selective development of industrial properties (generally on our land) to: (i) address the specific expansion needs of customers; (ii) enhance our market presence in a specific country, market or submarket; (iii) take advantage of opportunities where we believe we have the ability to achieve favorable returns; (iv) monetize our existing land positions through development of industrial properties to primarily hold for long-term investment (generally in our major logistics corridors) or for disposition; and (v) improve the geographic diversification of our portfolio. In addition, we expect to dispose of land parcels, specifically those that we have identified as land targeted for disposition.

In 2011, we intend to fund our investment activities in the direct owned segment primarily with proceeds generated through the sale of our non-core retail and other assets (expected to close in the first quarter) and the sale of land parcels. Additionally, depending on market conditions and the capital available from our fund partners, we may contribute properties to the property funds or joint ventures we manage.

Operating Segments   Investment Management

The investment management segment represents the investment management of unconsolidated property funds and certain joint ventures and the properties they own. We utilize our investment management expertise to manage the property funds and joint ventures and we utilize our leasing and property management expertise to manage the properties owned by these entities.

Our property fund strategy:

- allows us, as the manager of the property funds, to maintain and expand our market presence and customer relationships;

- allows us to maintain a long-term ownership position in the properties;

- allows us to earn fees for providing services to the property funds and joint ventures; and

- provides us an opportunity to earn incentive performance participation income based on the investors returns over a specified period.

Investments

As of December 31, 2010, we had investments in and advances to 10 property funds totaling $1.9 billion with ownership interests ranging from 20% to 50%. These investments are in North America seven aggregating $936.4 million; Europe two aggregating $936.9 million; and Asia one of $16.7 million. These property funds owned, on a combined basis, 1,174 distribution properties aggregating 252.1 million square feet with a total entity investment (not our proportionate share) in operating properties of $17.5 billion. Also included in this segment are certain industrial joint ventures in which we had investments of $127.7 million at December 31, 2010 and that owned five operating properties with 3.2 million square feet, located in North America (one property aggregating 0.3 million square feet), Europe (one property with 1.0 million square feet) and Asia (three properties aggregating 1.9 million square feet) with a total entity investment of $524.0 million that we manage.

Results of Operations

We recognize our proportionate share of the earnings or losses from our investments in unconsolidated property funds and certain joint ventures that are accounted for under the equity method. In addition, we recognize fees and incentives earned for services performed on behalf of these investees and certain third parties. We provide services to these entities, which may include property management, asset management, leasing, acquisition, financing and development services. We may also earn incentives from our property funds depending on the return provided to the fund partners over a specified period.

We report the costs associated with our investment management segment as a separate line item *Investment Management Expenses* in our Consolidated Statements of Operations. These costs include the direct expenses associated with the asset management of the property funds provided by 45 individuals (as of December 31, 2010 and as discussed below) who are assigned to our investment management segment. In addition, in order to achieve efficiencies and economies of scale, all of our property management functions are provided by a team of professionals who are assigned to our direct owned segment. These individuals perform the property-level management of the properties we own and the properties we manage. We allocate the costs of our property management function to the properties we own (reported in *Rental Expenses*) and the properties we manage (included in *Investment Management Expenses*), by using the square feet owned at the beginning of the quarter by the respective portfolios. For 2010, we allocated approximately 59% of our total property management costs to the investment management segment.

Market Presence

At December 31, 2010, the property funds on a combined basis owned 1,174 properties aggregating 252.1 million square feet located in three countries in North America (Canada, Mexico and the United States), 12 countries in Europe (Belgium, the Czech Republic, France, Germany, Hungary, Italy, the Netherlands, Poland, Slovakia, Spain, Sweden, and the United Kingdom) and one country in Asia (South Korea). The industrial joint ventures included in this segment own properties in the United States (one industrial property with 0.3 million square feet), United Kingdom (one industrial property with 1.0 million square feet), and Japan (three industrial properties with 1.9 million square feet). See further detail in Item 2. Properties Unconsolidated Investees .

Competition

As the manager of the property funds, we compete with other fund managers for institutional capital. As the manager of the properties owned by the property funds, we compete with other industrial properties located in proximity to the properties owned by the property funds. The amount of rentable distribution space available and its current occupancy in any market could have a material effect on the ability to rent space and on the rents that can be charged by the fund properties. We believe we have competitive advantages as discussed above in Operating Segments Direct Owned .

Property Management

We manage the properties owned by unconsolidated investees utilizing our leasing and property management experience from the employees who are in our direct owned segment. Our business strategy includes a customer service focus that enables us to provide responsive, professional and effective property management services at the local level. To enhance our management services, we have developed and implemented proprietary operating and training systems to achieve consistent levels of performance and professionalism and to enable our property management team to give the proper level of attention to our customers.

Customers

As in our direct owned segment, we have developed a customer base in the property funds and joint ventures that is diverse in terms of industry concentration and represents a broad spectrum of international, national, regional and local distribution space users. At December 31, 2010, our unconsolidated investees, on a combined basis, had 2,493 customers occupying 233.9 million square feet of distribution space. The largest customer, and 25 largest customers of our unconsolidated investees, on a combined basis, accounted for 3.9% and 27.8%, respectively, of the total combined annualized collected base rents at December 31, 2010. In addition, in this segment we consider our fund partners to also be our customers. As of December 31, 2010 in our private property funds, we partnered with 41 investors, several of which invest in multiple funds.

Employees

The property funds generally have no employees of their own. We have assigned 45 employees directly to the asset management of the property funds in our investment management segment. As discussed above, we have employees in our direct owned segment that are responsible for the property management functions we provide for the properties owned by the property funds, as well as the properties we own. We have 450 employees who work in corporate positions and are not assigned to a segment who also assist with these activities as well.

Future Plans

We may increase our investments in certain of the property funds, depending on market and other conditions and the capital needs of our property funds. To a limited extent, the additional investments may be through the existing property funds acquisition of properties from us, or from third parties. We may also increase our investments through cash investments made in existing property funds or through the creation of new property funds. We expect the fee income we earn from the property funds and our proportionate share of net earnings of the property funds will increase as the size and value of the portfolios owned by the property funds grows and occupancy increases in the property funds. We continually explore our options related to both new and existing property funds.

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Our Management

Our executive team is led by our Chief Executive Officer, Walter C. Rakowich, who also serves as a member of our Board of Trustees (the Board) and an Executive Committee of eleven people, as follows:

Executive Committee

*Walter C. Rakowich** 53 Chief Executive Officer of ProLogis since November 2008. Mr. Rakowich was ProLogis President and Chief Operating Officer from January 2005 to November 2008 and served as Managing Director and ProLogis Chief Financial Officer from December 1998 to September 2005. Mr. Rakowich has been with ProLogis in various capacities since July 1994. Prior to joining ProLogis, Mr. Rakowich was a consultant to ProLogis in the area of due diligence and acquisitions, and he was a partner and principal with Trammell Crow Company, a diversified commercial real estate company in North America. Mr. Rakowich served on the Board from August 2004 to May 2008 and was reappointed to the Board in November 2008.

Gary E. Anderson 45 Head of Global Operations and Investment Management since March 2009, where he is responsible for global leasing and property management and managing ProLogis property funds as well as raising additional private capital for our investment management business. Mr. Anderson also serves on the board of directors of ProLogis European Properties (PEPR), one of our unconsolidated investees that is publicly traded on the Euronext stock exchange in Amsterdam and the Luxembourg Stock Exchange. Mr. Anderson was President of Europe and the Middle East, as well as Chairman of ProLogis European Operating Committee from November 2006 to March 2009. Mr. Anderson was the Managing Director responsible for investments and development in ProLogis Southwest and Mexico Regions from May 2003 to November 2006 and has been with ProLogis in various capacities since August 1994. Prior to joining ProLogis, Mr. Anderson was in the management development program of Security Capital Group, a real estate holding company.

*Ted R. Antenucci** 46 President and Chief Investment Officer since May 2007. Mr. Antenucci also serves on the board of directors of PEPR, one of our unconsolidated investees that is publicly traded on the Euronext stock exchange in Amsterdam and the Luxembourg Stock Exchange. Mr. Antenucci was ProLogis President of Global Development from September 2005 to May 2007. From September 2001 to September 2005, Mr. Antenucci was President of Catellus Development Corporation (Catellus), an industrial and retail real estate company that was merged with ProLogis in September 2005. Mr. Antenucci was with affiliates of Catellus in various capacities from 1995 to September 2001. Following the closing of the sale of our non-core assets in the first quarter of 2011, it is expected that Mr. Antenucci will join that sold business after a transition period concluding in mid-2011.

Michael S. Curless 47 Managing Director of Global Capital Deployment since September 2010 where he is responsible for overseeing the deployment of capital for our new developments across the company, as well as focusing on land monetization and capital recycling. Mr. Curless was President and one of four principals at Lauth, a privately held national construction and development firm, from 2000 to 2010. Prior to joining Lauth in 2000, Mr. Curless was First Vice President at ProLogis, overseeing the Indianapolis and St. Louis market operations and management of key national accounts.

Philip N. Dunne 42 President Europe since July 2009, where he is responsible for all aspects of ProLogis business performance in Continental Europe and the United Kingdom, including investments and development. He is also Chairman of ProLogis European Operating Committee. Prior to this, Mr. Dunne was Chief Operating Officer, Europe and the Middle East. Prior to joining ProLogis on December 1, 2008, Mr. Dunne was the Chief Operating Officer EMEA at Jones Lang LaSalle, a global financial and professional services firm specializing in real estate services and investment management.

Larry H. Harmsen 50 President United States and Canada since February 2009, where he is responsible for all aspects of business performance for ProLogis U.S. and Canadian operations. He has been responsible for capital deployment in North America since July 2005. Previous to this and since 2003, Mr. Harmsen had been responsible for capital deployment in North America s Pacific Region. Prior to this and since 1995, Mr. Harmsen oversaw ProLogis Southern California market. Prior to joining ProLogis, Mr. Harmsen was a vice president and general partner of Lincoln Property Company for 10 years.

*Edward S. Nekritz** 45 General Counsel of ProLogis since December 1998, Secretary of ProLogis since March 1999 and Head of Global Strategic Risk Management since March 2009. Mr. Nekritz oversees the provision of all legal services and strategic risk management for ProLogis. Mr. Nekritz is also responsible for ProLogis Investment Services Group, which handles all aspects of contract negotiations, real estate and corporate due diligence and closings on acquisitions, dispositions and financings. Mr. Nekritz has been with ProLogis in various capacities since September 1995. Prior to joining ProLogis, Mr. Nekritz was an attorney with Mayer, Brown & Platt (now Mayer Brown LLP).

John R. Jack Rizzo 61 Chief Sustainability Officer and Head of Global Construction for ProLogis since 2009, where he is responsible for implementing our global sustainability initiatives and for maintaining our leadership position in business excellence, environmental stewardship and corporate social responsibility. Mr. Rizzo is also responsible for all new industrial development projects worldwide. Mr. Rizzo has been with ProLogis since 1999. Prior to joining ProLogis, Mr. Rizzo was Senior Vice President and Chief Operating Officer of Perini Management Services, Inc., an affiliate of Perini Corporation, a global construction management and general contracting firm, and was responsible for international construction operations.

Charles E. Sullivan 53 Chief Administrative Officer since August 2010 where he oversees the Global Corporate Services Group and has overall responsibility for information technology, marketing and human resources. Most recently, Mr. Sullivan served as Head of Global Operations where he had overall responsibility for global operations, including property management and leasing. Mr. Sullivan was Managing Director of ProLogis with overall responsibility for operations in North America from October 2006 to February 2009 and has been with ProLogis in various capacities since October 1994. Prior to joining ProLogis, Mr. Sullivan was an industrial broker with Cushman & Wakefield of Florida, a real estate brokerage and services company.

*William E. Sullivan** 56 Chief Financial Officer since April 2007. Prior to joining ProLogis, Mr. Sullivan was the founder and president of Greenwood Advisors, Inc., a financial consulting and advisory firm focused on providing strategic planning and implementation services to small and mid-cap companies since 2005. From 2001 to 2005, Mr. Sullivan was Chairman and Chief Executive Officer of SiteStuff, an online procurement company serving the real estate industry and he continued as their chairman through June 2007.

Mike Yamada 57 President Japan since February 2009 where he is responsible for all aspects of business performance for ProLogis Japanese operations. Mr. Yamada was Japan Co-President from March 2006 to February 2009, where he was responsible for development and leasing activities in Japan and a Managing Director with ProLogis from December 2004 to March 2006 with similar responsibilities in Japan. He has been with ProLogis in various capacities since April 2002. Prior to joining ProLogis, Mr. Yamada was a senior officer of Fujita Corporation, a construction company in Japan.

* These individuals are our Executive Officers under Item 401 of Regulation S-K.

In addition to the leadership and oversight provided by our executive committee, in the United States, a regional director leads each of our four regions (Midwest, East, West and Southwest), and is responsible for both operations and capital deployment. In Europe, each of the four regions (Northern Europe, Central and Eastern Europe, Southern Europe and the United Kingdom) are led by one individual responsible for operations and capital deployment. Japan and Mexico each have one individual who is responsible for operations and capital deployment.

We maintain a Code of Ethics and Business Conduct applicable to our Board and all of our officers and employees, including the principal executive officer, the principal financial officer and the principal accounting officer, or persons performing similar functions. A copy of our Code of Ethics and Business Conduct is available on our website, www.prologis.com. In addition to being accessible through our website, copies of our Code of Ethics and Business Conduct can be obtained, free of charge, upon written request to Investor Relations, 4545 Airport Way, Denver, Colorado 80239. Any amendments to or waivers of our Code of Ethics and Business Conduct that apply to the principal executive officer, the principal financial officer, or the principal accounting officer, or persons performing similar functions, and that relate to any matter enumerated in Item 406(b) of Regulation S-K, will be disclosed on our website.

Capital Management, Customer Service and Capital Deployment

We have a team of professionals dedicated to managing and leasing all the properties in our portfolio, which includes both direct-owned properties and those owned by the property funds that we manage. Our marketing team comprises a network of regional directors, market officers and property managers who are directly responsible for understanding and meeting the needs of existing and prospective customers in their respective markets.

Our marketing team works closely with our Global Solutions Group to identify and accommodate customers with multiple market requirements. The Global Solutions Group s primary focus is to position us as the preferred provider of distribution space to large users of industrial distribution space. The professionals in our Global Solutions Group also seek to build long-term relationships with our existing customers by addressing their international distribution and logistics needs. The Global Solutions Group provides our customers with outsourcing options for network optimization tools, strategic site selection assistance, business location services, material handling equipment and design consulting services. The integration of our local market expertise with our global platform enables us to better serve customers throughout all of our markets.

Our network of regional directors and market officers also leads our capital deployment efforts. They are responsible for deploying our capital resources in an efficient and productive manner that will best serve our long-term objective of increasing shareholder value. They evaluate acquisition, disposition and development opportunities in light of market conditions in their respective markets and regions, and they work closely with the Global Development Group to, among other things, create master-planned distribution parks utilizing the extensive experience of the Global Development Group. The Global Development Group incorporates the latest technology with respect to building design and systems and has developed standards and procedures to which we strictly adhere in the development of all properties to ensure that properties we develop are of a consistent quality.

We strive to build in accordance with the accepted green building rating system in all of our regions of operation. Beginning in 2008, all of our new developments in the United States comply with the U.S. Green Building Council s standards for Leadership in Energy and Environmental Design (LEED®). In the United Kingdom, since 2008, we have been committed to developing any new properties to achieve at least a Very Good rating in accordance with the Building Research Establishment s Environmental Assessment Method (BREEAM). In Japan, many of our facilities comply with the Comprehensive Assessment System for Building Environmental Efficiency (CASBEE). Where rating systems do not exist, we implement best practices learned from developing sustainable buildings across our global portfolio. In total, counting all three rating systems, ProLogis has 62 buildings with 28.0 million square feet (2.6 million square meters) of development registered or certified as green buildings.

Environmental Matters

We are exposed to various environmental risks that may result in unanticipated losses that could affect our operating results and financial condition. Either the previous owners or we subjected a majority of the properties we have acquired, including land, to environmental reviews. While some of these assessments have led to further investigation and sampling, none of the environmental assessments has revealed an environmental liability that we believe would have a material adverse effect on our business, financial condition or results of operations. See Note 19 to our Consolidated Financial Statements in Item 8 and Item 1A Risk Factors .

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Insurance Coverage

We carry insurance coverage on our properties. We determine the type of coverage and the policy specifications and limits based on what we deem to be the risks associated with our ownership of properties and our business operations in specific markets. Such coverages include property damage and rental loss insurance resulting from such perils as fire, additional perils as covered under an extended coverage policy, named windstorm, flood, earthquake and terrorism; commercial general liability insurance; and environmental insurance. Insurance is maintained through a combination of commercial insurance, self insurance and through a wholly-owned captive insurance entity. We believe that our insurance coverage contains policy specifications and insured limits that are customary for similar properties, business activities and markets and we believe our properties are adequately insured. However, an uninsured loss could result in loss of capital investment and anticipated profits.

ITEM 1A. Risk Factors

Our operations and structure involve various risks that could adversely affect our financial condition, results of operations, distributable cash flow and the value of our common shares. These risks include, among others:

Risks Related to the AMB Merger

The proposed Merger may present certain risks to our business and operations.

On January 30, 2011, we and three of our newly formed, wholly owned subsidiaries, entered into the Merger Agreement with AMB and AMB LP providing for a merger of equals. Pursuant to the terms of the Merger Agreement, which was approved by our board of trustees and the board of directors of AMB, each of our outstanding common shares will be converted into 0.4464 of a newly issued share of AMB common stock, and the combined company will be an UPREIT. The Merger is subject to customary closing conditions, including receipt of approval of AMB and ProLogis shareholders and certain regulatory approval outside of the United States. The parties currently expect the transaction to close during the second quarter of 2011.

The Merger may present certain risks to our business and operations prior to the closing of the Merger, including, among other things, risks that:

- the completion of the Merger is subject to the receipt of consents and approvals from government entities, which may require conditions that could have an adverse effect on us or could cause us to abandon the Merger;

- failure to complete the Merger could negatively impact our common share price and our future business and financial results resulting from an obligation to pay a termination fee and reimbursement of up to a specified amount of expenses under certain circumstances, having to pay certain costs relating to the proposed Merger, and focusing of management on the Merger instead of on pursuing other opportunities that could be beneficial to us;

- the pendency of the Merger could cause some customers or vendors to delay or defer decisions which could negatively impact our business and operations;

- current and prospective employees may experience uncertainty about their future roles with the combined company following the Merger, which may materially adversely affect our ability to attract and retain key personnel during the pendency of the Merger;

due to operating covenants in the Merger Agreement, we may be unable, during the pendency of the Merger, to pursue strategic transactions, undertake significant capital projects, undertake certain significant financing transactions and otherwise pursue actions that are not in the ordinary course of business which could negatively impact our business and operations; and

as described below under Item 3. Legal Proceedings , we are subject to various lawsuits in connection with the Merger and may be subject to additional lawsuits during the pendency of the Merger, which, if not settled, could prevent or delay completion of the Merger and result in substantial cost to us.

In addition, certain risks may continue to exist after the closing of the Merger, including, among other things, risks that:

the combined company expects to incur substantial expenses in connection with completing the Merger and integrating the business, operations, networks, systems, technologies, policies and procedures of ProLogis and AMB;

the combined company may be unable to integrate successfully the businesses of ProLogis and AMB and realize the anticipated synergies and related benefits of the Merger or do so within the anticipated timeframe;

the combined company may be unable to retain key employees;

the Merger will result in changes to the board of directors and management of the combined company that may affect the strategy of the combined company as compared to our existing strategy;

the future results of the combined company will suffer if the combined company does not effectively manage its expanded operations following the Merger; and

the trading price of shares of the common stock of the combined company may be affected by factors different from those affecting the price of our common shares.

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These risks, as they relate to us as part of the combined company and additional risks associated with the Merger, will be described in more detail in the preliminary joint proxy statement/prospectus contained in AMB s Registration Statement on Form S-4, which will be filed with the SEC.

General

Market disruptions may adversely affect our operating results and financial condition.

Volatility in the global financial markets may lead to adverse impacts on the general availability of credit to businesses and could lead to a further weakening of the U.S. and global economies. To the extent there is turmoil in the financial markets, it has the potential to materially affect the value of our properties and our investments in our unconsolidated investees, the availability or the terms of financing that we and our unconsolidated investees have or may anticipate utilizing, our ability and that of our unconsolidated investees to make principal and interest payments on, or refinance, any outstanding debt when due and/or may impact the ability of our customers to enter into new leasing transactions or satisfy rental payments under existing leases.

The market volatility over the last several years has made the valuation of our properties and those of our unconsolidated investees more difficult. There may be significant uncertainty in the valuation, or in the stability of the value, of our properties and those of our unconsolidated investees, that could result in a decrease in the value of our properties and those of our unconsolidated investees.

As a result, we may not be able to recover the current carrying amount of our properties, land, our investments in and advances to our unconsolidated investees and/or goodwill, which may require us to recognize an impairment charge in earnings in addition to the charges we recognized in 2010, 2009 and 2008.

General Real Estate Risks

General economic conditions and other events or occurrences that affect areas in which our properties are geographically concentrated, may impact financial results.

We are exposed to general economic conditions, local, regional, national and international economic conditions and other events and occurrences that affect the markets in which we own properties. Our operating performance is further impacted by the economic conditions of the specific markets in which we have concentrations of properties. Approximately 26.2% of our direct owned operating properties (based on our investment before depreciation) are located in California. Properties in California may be more susceptible to certain types of natural disasters, such as earthquakes, brush fires, flooding and mudslides, than properties located in other markets and a major natural disaster in California could have a material adverse effect on our operating results. We also have significant holdings (defined as more than 3.0% of our total investment before depreciation in direct owned operating properties), in certain major logistics corridors located in Chicago, Dallas, New Jersey/ Eastern Pennsylvania, London/ Midlands, Tokyo and Osaka. Our operating performance could be adversely affected if conditions become less favorable in any of the markets in which we have a concentration of properties. Conditions such as an oversupply of distribution space or a reduction in demand for distribution space, among other factors, may impact operating conditions. Any material oversupply of distribution space or material reduction in demand for distribution space could adversely affect our results of operations, distributable cash flow and the value of our securities. In addition, the property funds and joint ventures in which we have an ownership interest have concentrations of properties in the same major logistics corridors mentioned above, as well as in markets in France, Germany, Mexico, Poland and Reno and are subject to the economic conditions in those markets.

Real property investments are subject to risks that could adversely affect our business.

Real property investments are subject to varying degrees of risk. While we seek to minimize these risks through geographic diversification of our portfolio, market research and our property management capabilities, these risks cannot be eliminated. Some of the factors that may affect real estate values include:

- local conditions, such as an oversupply of distribution space or a reduction in demand for distribution space in an area;
- the attractiveness of our properties to potential customers;
- competition from other available properties;
- our ability to provide adequate maintenance of, and insurance on, our properties;
- our ability to control rents and variable operating costs;
- governmental regulations, including zoning, usage and tax laws and changes in these laws; and
- potential liability under, and changes in, environmental, zoning and other laws.

Our investments are concentrated in the industrial distribution sector and our business would be adversely affected by an economic downturn in that sector or an unanticipated change in the supply chain dynamics.

Our investments in real estate assets are primarily concentrated in the industrial distribution sector. This concentration may expose us to the risk of economic downturns in this sector to a greater extent than if our business activities were more diversified.

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Our real estate development strategies may not be successful.

We have developed a significant number of industrial properties since our inception. We may develop properties on our land and such development may or may not be pre-committed.

As of December 31, 2010, we had 14 industrial properties under development that were 67.6% leased and we had approximately $296.5 million of costs remaining to be spent to complete development and lease the space in these properties.

Additionally as of December 31, 2010, we had 8,990 acres of land with a current investment, after impairment, of $1.5 billion for potential future development of industrial properties or for sale to third parties. At December 31, 2010, we have targeted approximately $1.0 billion for disposition as raw land or after development of an operating property. As a result of this change of intent, during 2010, we recorded impairment charges of $687.6 million on this land based on the amount by which the carrying value exceeded the fair value. Within our land positions, we have concentrations in many of the same markets as our operating properties. Approximately 18.2% of our land (based on the current investment balance) is in the United Kingdom. We will look to monetize land in the future through sale to third parties, development of industrial properties to hold for long-term investment or sale to a third party depending on market conditions, our liquidity needs and other factors.

We will be subject to risks associated with such development, leasing and disposition activities, all of which may adversely affect our results of operations and available cash flow, including, but not limited to:

- the risk that we may not be able to lease the available space in our recently completed developments at rents that are sufficient to be profitable;
- the risk that we will seek to sell certain land parcels and we will not be able to find a third party to acquire such land or that the sales price will not allow us to recover our investment, resulting in additional impairment charges;
- the risk that development opportunities explored by us may be abandoned and the related investment will be impaired;
- the risk that we may not be able to obtain, or may experience delays in obtaining, all necessary zoning, building, occupancy and other governmental permits and authorizations;
- the risk that due to the increased cost of land, our activities may not be as profitable;
- the risk that construction costs of a property may exceed the original estimates, or that construction may not be concluded on schedule, making the project less profitable than originally estimated or not profitable at all; including the possibility of contract default, the effects of local weather conditions, the possibility of local or national strikes by construction-related labor and the possibility of shortages in materials, building supplies or energy and fuel for equipment; and
- the risk that occupancy levels and the rents that can be earned for a completed project will not be sufficient to make the project profitable.

If we decide to dispose of properties to third parties to generate liquidity, we may not be successful.

Our ability to sell properties on advantageous terms is affected by competition from other owners of properties that are trying to dispose of their properties; market conditions, including the capitalization rates applicable to our properties; and other factors beyond our control. The third parties who might acquire our properties may need to have access to debt and equity capital, in the private and public markets, in order to acquire properties from us. Should the third parties have limited or no access to capital on favorable terms, then dispositions could be delayed resulting in adverse effects on our liquidity, results of operations, distributable cash flow, debt covenant ratios, and the value of our securities.

We may acquire properties, which involves risks that could adversely affect our operating results and the value of our securities.

We may acquire industrial properties in our direct owned segment. The acquisition of properties involves risks, including the risk that the acquired property will not perform as anticipated and that any actual costs for rehabilitation, repositioning, renovation and improvements identified in the pre-acquisition due diligence process will exceed estimates. There is, and it is expected there will continue to be, significant competition for properties that meet our investment criteria as well as risks associated with obtaining financing for acquisition activities.

Our operating results and distributable cash flow will depend on the continued generation of lease revenues from customers.

Our operating results and distributable cash flow would be adversely affected if a significant number of our customers were unable to meet their lease obligations. We are also subject to the risk that, upon the expiration of leases for space located in our properties, leases may not be renewed by existing customers, the space may not be re-leased to new customers or the terms of renewal or re-leasing (including the cost of required renovations or concessions to customers) may be less favorable to us than current lease terms. In the event of default by a significant number of customers, we may experience delays and incur substantial costs in enforcing our rights as landlord. A customer may experience a downturn in its business, which may cause the loss of the customer or may weaken its financial condition, resulting in the customer s failure to make rental payments when due or requiring a restructuring that might reduce cash flow from the lease. In addition, a customer may seek the protection of bankruptcy, insolvency or similar laws, which could result in the rejection and termination of such customer s lease and thereby cause a reduction in our available cash flow.

Our ability to renew leases or re-lease space on favorable terms as leases expire significantly affects our business.

Our results of operations, distributable cash flow and the value of our securities would be adversely affected if we were unable to lease, on economically favorable terms, a significant amount of space in our operating properties. We have 23.1 million square feet of industrial space (out of a total of 144.7 million occupied square feet representing 13.7% of total annual base rents) with leases that expire in 2011, including 4.0 million square feet of leases that are on a month-to-month basis. In addition, our unconsolidated investees have a combined 29.1 million square feet of industrial space (out of a total 233.9 million occupied square feet representing 11.4% of total annual base rent) with leases that expire in 2011, including 3.1 million square feet of leases that are on a month-to-month basis. The number of industrial properties in a market or submarket could adversely affect both our ability to re-lease the space and the rental rates that can be obtained in new leases.

Real estate investments are not as liquid as other types of assets, which may reduce economic returns to investors.

Real estate investments are not as liquid as other types of investments and this lack of liquidity may limit our ability to react promptly to changes in economic or other conditions. In addition, significant expenditures associated with real estate investments, such as mortgage payments, real estate taxes and maintenance costs, are generally not reduced when circumstances cause a reduction in income from the investments. Like other companies qualifying as REITs under the Code, we are only able to hold property for sale in the ordinary course of business through taxable REIT subsidiaries in order to avoid punitive taxation on the gain from the sale of such property. While we may dispose of certain properties that have been held for investment in order to generate liquidity, if we do not satisfy certain safe harbors or if we believe there is too much risk of incurring the punitive tax on the gain from the sale, we may not pursue such sales.

Our insurance coverage does not include all potential losses.

We and our unconsolidated investees currently carry insurance coverage including property damage and rental loss insurance resulting from certain perils such as fire and additional perils as covered under an extended coverage policy, named windstorm, flood, earthquake and terrorism; commercial general liability insurance; and environmental insurance, as appropriate for the markets where each of our properties and business operations are located. The insurance coverage contains policy specifications and insured limits customarily carried for similar properties, business activities and markets. We believe our properties and the properties of our unconsolidated investees, including the property funds, are adequately insured. However, there are certain losses, including losses from floods, earthquakes, acts of war, acts of terrorism or riots, that are not generally insured against or that are not generally fully insured against because it is not deemed economically feasible or prudent to do so. If an uninsured loss or a loss in excess of insured limits occurs with respect to one or more of our properties, we could experience a significant loss of capital invested and potential revenues in these properties and could potentially remain obligated under any recourse debt associated with the property.

We are exposed to various environmental risks that may result in unanticipated losses that could affect our operating results and financial condition.

Under various federal, state and local laws, ordinances and regulations, a current or previous owner, developer or operator of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances. The costs of removal or remediation of such substances could be substantial. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release or presence of such hazardous substances.

A majority of the properties we acquire are subjected to environmental reviews either by us or by the predecessor owners. In addition, we may incur environmental remediation costs associated with certain land parcels we acquire in connection with the development of the land. We establish a liability at the time of acquisition to cover such costs. We adjust the liabilities, as appropriate, when additional information becomes available. We purchase various environmental insurance policies to mitigate our exposure to environmental liabilities. We are not aware of any environmental liability that we believe would have a material adverse effect on our business, financial condition or results of operations.

We cannot give any assurance that other such conditions do not exist or may not arise in the future. The presence of such substances on our real estate properties could adversely affect our ability to lease, develop or sell such properties or to borrow using such properties as collateral and may have an adverse effect on our distributable cash flow.

We are exposed to the potential impacts of future climate change and climate change related risks.

We consider that we are exposed to potential physical risks from possible future changes in climate. Our distribution facilities may be exposed to rare catastrophic weather events, such as severe storms and/or floods. If the frequency of extreme weather events increases due to climate change, our exposure to these events could increase.

We do not currently consider our company to be exposed to regulatory risks related to climate change, as our operations do not emit a significant amount of greenhouse gases. However, we may be adversely impacted as a real estate developer in the future by stricter energy efficiency standards for buildings.

Risks Related to Financing and Capital

Our operating results and financial condition could be adversely affected if we are unable to make required payments on our debt or are unable to refinance our debt.

We are subject to risks normally associated with debt financing, including the risk that our cash flow will be insufficient to meet required payments of principal and interest. There can be no assurance that we will be able to refinance any maturing indebtedness, that such refinancing would be on terms as favorable as the terms of the maturing indebtedness, or we will be able to otherwise obtain funds by selling assets or raising equity to make required payments on maturing indebtedness. If we are unable to refinance our indebtedness at maturity or meet our payment obligations, the amount of our distributable cash flow and our financial condition would be adversely affected and, if the maturing debt is secured, the lender may foreclose on the property securing such indebtedness. Our credit facilities and certain other debt bears interest at variable rates. Increases in interest rates would increase our interest expense under these agreements. In addition, our unconsolidated investees may be unable to refinance their indebtedness or meet their payment obligations, which may impact our distributable cash flow and our financial condition and/or we may be required to recognize impairment charges of our investments.

Covenants in our credit agreements could limit our flexibility and breaches of these covenants could adversely affect our financial condition.

The terms of our various credit agreements, including our credit facilities, the indenture under which our senior notes are issued and other note agreements, require us to comply with a number of customary financial covenants, such as maintaining debt service coverage, leverage ratios, fixed charge ratios and other operating covenants including maintaining insurance coverage. These covenants may limit our flexibility in our operations, and breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness. If we default under our covenant provisions and are unable to cure the default, refinance our indebtedness or meet our payment obligations, the amount of our distributable cash flow and our financial condition could be adversely affected.

Federal Income Tax Risks

Failure to qualify as a REIT could adversely affect our cash flows.

We have elected to be taxed as a REIT under the Code commencing with our taxable year ended December 31, 1993. In addition, we have a consolidated subsidiary that has elected to be taxed as a REIT and certain unconsolidated investees that are REITs and are subject to all the risks pertaining to the REIT structure, discussed herein. To maintain REIT status, we must meet a number of highly technical requirements on a continuing basis. Those requirements seek to ensure, among other things, that the gross income and investments of a REIT are largely real estate related, that a REIT distributes substantially all of its ordinary taxable income to shareholders on a current basis and that the REIT s equity ownership is not overly concentrated. Due to the complex nature of these rules, the available guidance concerning interpretation of the rules, the importance of ongoing factual determinations and the possibility of adverse changes in the law, administrative interpretations of the law and changes in our business, no assurance can be given that we, or our REIT subsidiaries, will qualify as a REIT for any particular period.

If we fail to qualify as a REIT, we will be taxed as a regular corporation, and distributions to shareholders will not be deductible in computing our taxable income. The resulting corporate income tax liabilities could materially reduce our cash flow and funds available for dividends and/or reinvestment. Moreover, we might not be able to elect to be treated as a REIT for the four taxable years after the year during which we ceased to qualify as a REIT. In addition, if we later requalified as a REIT, we might be required to pay a full corporate-level tax on any unrealized gains in our assets as of the date of requalification, or upon subsequent disposition, and to make distributions to our shareholders equal to any earnings accumulated during the period of non-REIT status.

REIT distribution requirements could adversely affect our financial condition.

To maintain qualification as a REIT under the Code, generally a REIT must annually distribute to its shareholders at least 90% of its REIT taxable income, computed without regard to the dividends paid deduction and net capital gains. This requirement limits our ability to accumulate capital and, therefore, we may not have sufficient cash or other liquid assets to meet the distribution requirements. Difficulties in meeting the distribution requirements might arise due to competing demands for our funds or to timing differences between tax reporting and cash receipts and disbursements, because income may have to be reported before cash is received or because expenses may have to be paid before a deduction is allowed. In addition, the Internal Revenue Service (the IRS) may make a determination in connection with the settlement of an audit by the IRS that increases taxable income or disallows or limits deductions taken thereby increasing the distribution we are required to make. In those situations, we might be required to borrow funds or sell properties on adverse terms in order to meet the distribution requirements and interest and penalties could apply, which could adversely affect our financial condition. If we fail to make a required distribution, we would cease to qualify as a REIT.

Prohibited transaction income could result from certain property transfers.

We contribute properties to property funds and sell properties to third parties from the REIT and from taxable REIT subsidiaries (TRS). Under the Code, a disposition of a property from other than a TRS could be deemed a prohibited transaction. In such case, a 100% penalty tax on the resulting gain could be assessed. The determination that a transaction constitutes a prohibited transaction is based on the facts and circumstances surrounding each transaction. The IRS could contend that certain contributions or sales of properties by us are prohibited transactions. While we do not believe the IRS would prevail in such a dispute, if the IRS successfully argued the matter, the 100% penalty tax could be assessed against the gains from these transactions, which may be significant.

Additionally, any gain from a prohibited transaction may adversely affect our ability to satisfy the gross income tests for qualification as a REIT.

Liabilities recorded for tax audits may not be sufficient.

We are subject to a pending audit by the IRS for the 2003 through 2005 income tax returns of Catellus, including certain of its subsidiaries and partnerships. We have recorded an accrual for the liabilities that may arise from these audits. See Note 15 to our Consolidated Financial Statements in Item 8. In addition, we incur tax in certain federal, foreign, and state and local jurisdictions and, we may be subject to audit by the taxing authorities. These audits may result in actual liabilities or settlement costs, including interest and potential penalties, if any, in excess of the liability we have recorded.

Uncertainties relating to Catellus estimate of its earnings and profits attributable to C-corporation taxable years may have an adverse effect on our distributable cash flow.

In order to qualify as a REIT, a REIT cannot have at the end of any REIT taxable year any undistributed earnings and profits that are attributable to a C-corporation taxable year. A REIT that has non-REIT accumulated earnings and profits has until the close of its first full tax year as a REIT to distribute such earnings and profits. Because Catellus first full taxable year as a REIT was 2004, Catellus was required to distribute its accumulated earnings and profits prior to the end of 2004. Failure to meet this requirement would result in Catellus disqualification as a REIT. Catellus distributed its accumulated non-REIT earnings and profits in December 2003, well in advance of the 2004 year-end deadline, and believed that this distribution was sufficient to distribute all of its non-REIT earnings and profits. However, the determination of non-REIT earnings and profits is complicated and depends upon facts with respect to which Catellus may have had less than complete information or the application of the law governing earnings and profits, which is subject to differing interpretations, or both. Consequently, there are substantial uncertainties relating to the estimate of Catellus non-REIT earnings and profits, and we cannot be assured that the earnings and profits distribution requirement has been met. These uncertainties include the possibility that the IRS could upon audit, as discussed above, increase the taxable income of Catellus, which would increase the non-REIT earnings and profits of Catellus. There can be no assurances that we have satisfied the requirement that Catellus distribute all of its non-REIT earnings and profits by the close of its first taxable year as a REIT, and therefore, this may have an adverse effect on our distributable cash flow.

There are potential deferred and contingent tax liabilities that could affect our operating results or financial condition.

Palmtree Acquisition Corporation, our subsidiary that was the surviving corporation in the merger with Catellus in 2005, is subject to a federal corporate level tax at the highest regular corporate rate (currently 35%) and potential state taxes on certain gains recognized within ten years of Catellus conversion to a REIT from a disposition of any assets that Catellus held at the effective time of its election to be a REIT, but only to the extent of the built-in-gain based on the fair market value of those assets on the effective date of the REIT election (which was January 1, 2004). Gain from the sale of an asset occurring more than 10 years after the REIT conversion or occurring in taxable years beginning in 2009, 2010 and 2011 that meets special rules will not be subject to this corporate-level tax. We do not currently expect to dispose of any asset of the surviving corporation in the merger if such disposition would result in the imposition of a material tax liability unless we can affect a tax-deferred exchange of the property.

Other Risks

The company is subject to certain risks in connection with its Investment Management business.

As of December 31, 2010, we manage properties that aggregate approximately 252.1 million square feet that are owned by our property funds in which we also invest. Our relationships with the investors in our property funds are generally contractual in nature and may be terminated or dissolved under the terms of the agreements, and in such event, we may not continue to manage the assets of the property fund, which would eliminate the fees that we earn. In that event, it may have an adverse effect on our earnings and financial position.

Contingent or unknown liabilities could adversely affect our financial condition.

We have acquired and may in the future acquire entities or properties subject to liabilities and without any recourse, or with only limited recourse, with respect to contingent or unknown liabilities. As a result, if a liability were asserted against us based upon ownership of any of these entities or properties, then we might have to pay substantial sums to settle the liability, which could adversely affect our cash flow. Contingent or unknown liabilities with respect to entities or properties acquired might include:

- liabilities for environmental conditions;
- losses in excess of our insured coverage;
- accrued but unpaid liabilities incurred in the ordinary course of business;
- tax, legal and regulatory liabilities;
- claims of customers, vendors or other persons that had not been asserted or were unknown prior to the acquisition transaction.

We are dependent on key personnel.

Our executive and other senior officers have a significant role in our success. Our ability to retain our management group or to attract suitable replacements should any members of the management group leave is dependent on the competitive nature of the employment market. The loss of services from key members of the management group or a limitation in their availability could adversely affect our financial condition and cash flow. Further, such a loss could be negatively perceived in the capital markets.

Share prices may be affected by market interest rates.

Our current quarterly distribution is $0.1125 per common share. The annual distribution rate on common shares as a percentage of our market price may influence the trading price of such common shares. An increase in market interest rates may lead investors to demand a higher annual distribution rate than we have set, which could adversely affect the value of our common shares.

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As a global company, we are subject to social, political and economic risks of doing business in foreign countries.

We conduct a significant portion of our business and employ a substantial number of people outside of the United States. During 2010, we generated approximately 28% of our revenue from operations outside the United States. Circumstances and developments related to international operations that could negatively affect our business, financial condition or results of operations include, but are not limited to, the following factors:

- difficulties and costs of staffing and managing international operations in certain regions;
- currency restrictions, which may prevent the transfer of capital and profits to the United States;
- unexpected changes in regulatory requirements;
- potentially adverse tax consequences;
- the responsibility of complying with multiple and potentially conflicting laws, e.g., with respect to corrupt practices, employment and licensing;
- the impact of regional or country-specific business cycles and economic instability;
- political instability, civil unrest, drug trafficking, political activism or the continuation or escalation of terrorist or gang activities (particularly with respect to our operations in Mexico); and
- foreign ownership restrictions with respect to operations in countries.

Although we have committed substantial resources to expand our global development platform, if we are unable to successfully manage the risks associated with our global business or to adequately manage operational fluctuations, our business, financial condition and results of operations could be harmed.

In addition, our international operations and, specifically, the ability of our non-U.S. subsidiaries to dividend or otherwise transfer cash among our subsidiaries, including transfers of cash to pay interest and principal on our debt, may be affected by currency exchange control regulations, transfer pricing regulations and potentially adverse tax consequences, among other things.

The depreciation in the value of the foreign currency in countries where we have a significant investment may adversely affect our results of operations and financial position.

We have pursued, and intend to continue to pursue, growth opportunities in international markets where the U.S. dollar is not the national currency. At December 31, 2010, approximately 42% of our total assets are invested in a currency other than the U.S. dollar, primarily the euro, Japanese yen and British pound sterling. As a result, we are subject to foreign currency risk due to potential fluctuations in exchange rates between foreign currencies and the U.S. dollar. A significant change in the value of the foreign currency of one or more countries where we have a significant investment may have a material adverse effect on our results of operations and financial position. Although we attempt to mitigate adverse effects by borrowing under debt agreements denominated in foreign currencies and, on occasion and when deemed appropriate, using derivative contracts, there can be no assurance that those attempts to mitigate foreign currency risk will be successful.

We are subject to governmental regulations and actions that affect operating results and financial condition.

Many laws, including tax laws, and governmental regulations apply to us, our unconsolidated investees and our properties. Changes in these laws and governmental regulations, or their interpretation by agencies or the courts, could occur, which might affect our ability to conduct business.

ITEM 1B. Unresolved Staff Comments

None.

ITEM 2. Properties

We have directly invested in real estate assets that are primarily generic industrial properties. In Japan, our industrial properties are generally multi-level centers, which is common in Japan due to the high cost and limited availability of land. Our properties are typically used for storage, packaging, assembly, distribution, and light manufacturing of consumer and industrial products. Based on the square footage of our operating properties in the direct owned segment at December 31, 2010, our properties are 100% industrial properties; including 93.1% used for bulk distribution, 6.1% used for light manufacturing and assembly, and 0.8% used for other purposes, primarily service centers.

Geographic Distribution

For this presentation, we define major logistics corridors as worldwide population centers with a population of at least five million and income per capita substantially above the respective national average. We define our markets based on the concentration of properties in a specific area. A major logistics corridor may consist of one or more markets. A market, as defined by us, can be a metropolitan area, a city, a subsection of a metropolitan area, a subsection of a city or a region of a state or country. As of December 31, 2010, 75% of our operating properties (based on investment balance) are in major logistics corridors.

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Properties

The information in the following tables is as of December 31, 2010 for our direct owned operating properties, properties under development and land we own, including 76 buildings owned by entities we consolidate but of which we own less than 100%. All of these assets are included in our direct owned segment. This includes our development portfolio of operating properties we developed or are currently developing. No individual property or group of properties operating as a single business unit amounted to 10% or more of our consolidated total assets at December 31, 2010. No individual property or group of properties operating as a single business unit generated income equal to 10% or more of our consolidated gross revenues for the year ended December 31, 2010. These tables do not include properties that are owned by property funds or other unconsolidated investees, which are discussed under Unconsolidated Investees .

	No. of Bldgs.	Percentage Leased (1)	Rentable Square Footage	Investment Before Depreciation	Encumbrances (2)
Operating properties owned in the direct owned segment at December 31, 2010 (dollars and rentable square footage in thousands):					
North America:					
Major Logistics Corridors:					
United States:					
Atlanta	49	82.07 %	7,835	$ 293,055	$ 48,678
Chicago	79	91.64 %	17,493	984,899	161,107
Dallas	78	86.13 %	12,649	527,344	64,450
Houston	57	97.77 %	4,706	166,937	8,719
Los Angeles Basin / Inland Empire - California	102	96.59 %	22,169	1,920,530	262,848
Miami / South Florida	21	84.48 %	2,081	161,317	11,747
New Jersey / Eastern Pennsylvania	41	94.81 %	8,905	530,003	82,723
San Francisco Bay Area / Central Valley - California	123	90.03 %	13,015	895,581	65,124
Washington DC / Baltimore	25	76.95 %	3,389	184,578	14,054
Mexico:					
Mexico City	9	85.91 %	2,300	131,525	-
Canada:					
Toronto	2	100.00 %	526	48,702	-
Other Markets:					
United States:					
Austin, Texas	4	88.52 %	270	11,035	-
Charlotte, North Carolina	23	95.02 %	2,873	100,126	34,926
Cincinnati, Ohio	17	77.91 %	2,585	84,479	22,263
Columbus, Ohio	24	98.28 %	5,236	214,792	34,643
Denver, Colorado	20	100.00 %	3,563	204,702	26,781
El Paso, Texas	8	97.85 %	931	32,675	-

Indianapolis, Indiana	11	89.40 %	1,274	41,797	5,024
Las Vegas, Nevada	7	86.30 %	664	39,548	-
Louisville, Kentucky	10	98.41 %	3,205	111,225	3,739
Memphis, Tennessee	18	94.82 %	4,094	120,909	-
Nashville, Tennessee	22	91.78 %	2,032	55,191	-
Orlando, Florida	8	69.89 %	1,425	82,965	-
Phoenix, Arizona	18	79.82 %	1,794	95,206	-
Portland, Oregon	11	90.47 %	1,374	97,427	29,524
Reno, Nevada	11	89.19 %	2,184	93,768	10,458
San Antonio, Texas	29	94.02 %	2,912	111,462	3,368
Seattle, Washington	2	100.00 %	245	29,207	7,755
St. Louis, Missouri	6	80.29 %	685	23,743	-
Tampa, Florida	29	87.62 %	2,035	85,858	9,980
Other	3	84.98 %	719	31,735	-
Mexico:					
Guadalajara	2	42.38 %	269	12,093	-
Juarez	8	76.56 %	947	44,550	-
Monterrey	4	91.54 %	745	37,550	-
Reynosa	4	82.70 %	607	28,511	-
Tijuana	3	41.91 %	692	35,869	-
Subtotal North America	888	90.64 %	138,428	7,670,894	907,911
Europe:					
Major Logistics Corridors:					
Amsterdam / Rotterdam / Antwerp - Benelux	1	100.00 %	273	13,883	-
Cologne / Frankfurt - Western Germany	2	98.25 %	343	27,177	-
Hamburg / Bremen - Northern Germany	1	100.00 %	213	9,090	-
London / Midlands - UK	13	77.33 %	3,163	321,750	-
Lyon / Marseille - Southern France	3	77.17 %	1,520	92,017	-
Madrid / Barcelona - Spain	2	89.61 %	1,107	71,994	-
Munich / Stuttgart - Southern Germany	5	99.56 %	1,143	78,983	-
Paris / Le Havre - Central France	6	56.78 %	944	88,154	-
Warsaw / Poznan - Central Poland	12	69.29 %	2,172	120,601	-
Wroclaw / Silesia - Southern Poland	8	53.37 %	2,550	146,355	-
Other Markets:					
Czech Republic	8	64.69 %	2,121	179,902	-
France	3	46.31 %	624	39,856	-
Germany	5	70.86 %	453	30,076	-
Hungary	5	67.80 %	1,205	65,942	-
Italy	4	64.44 %	1,330	81,363	-
Poland	1	15.18 %	448	25,958	-
Romania	4	91.52 %	1,155	51,975	-
Slovakia	2	85.50 %	593	46,921	-
Spain	2	- %	644	33,376	-
Sweden	1	100.00 %	881	65,383	-
Subtotal Europe	88	70.54 %	22,882	1,590,756	-

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	No. of Bldgs.	Percentage Leased (1)	Rentable Square Footage	Investment Before Depreciation	Encumbrances (2)
Asia:					
Major Logistics Corridors:					
Tokyo	4	89.45 %	3,487	790,319	171,393
Osaka	2	93.30 %	2,209	377,326	160,497
Other Markets:					
Japan	3	51.91 %	1,541	285,504	-
Subtotal Asia	9	82.63 %	7,237	1,453,149	331,890
Total operating properties owned in the direct owned segment at December 31, 2010	**985**	**87.57 %**	**168,547**	**$ 10,714,799**	**$ 1,239,801**

	Investment in Land		Properties Under Development				
	Acres	Investment	No. of Bldgs.	Percentage Leased(1)	Rentable Square Footage	Current Investment	Total Expected Cost (3)
Land and properties under development at December 31, 2010 (dollars and rentable square footage in thousands):							
North America:							
Major Logistics Corridors:							
United States:							
Atlanta	350	$ 12,909	-		-	$ -	$ -
Chicago	682	61,169	1	100.00 %	336	4,946	11,282
Dallas	485	23,111	-		-	-	-
Houston	71	6,845	-		-	-	-
Los Angeles Basin / Inland Empire - California	360	60,888	1	0 %	271	23,932	30,118
Miami / South Florida	74	35,463	-		-	-	-
New Jersey / Eastern Pennsylvania	565	133,588	2	78.98 %	379	6,867	31,944
	180	17,013	-		-	-	-

San Francisco Bay Area / Central Valley - California							
Washington DC / Baltimore	138	20,351	-		-	-	-
Mexico:							
Mexico City	122	39,237	-		-	-	-
Canada:							
Toronto	169	75,501	-		-	-	-
Other Markets:							
United States:							
Charlotte, North Carolina	20	1,300	-		-	-	-
Cincinnati, Ohio	75	4,862	-		-	-	-
Columbus, Ohio	199	6,703	-		-	-	-
Denver, Colorado	77	6,908	-		-	-	-
El Paso, Texas	16	953	-		-	-	-
Indianapolis, Indiana	91	3,523	-		-	-	-
Jacksonville, Florida	103	10,929	-		-	-	-
Las Vegas, Nevada	66	7,556	-		-	-	-
Louisville, Kentucky	13	425	-		-	-	-
Memphis, Tennessee	159	6,448	-		-	-	-
Norfolk, Virginia	84	7,634	-		-	-	-
Orlando, Florida	16	2,804	-		-	-	-
Phoenix, Arizona	148	7,053	-		-	-	-
Portland, Oregon	23	2,467	-		-	-	-
Reno, Nevada	178	9,860	-		-	-	-
Tampa, Florida	41	1,274	-		-	-	-
Other	126	4,760	-		-	-	-
Mexico:							
Guadalajara	48	8,100	-		-	-	-
Juarez	148	15,631	-		-	-	-
Monterrey	157	36,388	-		-	-	-
Reynosa	230	16,216	-		-	-	-
Subtotal North America	5,214	647,869	4	64.47 %	986	35,745	73,344
Europe:							
Major Logistics Corridors:							
Amsterdam / Rotterdam / Antwerp - Benelux	68	29,292	-		-	-	-
Cologne / Frankfurt - Western Germany	98	27,817	-		-	-	-
Hamburg / Bremen - Northern Germany	14	3,683	-		-	-	-
London / Midlands - UK	1,128	263,844	1	100.00 %	155	10,423	20,814
Lyon / Marseille - Southern France	16	3,439	1	100.00 %	242	11,923	15,158
Madrid / Barcelona - Spain	55	8,408	-		-	-	-
Munich / Stuttgart - Southern Germany	95	25,046	-		-	-	-
	86	25,983	1	100.00 %	342	17,042	24,275

Paris / Le Havre - Central France							
Warsaw / Poznan - Central Poland	446	52,345	-		-	-	-
Wroclaw / Silesia - Southern Poland	378	57,919	-		-	-	-
Other Markets:							
Austria	28	12,571	1	100.00 %	115	9,522	10,421
Czech Republic	330	48,891	-		-	-	-
France	171	24,199	-		-	-	-
Germany	46	13,540	-		-	-	-
Hungary	338	46,495	-		-	-	-
Italy	53	10,545	-		-	-	-
Poland	82	7,168	-		-	-	-
Romania	90	12,509	-		-	-	-
Slovakia	118	21,474	-		-	-	-
Spain	45	9,565	-		-	-	-
Sweden	3	1,139	2	100.00 %	765	29,779	48,575
United Kingdom	36	16,141	-		-	-	-
Subtotal Europe	3,724	722,013	6	100.00 %	1,619	78,689	119,243

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	Investment in Land		Properties Under Development				Total
					Rentable		
	Acres	Investment	No. of Bldgs.	Percentage Leased(1)	Square Footage	Current Investment	Expected Cost (3)
Asia:							
Major Logistics Corridors:							
Tokyo	21	80,190	1	21.12 %	1,551	193,847	264,618
Osaka	8	46,407	1	100.00 %	214	21,219	44,393
Other Markets:							
Japan	23	37,132	2	100.00 %	488	35,862	78,486
Subtotal Asia	52	163,729	4	45.71 %	2,253	250,928	387,497
Total land and properties under development in the direct owned segment at December 31, 2010	8,990	$ 1,533,611	14	67.61 %	4,858	$ 365,362	$ 580,084

The following is a summary of our direct owned investment in real estate properties at December 31, 2010:

	Investment Before Depreciation (in thousands)
Industrial properties	$ 10,714,799
Properties under development	365,362
Land	1,533,611
Other real estate investments (4)	265,869
Total	$ 12,879,641

(1) Represents the percentage leased at December 31, 2010. Operating properties at December 31, 2010 include completed development properties that may be in the initial lease-up phase, which reduces the overall leased percentage.

(2) Certain properties are pledged as security under our secured mortgage debt and assessment bonds at December 31, 2010. For purposes of this table, the total principal balance of a debt issuance that is secured by a

pool of properties is allocated among the properties in the pool based on each property s investment balance. In addition to the amounts reflected here, we also have a $7.4 million encumbrance related to a property under development in Japan and $0.7 million of encumbrances related to other real estate properties not included in the direct owned segment. See Schedule III - Real Estate and Accumulated Depreciation to our Consolidated Financial Statements in Item 8 for additional identification of the properties pledged.

(3) Represents the total expected cost to complete a property under development and may include the cost of land, fees, permits, payments to contractors, architectural and engineering fees, interest, project management costs and other appropriate costs to be capitalized during construction and also leasing costs, rather than the total actual costs incurred to date.

(4) Included in other investments are: (i) ground leases; (ii) parking lots; (iii) costs related to our corporate office buildings, which we occupy, and one office building available for lease; (iv) certain infrastructure costs related to projects we are developing on behalf of others; (v) costs incurred related to future development projects, including purchase options on land; and (vi) earnest money deposits associated with potential acquisitions.

Unconsolidated Investees

At December 31, 2010, our investments in and advances to unconsolidated investees totaled $2.0 billion. The property funds totaled $1.9 billion and the industrial joint ventures totaled $127.6 million at December 31, 2010 and are all included in our investment management segment. The remaining unconsolidated investees totaled $7.0 million at December 31, 2010 and are not included in either of our reportable segments.

Investment Management Segment

At December 31, 2010, our ownership interests range from 20% to 50% in 10 property funds and several other entities that are presented under the equity method. We act as manager of each of these entities. We also have an ownership interest in a joint venture that we manage and do not account for under the equity method. These entities primarily own or are developing industrial properties.

The information provided in the table below (dollars and square footage in thousands) is only for our unconsolidated entities included in this segment with operating industrial properties that we account for under the equity method. The amounts presented below represent the total entity, not just our proportionate share. See Item 1 Business and Note 5 to our Consolidated Financial Statements in Item 8 for more information on our unconsolidated investees.

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	No. of Bldgs.	No. of Markets	Rentable Square Footage	Percentage Leased	Entity s Investment (1)
North America:					
Property funds:					
ProLogis California	80	2	14,178	96.52 %	$ 705,396
ProLogis North American Properties Fund I	35	16	9,033	94.25 %	377,468
ProLogis North American Properties Fund XI	12	2	3,616	85.25 %	184,512
ProLogis North American Industrial Fund	258	31	49,909	94.59 %	2,988,944
ProLogis North American Industrial Fund II	148	31	36,018	93.07 %	2,169,772
ProLogis North American Industrial Fund III	120	7	24,693	86.00 %	1,760,459
ProLogis Mexico Industrial Fund	72	6	9,144	90.46 %	582,112
Property funds	725	39	146,591	92.45 %	8,768,663
Industrial joint ventures	1	1	284	100.00 %	34,874
Total North America	726	39 (2)	146,875	92.46 %	8,803,537
Europe:					
Property funds:					
ProLogis European Properties	232	28	52,980	94.97 %	4,208,646
ProLogis European Properties Fund II	205	32	50,824	94.15 %	4,433,989
Property funds	437	35	103,804	94.57 %	8,642,635
Industrial joint ventures	1	1	1,015	100.00 %	66,200
Total Europe	438	35 (2)	104,819	94.62 %	8,708,835
Asia:					
ProLogis Korea Fund	12	2	1,734	100.00 %	128,919
Industrial joint ventures	3	2	1,939	100.00 %	422,939
Total Asia	15	4 (2)	3,673	100.00 %	551,858
Total unconsolidated investees (3)	1,179	78	255,367	93.46 %	$ 18,064,230

(1) Investment represents 100% of the carrying value of the properties, before depreciation, of each entity at December 31, 2010.

(2) Represents the total number of markets in each continent on a combined basis.

(3) This table does not include a joint venture that we manage and do not account for under the equity method that owns 90 properties that are 85.24% leased with a total entity investment of $463.7 million.

ITEM 3. Legal Proceedings

From time to time, we and our unconsolidated investees are parties to a variety of legal proceedings arising in the ordinary course of business. We believe that, with respect to any such matters that we are currently a party to, the ultimate disposition of any such matter will not result in a material adverse effect on our business, financial position or results of operations.

In connection with the announcement of the Merger Agreement, five complaints have been filed and remain pending through February 21, 2011. Three of the actions have been filed in the District Court for the City and County of Denver, Colorado. On February 2, 2011, a class action complaint was filed by James Kinsey, on behalf of himself and purportedly those similarly situated, against ProLogis, each of our trustees, our chief executive officer and chief financial officer, AMB, New Pumpkin Inc. (New Pumpkin), Upper Pumpkin LLC (Upper Pumpkin), Pumpkin LLC (Pumpkin) and AMB LP alleging that our trustees, chief executive officer and chief financial officer breached their fiduciary duties in connection with entering into the Merger Agreement and that we, AMB, New Pumpkin, Upper Pumpkin, Pumpkin and AMB LP aided and abetted the breaches of those fiduciary duties. The plaintiff seeks among other relief to (i) enjoin the defendants from consummating the Merger unless and until we adopt and implement a procedure or process reasonably designed to enter into a merger agreement providing the best possible value for shareholders, (ii) direct the defendants to exercise their fiduciary duties to commence a sale process, (iii) rescind the already implemented Merger Agreement, (iv) impose a constructive trust in favor of the class upon any benefits improperly received by defendants, and (v) award plaintiff s costs and disbursements of the action. On February 16, 2011, a class action complaint was filed by Gene Moorhead, on behalf of himself and purportedly those similarly situated, against the same defendants other than our chief financial officer alleging that our trustees breached their fiduciary duties in connection with entering into the Merger Agreement and that we, AMB, New Pumpkin, Upper Pumpkin, Pumpkin and AMB LP aided and abetted the breaches of those fiduciary duties (the Moorhead Matter). The plaintiff in this action seeks among other relief to (i) enjoin the defendants, from consummating the Merger unless and until we adopt and implement a procedure or process to obtain the highest possible value for shareholders; (ii) direct our trustees and chief executive officer to exercise their fiduciary duties to obtain a transaction that is in the best interests of our shareholders and refrain from entering into any transaction until the process for the sale or merger is completed and the highest possible value is obtained; (iii) rescind, to the extent already implemented, the Merger Agreement, and (iv) award plaintiff s costs and disbursements of the action. On February 18, 2011, a class action complaint was filed by Palisades Pointe Partners LTD, on behalf of itself and purportedly those similarly situated shareholders of ProLogis, against the same defendants in the Moorhead Matter alleging that our trustees breached their fiduciary duties in connection with the Merger and that we, AMB, New Pumpkin, Upper Pumpkin, Pumpkin and AMB LP aided and abetted the breaches of those fiduciary duties. The plaintiff in this action seeks among other relief to (i) preliminarily and permanently enjoin the defendants from consummating the Merger, from placing their own interests ahead of the interests of the shareholders, and from implementing certain measures provided for in the Merger Agreement, (ii) declare that defendants conduct in approving the Merger constituted a breach of fiduciary duty, and (iii) award plaintiff s appropriate compensatory damages, costs and expenses.

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Two of the actions have been filed in the Circuit Court of Maryland for Baltimore County. On February 16, 2011, a class action and derivative complaint was filed by Vernon C. Burrows, on behalf of himself, derivatively on behalf of ProLogis and purportedly those similarly situated, against the same defendants other than our chief financial officer alleging that our trustees breached their fiduciary duties and wasted corporate assets in connection with entering into the Merger Agreement and that we, AMB, New Pumpkin, Upper Pumpkin, Pumpkin and AMB LP aided and abetted the breaches of those fiduciary duties. The plaintiff in this action seeks among other relief to (i) enjoin, preliminarily and permanently, the Merger, (ii) rescind the Merger in the event it is consummated or award rescissory damages, (iii) direct the defendants to account to plaintiff for all damages, profits and any special benefits obtained as a result of their breaches of fiduciary duties; and (iv) award plaintiff the costs of the action. On February 17, 2011, a class action complaint was filed by Marshall Ferguson Jr., on behalf of himself, derivatively on behalf of ProLogis and purportedly those similarly situated, against the same defendants other than our chief financial officer alleging that our trustees breached their fiduciary duties, wasted corporate assets in connection with entering into the Merger Agreement and failed to maximize shareholder value and that we, AMB, New Pumpkin, Upper Pumpkin, Pumpkin and AMB LP aided and abetted the breaches of those fiduciary duties. The plaintiff in this action seeks among other relief to (i) enjoin, preliminarily and permanently, the Merger, (ii) rescind the Merger in the event it is consummated or award rescissory damages, (iii) direct the defendants to account to plaintiff for all damages, profits and any special benefits obtained as a result of their breaches of fiduciary duties, and (iv) award plaintiff the costs of this action.

We believe that the claims are without merit and intend to vigorously defend ourselves in these actions.

ITEM 4. Submission of Matters to a Vote of Security Holders

[Removed and Reserved]

PART II

ITEM 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information and Holders

Our common shares are listed on the NYSE under the symbol PLD . The following table sets forth the high and low sale prices, as reported in the NYSE Composite Tape, and distributions per common share, for the periods indicated.

	High Sale Price	Low Sale Price	Per Common Share Cash Distribution
2009			
First Quarter	$ 16.68	$ 4.87	$ 0.25
Second Quarter	9.77	6.10	0.15
Third Quarter	13.30	6.54	0.15
Fourth Quarter	15.04	10.76	0.15
2010			
First Quarter	$ 14.71	$ 11.32	$ 0.15
Second Quarter	14.67	9.61	0.15

Third Quarter		12.22		9.15		0.15
Fourth Quarter		14.97		11.66		0.1125
2011						
First Quarter (through February 18)	$	16.51	$	14.02	$	0.1125 (1)