DUKE REALTY CORP
Form 11-K
June 27, 2014

As filed with the Securities and Exchange Commission on June 27, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 11-K

FOR ANNUAL REPORTS OF EMPLOYEE STOCK REPURCHASE
SAVINGS AND SIMILAR PLANS PURSUANT TO SECTION 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

(Mark One)

[x] ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2013

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _________________ to __________________

Commission file number: 1-9044

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

DUKE REALTY 401(k) PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

DUKE REALTY CORPORATION
600 East 96th Street, SUITE 100
INDIANAPOLIS, INDIANA 46240

DUKE REALTY 401(k) PLAN
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Report of Independent Registered Public Accounting Firm
The Associate Benefits Committee
Duke Realty 401(k) Plan:

We have audited the accompanying statements of assets available for plan benefits of the Duke Realty 401(k) Plan (the Plan) as of December 31, 2013 and 2012, and the related statements of changes in assets available for plan benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the plan's controls over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets available for plan benefits of the Plan as of December 31, 2013 and 2012, and the changes in assets available for plan benefits for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule, schedule H, line 4i - schedule of assets (held at end of year), is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ KPMG LLP
Indianapolis, Indiana
June 27, 2014

DUKE REALTY 401(k) PLAN
Statements of Assets Available for Plan Benefits
December 31, 2013 and 2012

	2013	2012
Assets held by trustee:		
Investments, at fair value:		
Money market funds	$4,944,634	$4,757,506
Mutual funds	79,683,012	65,917,156
Common and preferred stock	24,874,699	22,915,075
U.S. treasury notes	40,806	30,097
Total investments	109,543,151	93,619,834
Receivables:		
Employer discretionary contribution	1,173,053	940,995
Employer match contribution	108,460	81,695
Notes receivable from participants	2,024,180	1,838,242
Total receivables	3,305,693	2,860,932
Assets available for plan benefits	$112,848,844	$96,480,766

See accompanying notes to financial statements.

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DUKE REALTY 401(k) PLAN
Statements of Changes in Assets Available for Plan Benefits
Years ended December 31, 2013 and 2012

	2013	2012
Investment income:		
Net appreciation in fair value of investments	$13,632,287	$8,436,415
Interest and dividends	3,867,920	3,093,266
Total investment income	17,500,207	11,529,681
Interest income on notes receivable from participants	84,975	98,707
Contributions:		
Participants’ salary deferral	5,616,206	5,260,835
Employer matching of salary deferral	1,908,403	1,455,921
Employer discretionary	1,173,053	940,995
Participants’ rollover	485,106	58,399
Total contributions	9,182,768	7,716,150
Total additions	26,767,950	19,344,538
Deductions from assets attributed to:		
Benefits paid to participants	10,360,581	8,995,530
Administrative fees	39,291	51,225
Total deductions	10,399,872	9,046,755
Net increase	16,368,078	10,297,783
Assets available for plan benefits:		
Beginning of year	96,480,766	86,182,983
End of year	$112,848,844	$96,480,766

See accompanying notes to financial statements.

DUKE REALTY 401(k) PLAN
Notes to Financial Statements
December 31, 2013 and 2012

(1) Description of Plan

The following description of the Duke Realty 401(k) Plan (the Plan) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

(a) General

The Plan is a defined contribution plan sponsored by Duke Realty Corporation (the Employer) covering all employees who are age 18 years or older. Employees are eligible to participate in the Plan on the first day of the calendar month following their hire date. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The Associate Benefits Committee is responsible for oversight of the Plan, as appointed by the Executive Compensation Committee of the Board of Directors of Duke Realty Corporation. The Associate Benefits Committee determines the appropriateness of the Plan's investment offerings, monitors investment performance and reports to the Executive Compensation Committee.

(b) Contributions

Eligible participants may elect to defer a percentage of their compensation to be contributed to their Employee Deferral Account. The Plan stipulates the minimum and maximum percentage that may be contributed, not to be less than 1% and not to exceed 75% of a participant's compensation for each plan year, subject to limitations imposed by the Internal Revenue Service. The Plan currently offers each participant investment options including a number of mutual funds, common stock of the Employer, a money market fund, and a self-directed fund, which allows participants to direct their contributions into investments of their choice. The Employer matched participant contributions annually up to 2% of total compensation during 2012 and January 2013. Effective February 1, 2013 the Employer matches 50% of participant contributions annually up to 6% of total compensation. The Employer matching contribution is limited to a participant's first $255,000 of compensation ($250,000 in 2012). Effective June 2, 2008, this contribution is invested in the common stock of the Employer unless the participant elected to have the Employer matching contribution invested in other investment options. The Employer may also make discretionary contributions to the Plan to be invested in the common stock of the Employer. Participants are able to transfer all Employer contributions to an investment option of their choice. The Employer declared a discretionary contribution of $940,995 in 2012 (to be paid in 2013) and $1,173,053 in 2013 (to be paid in 2014).

(c) Participant Accounts

Each participant's account is credited (debited) with the participant's contribution and Employer matching contribution, as well as allocations of the Employer's discretionary contribution (when applicable), and Plan earnings (losses). Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

(d) Vesting

Participants are immediately vested in elective salary reduction contributions and the actual earnings thereon. Vesting in discretionary contributions, matching contributions, and the earnings thereon is based upon the years of service of the participant. A year of service means a plan year in which the participant completes at least 1,000 hours of service. A participant becomes 20% vested after one year of service and vests an additional 20% for each year of service thereafter and is 100% vested after five years of service. Participants who terminate employment due to retirement after age 59½, by death, or by total or permanent disability are automatically considered fully vested.

(e) Notes Receivable From Participants

Participants may borrow from their accounts a minimum of $1,000 up to a maximum equal to the lesser of $50,000 or 50% of their vested account balance. Loan repayment periods may not exceed five years except for the loans used to acquire a principal residence, in which case the repayment period may not exceed 10 years. The loans are secured by the balance in the participant’s account and bear interest at the prime rate plus 1%, and range from 4.25% to 9.25% at December 31, 2013 and have maturities from February 2014 through September 2023. Principal and interest is paid ratably through payroll deductions.

(f) Benefits

Upon retirement, death, disability or other termination of employment, a participant’s vested account balance is to be distributed in a single lump-sum payment, and/or they can receive Employer stock for the portion of their vested account balance that was in Employer stock within 90 days of written request.

(g) Forfeitures

Participants who terminate employment forfeit any nonvested portion of their account. Forfeitures are used to reduce the Employer matching contributions. In 2013 and 2012, Employer contributions were reduced by $45,000 and $80, 000, respectively, from forfeited nonvested accounts. As of December 31, 2013 and 2012, there are $49,394 and $45,430, respectively, of additional forfeitures that have not yet been used to reduce Employer matching contributions.

(2) Summary of Significant Accounting Policies

(a) Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

(b) Basis of Accounting

The Plan’s financial statements are prepared on the accrual basis of accounting.

(c) Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Plan's Associate Benefit Committee determines the Plan's valuation policy utilizing information provided by the investment advisers and custodian. See note 6 for discussion of fair value measurements.

Net appreciation (depreciation) in fair value of investments is reflected in the statements of changes in assets available for plan benefits and includes realized gains and losses on investments bought and sold and the change in appreciation (depreciation) from one period to the next. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Acquisition costs are included in the cost of investments purchased, and sales are recorded net of selling expenses.

(d) Benefit Payments

Benefits are recorded when paid.

(e) Administrative Expenses

All usual and reasonable expenses of the Plan may be paid in whole or in part by the Company. Any expenses not paid by the Company will be paid by the Plan. In 2013 and 2012, all expenses were borne by the Company, except for in service withdrawal fees, participant loan origination fees, participant loan maintenance fees, Employer stock trustee fees, and Employer stock sale/purchase fees which were charged to participant's accounts as incurred.

(f) Notes Receivable From Participants

Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Delinquent notes receivable from participants are recorded as a distribution based upon the terms of the plan document.

(3) Plan Termination

Although it has not expressed any intent to do so, the Employer has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination by the Employer, participants will become 100% vested in their accounts.

(4) Investments

The following table represents the fair value of individual investments that exceed 5% of the Plan's assets available for plan benefits as of December 31:

	2013	2012
Duke Realty Corporation Common Stock	$22,298,914	$20,277,640
Fidelity Spartan Total Market Index Fund Institutional	7,382,225	5,357,983