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PROLOGIS TRUST  
Form 10-K/A  
April 16, 2002

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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM 10-K/A #1

(MARK ONE)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001.

OR

[ ] 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

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PROLOGIS TRUST  
(Exact name of registrant as specified in its charter)

MARYLAND  
(State or other jurisdiction of  
of incorporation or organization)

74-2604728  
(I.R.S. employer  
identification no.)

14100 EAST 35TH PLACE  
AURORA, COLORADO 80011  
(Address of principal executive offices and zip code)

(303) 375-9292  
(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 D Cumulative Redeemable Preferred Shares of Beneficial Interest, par value \$0.01 per share	New York Stock Exchange

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Series E Cumulative Redeemable Preferred Shares of  
Beneficial Interest, par value \$0.01 per share  
Preferred Share Purchase Rights

New York Stock Exchange  
New York Stock Exchange

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

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 [X] No [ ]

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.

Based on the closing price of the registrant's shares on April 11, 2002, the aggregate market value of the voting shares held by non-affiliates of the registrant was \$3,077,793,460.

At April 11, 2002, there were outstanding approximately 177,526,876 common shares of beneficial interest of the registrant.

## DOCUMENTS INCORPORATED BY REFERENCE

None

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The purpose of this Form 10-K/A is to amend certain disclosures in Items 7, 10, 11, 12, 13, and 14 to the Annual Report on Form 10-K.

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### PART I

#### ITEM 1. BUSINESS

##### PROLOGIS TRUST

ProLogis Trust (collectively with its consolidated subsidiaries and partnerships, "ProLogis") is a real estate investment trust ("REIT") that operates a global network of industrial distribution facilities. ProLogis' business strategy is designed to achieve long-term sustainable growth in cash flow and increase the overall return on equity for its shareholders. ProLogis' business is organized into two primary operating segments: property operations and the corporate distribution facilities services business ("CDFs business"). In 2001, ProLogis began the initial steps to dispose of significant portions of its investments in its third operating segment, temperature-controlled distribution operations.

The property operations segment includes the long-term ownership, management and leasing of industrial distribution facilities. As of December 31, 2001, ProLogis' network consisted of 1,542 operating facilities aggregating 180.8 million square feet in North America (ProLogis' investments in North America are located only in the United States and Mexico) and eight countries in Europe. Of these, 1,208 operating facilities aggregating 123.4 million square feet are owned directly by ProLogis and 334 operating facilities aggregating 57.4 million square feet are owned by six unconsolidated real estate funds (the "Funds") in which ProLogis has ownership interests ranging from 20% to 50%. The property operations segment generates income from rents and reimbursement of property operating expenses from unaffiliated customers. Also, ProLogis' share of the earnings of the Funds and the fee income that ProLogis receives for managing the facilities owned by the Funds is included in the property operations segment income. In addition to the property and asset management fees earned, ProLogis also earns fees for leasing activities on behalf of the Funds.

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The CDFS business segment represents the development of industrial distribution facilities that are either sold to unaffiliated customers or contributed to real estate funds in which ProLogis maintains an ownership interest and acts as manager. ProLogis' activities in this business segment in the United Kingdom are performed by an unconsolidated entity of ProLogis', that is accounted for under the equity method. Income from the CDFS business segment is primarily generated through the profits realized from the sales or contributions of developed facilities. ProLogis also earns fees from customers for development activities performed on their behalf and realizes profits from sales of land parcels when ProLogis' development plans no longer include these parcels. As of December 31, 2001, ProLogis had 29 distribution facilities under development aggregating 7.8 million square feet (including facilities being developed by ProLogis' unconsolidated entity). The total investment in these facilities upon completion is expected to be \$516.7 million. These development projects are located in the United States, in seven countries in Europe and in Japan (ProLogis began development of its first project in Asia in 2001). ProLogis' undeveloped land positions in North America and nine countries in Europe aggregate 2,162 acres with the capacity for development of approximately 40.2 million square feet of distribution facilities (including land positions of ProLogis' unconsolidated entity). Additionally, ProLogis controls (either through contracts, options or letters of intent) 2,889 acres with the capacity for development of approximately 45.8 million square feet of distribution facilities in the United States, in seven countries in Europe and in Japan (including land positions of ProLogis' unconsolidated entity). ProLogis intends to use this land for the development of distribution facilities. Such facilities will eventually be sold to third parties or contributed to real estate funds in which ProLogis will maintain an ownership interest and which will be managed by ProLogis.

ProLogis' temperature-controlled distribution operations segment consists of investments in two companies that operate temperature-controlled distribution and logistics networks in the United States and in nine countries in Europe. As of December 31, 2001, these entities owned or operated 332.8 million cubic feet of facilities (including 35.5 million cubic feet of non-temperature-controlled distribution space located in their facilities). ProLogis accounts for its investments in these two entities under the equity method. These entities earn revenues from unaffiliated customers for various services associated with the temperature-controlled distribution environment. In 2001, substantially all of the operating assets in Germany and all of the operating assets in the Czech Republic of the European company in which ProLogis has invested were sold. In March

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2002, all of the operating assets in Sweden, Denmark, Finland, Norway and the Netherlands, as well as the remaining German operating assets of the European company in which ProLogis has invested were sold. Negotiations are ongoing related to the sale of substantially all of the operating assets of the company operating in the United States and certain of the remaining operating assets of the European company.

ProLogis manages its business by utilizing the ProLogis Operating System(R), an organizational structure and service delivery system that is built around its customers. The ProLogis Operating System(R) is made up of the Market Services Group, the Global Services Group, the Global Development Group and the ProLogis Solutions Group. When combined with ProLogis' international network of distribution facilities, the ProLogis Operating System(R) enables ProLogis to meet its customers' distribution space needs on a global basis. ProLogis believes that by integrating international scope and expertise with a strong local presence in its markets, it has become an attractive choice for its

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targeted customer base which is made up of the largest global users of distribution facilities.

ProLogis is organized under Maryland law and has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"). ProLogis' world headquarters are located in Denver, Colorado, its European headquarters are located in Luxembourg (with its European customer service headquarters located in Amsterdam, Netherlands) and its Asian headquarters are located in Tokyo, Japan.

This report on Form 10-K includes certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from these expectations due to changes in global economic, business, competitive, market and regulatory factors. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Risk Factors."

### 2001 FINANCIAL RESULTS

Net earnings attributable to Common Shares was \$90.8 million in 2001 as compared to \$157.7 million in 2000. The decrease in 2001 is primarily the result of charges of \$42.8 million representing ProLogis' share of the write-down of technology related investments of its unconsolidated entities and charges of \$88.4 million representing ProLogis' share of the write-down of the operating assets and other impairment charges recognized by its unconsolidated entities operating in the temperature-controlled distribution operations segment.

ProLogis considers funds from operations to be a useful supplemental measure of comparative period operating performance. Funds from operations was \$374.4 million in 2001 as compared to \$376.7 million in 2000. See the definition and calculation of funds from operation at "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Funds from Operations." ProLogis' cash flow from operating activities for 2001 was \$346.9 million as compared to \$325.2 million for 2000. ProLogis distributed \$1.38 per common share of beneficial interest, \$0.01 par value ("Common Share") in 2001, as compared to the 2000 distribution level of \$1.34 per Common Share. ProLogis' Board of Trustees (the "Board") set the distribution level for 2002 at \$1.42 per Common Share, a 3.0% increase over 2001. See ProLogis' Consolidated Financial Statements in Item 8.

### BUSINESS STRATEGY AND OPERATING SEGMENTS

#### Business Strategy

ProLogis was originally formed in 1991 with the objective of building a distribution and light manufacturing asset base at costs significantly below replacement cost and acquiring a land inventory for the future development of industrial distribution facilities by primarily utilizing direct public debt and public equity capital. Additionally, ProLogis intended to create a national operating company that would differentiate itself from its competition through its ability to meet a corporate customer's distribution facility requirements on a national, regional and local basis.

ProLogis built its asset base in the United States through the acquisition of existing distribution facilities as well as through the internal development of distribution facilities that were integrated into its property operations segment on a long-term basis upon completion. In 1997, ProLogis expanded its operations into Mexico and Europe to meet the needs of its targeted national and

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international customers as they expanded and reconfigured their distribution facility requirements globally. ProLogis' largest acquisition occurred in March 1999 when it merged with another publicly traded REIT adding 32.2 million square feet of distribution facilities in the United States to its operating portfolio. In another significant transaction, ProLogis acquired 5.2 million square feet of distribution facilities in France when it acquired a private real estate operating company in December 1998. At the end of the first quarter of 1999, ProLogis' operating portfolio included 1,423 distribution facilities aggregating 146.1 million square feet in North America (the United States and Mexico) and in three countries in Europe. At that time, ProLogis believed that its operating portfolio had reached critical mass in many of the largest distribution markets in the United States. Further, the public capital markets were becoming a more costly method of raising capital. Consequently, ProLogis began to shift from the utilization of direct public debt and public equity capital to fund its growth in favor of raising capital from private sources. To effect this shift, ProLogis had to change the primary focus of its development activities -- from the development of distribution facilities for the property operations segment on a long-term basis upon completion -- to the development of distribution facilities that, upon completion, are disposed of, thereby generating additional capital for future development activities and realizing profits from its development activities in the short-term. This shift in focus was facilitated by the 1998 acquisition of an established CDFS business in the United Kingdom, Kingspark Holding S.A. (collectively with its subsidiaries, "Kingspark S.A."), which held strategic land positions and offered growth opportunities to ProLogis in a country in which it had limited investments. ProLogis accounts for its investment in Kingspark S.A. under the equity method.

In order to maintain its customer driven operating model and to generate continued income streams from its development activities, in 1999 ProLogis began to form real estate funds with private investors. These real estate funds are formed with the primary objective of acquiring ProLogis' developed facilities with ProLogis maintaining an ownership interest (ranging from 20% to 50%) in each. Additionally, ProLogis acts as the manager of the real estate funds, earning fee income. The proceeds received from the disposition of distribution facilities to the real estate funds are recycled into ProLogis' CDFS business segment to finance its development activities. Over \$2.1 billion of private debt and private equity capital has been raised through these real estate funds, which now total six (five in the United States and one in Europe). The net operating income in the CDFS business segment has grown from \$20.5 million in 1998 to \$156.3 million in 2001 primarily due to ProLogis' contributions of distribution facilities to the Funds. The fees generated from the Funds were \$16.5 million in 2001. ProLogis reflect this fee income in its property operations segment.

ProLogis expanded its service platform in 1997 and 1998 by acquiring an international temperature-controlled distribution and logistics network. After four years of operating in this particular segment of the global distribution business, ProLogis has decided to dispose of significant portions of the operating assets in this segment in favor of maintaining its focus on its core business segments -- property operations and the CDFS business.

### Property Operations Segment

#### Investments

In the property operations segment, ProLogis owned and operated (including assets held by the Funds which are accounted for under the equity method) 1,542 distribution facilities aggregating 180.8 million square feet as of December 31, 2001. ProLogis directly owned 1,208 distribution facilities aggregating 123.4 million square feet in this operating segment as of December 31, 2001. ProLogis' investment strategy with respect to the property operations segment is to focus primarily on generic industrial distribution facilities with an average office

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finish level of less than 10%. ProLogis' facilities are adaptable for both distribution and light manufacturing or assembly uses. ProLogis has invested in selected distribution markets in North America and Europe where it believes the distribution dynamics are strong and supply and demand factors generally have allowed for high occupancy levels and increasing rental rates. In making its investment

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decisions, ProLogis evaluates market conditions that would indicate favorable distribution growth prospects. Such conditions include: (i) growth in imports and exports; (ii) long-term cost and quality of labor advantages for domestic and international manufacturers (such as markets benefiting from the U.S./Mexico twin plant program); (iii) proximity to large regional and local population centers with good access to transportation networks and (iv) an historically high ratio of distribution space per capita.

Property operations segment investment activities in 2001 included the following:

- ProLogis European Properties Fund acquired distribution facilities aggregating 8.8 million square feet and disposed of a 72,000 square foot distribution facility. Of the distribution facilities acquired in 2001, 7.7 million square feet were acquired from ProLogis. On January 7, 2001, the remaining 49.9% of the common stock of ProLogis European Properties S.a.r.l. was contributed to ProLogis European Properties Fund by ProLogis for an additional equity interest. As of December 31, 2001, ProLogis' ownership interest in ProLogis European Properties Fund was 35.4%.
- In North America, two new real estate funds were formed and ProLogis' three existing real estate funds grew in size in 2001. ProLogis California, ProLogis North American Properties Fund I and ProLogis North American Properties Fund II (formerly referred to as ProLogis Principal) all grew, primarily as the result of acquisitions of distribution facilities from ProLogis. ProLogis California's portfolio grew from 12.4 million square feet at the end of 2000 to 13.1 million square feet (including one development completion) at the end of 2001. ProLogis North American Properties Fund I grew from 8.0 million square feet at the end of 2000 to 9.0 million square feet at the end of 2001 and ProLogis North American Properties Fund II grew from 0.4 million square feet at the end of 2000 to 4.5 million square feet at the end of 2001. The growth in ProLogis North American Properties Fund II was the result of a change in ownership, essentially forming a new real estate fund in March 2001 that then acquired 4.0 million square feet of additional facilities from ProLogis. The two real estate funds initially formed in 2001, ProLogis North American Properties Fund III and ProLogis North American Properties Fund IV, owned 4.4 million and 3.5 million square feet of distribution facilities as of December 31, 2001, respectively, all acquired from ProLogis.
- ProLogis acquired 32 distribution facilities in 2001 aggregating 5.1 million square feet. Substantially all of these facilities were acquired to complete tax-deferred exchange transactions. In 2001, ProLogis disposed of 43 distribution facilities from its property operations segment aggregating 6.7 million square feet.

See "Item 2. Properties -- Facilities", "Item 2. Properties -- Unconsolidated Entities -- Property Operations" and Note 4 to ProLogis' Consolidated Financial Statements in Item 8.

Operations

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The property operations segment generated approximately 96% of ProLogis' total income in 2001 (including amounts recognized under the equity method with respect to ProLogis' ownership interests in the Funds and related fee income). This operating segment generated approximately 81% and 85% of ProLogis' total income in 2000 and 1999, respectively. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Results of Operations -- Property Operations" and Notes 4 and 10 to ProLogis' Consolidated Financial Statements in Item 8.

Operational information about this operating segment for 2001 includes the following:

- ProLogis' stabilized operating portfolio of 173.9 million square feet (including facilities owned by the Funds) was 93.1% leased (92.5% occupied) as of December 31, 2001. Also, as of December 31, 2001, ProLogis' total operating portfolio of 182.4 million square feet (including facilities owned by the Funds) was 90.4% leased (89.6% occupied). Stabilized facilities are those in which capital improvements, repositioning, new management and new marketing programs for acquisitions (or development and marketing, in the case of newly developed facilities) have been in effect for a sufficient period of time (generally 12 months) to achieve stabilized occupancy (typically 93%, but ranging from 90% to 95%, depending on the submarket and product type).

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- ProLogis leased 38.0 million square feet of distribution space in 1,132 leasing transactions in its facilities and the facilities owned by the Funds. In these transactions, rental rates on leases of previously leased space increased by 14.6% in 2001. ProLogis' weighted average customer retention rate was 63.4% in 2001.
- ProLogis' "same store" portfolio of operating facilities (facilities owned by ProLogis and the Funds that were in operation throughout both 2001 and 2000) aggregated 142.7 million square feet. The net operating income (rental revenues less net rental expenses) of the "same store" portfolio increased by 1.4% in 2001 over 2000.
- ProLogis earned \$16.5 million in property and asset management fees from the Funds.

### Market Presence

As of December 31, 2001, the 1,208 facilities in the property operations segment that are owned directly by ProLogis are located in 38 cities and regions in 23 states and the District of Columbia in the United States, 4 cities in Mexico and 5 cities and regions in 4 countries in Europe. ProLogis' largest markets (based on investment in directly owned facilities) are Dallas/Fort Worth, Chicago, Atlanta, San Francisco (both South Bay and East Bay markets) and Houston. See "Item 2. Properties -- Facilities".

The operating facilities owned by the Funds as of December 31, 2001 are as follows:

- ProLogis California: 79 facilities all located in the Los Angeles/Orange County market.
- ProLogis North American Properties Fund I: 36 facilities located in 16 cities and regions in 12 states in the United States.
- ProLogis North American Properties Fund II: 27 facilities located in 13 cities and regions in 10 states and the District of Columbia in the



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United States.

- ProLogis North American Properties Fund III: 34 facilities located in 15 cities and regions in 13 states and the District of Columbia in the United States.
- ProLogis North American Properties Fund IV: 17 facilities located in 10 cities and regions in 8 states in the United States.
- ProLogis European Properties Fund: 141 facilities located in 24 cities and regions in 8 countries in Europe (including 56 facilities located in Paris, France).

See "Item 2. Properties -- Unconsolidated Entities -- Property Operations".

ProLogis has sought to achieve significant market presence through the development and acquisition of distribution facilities and master-planned distribution parks in its target market cities and selected submarkets of those cities. The target market cities and submarkets are selected when ProLogis' market research indicates that the long-term demand for distribution and light manufacturing space is stable to strong. ProLogis defines market presence not only in terms of square feet of distribution facilities and acres of development land owned, but also by the extent ProLogis has developed relationships with customers in such markets. ProLogis' operating strategy is designed to meet the needs of today's distribution space users, which means providing functional, cost-effective facilities and a comprehensive level of service. ProLogis believes that by being a significant local owner and developer in a given market it has the ability to reduce turnover by meeting its customers' needs to either expand or contract. With its network of distribution facilities and land positions, ProLogis is able to either relocate customers within its existing inventory of distribution space or develop new facilities to meet the customer's needs.

### Competition

In general, there are numerous other industrial distribution facilities located in close proximity to ProLogis' facilities. The amount of rentable distribution space available in any market could have a material effect on ProLogis' ability to rent space and on the rents that ProLogis can charge. In addition, in many of

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ProLogis' submarkets, institutional investors and owners and developers of industrial distribution facilities (including other REITs) compete for the acquisition, development and leasing of distribution space. Many of these entities have substantial resources and experience. Competition for acquisition of existing distribution facilities and land, both from institutional capital sources and from other REITs, has been strong over the past several years.

### Property Management

ProLogis provides active and effective property management to directly serve its customers at the local level, a strategy that ProLogis believes enhances the long-term economic performance of its distribution facilities and increases cash flow. ProLogis' property management group seeks to provide exceptional customer service and attention to customer needs by developing and implementing proprietary operating, recruiting and training systems to achieve consistent levels of performance and professionalism throughout the ProLogis network. Of the operating facilities owned by ProLogis and the six unconsolidated real estate funds as of December 31, 2001, ProLogis' property

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management group was managing 98.6% of the facilities in North America and 100% of the facilities in Europe.

### Customers

One of ProLogis' objectives is to develop a customer base in each market that is diverse in terms of industry concentration and represents a broad spectrum of international, national, regional and local distribution space users. As of December 31, 2001, ProLogis and the Funds had over 3,500 customers in 162.0 million square feet of occupied distribution space. ProLogis believes that having a large number of customers with generic space requirements in each submarket can reduce its exposure to overall occupancy declines. On an annualized basis, the largest customer accounted for 1.7% of the total combined 2001 rental income of ProLogis and the Funds. The annualized base rent for the 25 largest customers of ProLogis and the Funds was 15.0% of their total combined 2001 rental income. When the customers in the facilities owned by the Funds are excluded, the annualized base rent for ProLogis' largest customer represents 0.8% of ProLogis' total 2001 rental income and the annualized base rent for ProLogis' 25 largest customers represents 13.8% of ProLogis' total 2001 rental income.

### Employees

ProLogis directly employs approximately 650 persons in North America, seven countries in Europe and in Japan. Of the total, approximately 350 employees are assigned directly to the property operations segment. ProLogis' other employees may provide assistance in this operating segment. ProLogis believes its relationship with its employees to be good. ProLogis' employees are not represented by a collective bargaining agreement.

### Seasonal Nature of the Business

The demand for industrial distribution space is not seasonal.

### Future Plans

ProLogis believes that its current level of investment in the property operations segment in North America enables it to serve its customers at a high level and increase returns to shareholders. ProLogis' business plan for the property operations segment in North America calls for the expansion of its network of operating facilities as necessary to: (i) address the specific expansion needs of its customers; (ii) enhance its market presence in specific submarkets; or (iii) take advantage of opportunities where ProLogis believes it has the ability to achieve favorable returns. In 2002, ProLogis intends to form additional real estate funds that will acquire distribution facilities developed within the CDFS business segment. ProLogis expects that the fee income earned from the Funds and from other real estate funds that may be formed in the future will increase in 2002 over 2001 levels.

ProLogis' market research and customer feedback continue to reflect strong demand for distribution space in Europe as cross-border trade continues to increase and many companies continue to move toward

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consolidation and reconfiguration of their distribution networks. Consolidation and the emergence of dominant regional distribution centers have provided, and ProLogis believes will continue to provide, opportunities for ProLogis as a single-source pan-European provider of distribution facilities. Consequently, ProLogis' business plan for the property operations segment in Europe emphasizes growth in key distribution markets, primarily from the development of facilities within ProLogis' CDFS business segment that will be acquired by ProLogis

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European Properties Fund or other real estate funds that may be formed and then managed by ProLogis.

ProLogis intends to self-fund its future investment activities in the property operations segment in 2002 with operating cash flow within this operating segment and the proceeds from dispositions of facilities from the CDFS business segment as well as from this operating segment. See the discussion of factors that could affect the future plans of ProLogis and the unconsolidated real estate funds in the property operations segment at "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Risk Factors".

### CDFS Business Segment

#### Investments

Within this operating segment, ProLogis (all of the activities in the United Kingdom are performed by ProLogis' unconsolidated entity, Kingspark S.A.) develops distribution facilities with the intent to dispose of the facilities to third parties or real estate funds in which ProLogis will maintain an ownership interest and act as manager. Also within this operating segment, ProLogis and Kingspark S.A. develop distribution facilities for customers or third parties for a development fee and dispose of land parcels that no longer fit into ProLogis' development plans. Proceeds from the disposition of land parcels and facilities developed in the CDFS business segment and the development fee income earned are redeployed into land acquisitions and other development activities. Within this operating segment, ProLogis addresses specific needs of customers with respect to a specialized facility or the need for a customer to have a facility in a market that ProLogis does not consider to have favorable dynamics by developing the facility on a fee basis or through a pre-sale agreement.

As of December 31, 2001, all of the development activities of ProLogis and Kingspark S.A. were within the CDFS business segment (7.8 million square feet of distribution facilities under development.) The total investment in these facilities when completed is expected to be \$516.7 million. Of the totals, 5.4 million square feet at an expected cost at completion of \$254.5 million are being developed directly by ProLogis and 2.4 million square feet at an expected cost at completion of \$262.2 million are being developed by Kingspark S.A. These facilities are all being developed with the objective of disposing of them to a third party or to a real estate fund in which ProLogis will maintain an ownership interest and act as manager.

To the extent the distribution facilities developed in this segment have been acquired by the Funds, ProLogis' share of the income of the Funds along with the fees earned for services provided to the Funds are included in its income from the property operations segment (see "-- Property Operations Segment").

ProLogis and Kingspark S.A. have land positions including land controlled through contracts (development rights agreements or contingent contracts), options or letters of intent aggregating 5,051 acres with the capacity for developing approximately 86.0 million square feet of distribution facilities. Land positions in North America total 2,188 acres with the capacity for developing approximately 36.7 million square feet of distribution facilities, land positions in nine countries in Europe total 2,846 acres with the capacity for developing approximately 48.0 million square feet of distribution facilities and land positions in Japan total 17 acres with the capacity for developing approximately 1.3 million square feet of distribution facilities. Of these land positions, Kingspark S.A. owns 186 acres and has 1,595 acres under control with the combined capacity for developing approximately 25.9 million square feet of distribution facilities (all in the United Kingdom.)

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CDFS business segment investment activities (including activities of ProLogis and Kingspark S.A.) in 2001 included the following:

- Development starts aggregating 13.2 million square feet at an expected cost at completion of \$798.0 million (including 3.2 million square feet at an expected cost at completion of \$341.0 million by

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Kingspark S.A.). Development starts in North America aggregated 4.5 million square feet at a total expected cost at completion of \$172.1 million and development starts in Europe aggregated 8.5 million square feet at an expected cost at completion of \$573.7 million. ProLogis' initial development project in Japan was started in 2001 at 0.2 million square feet and an expected cost at completion of \$52.2 million. ProLogis did not start any development projects in North America in the fourth quarter of 2001 and ProLogis intends to emphasize its development activities outside of North America in 2002.

- Development completions aggregating 14.8 million square feet at a cost of \$744.5 million (including 2.3 million at a cost of \$224.5 million by Kingspark S.A.). Development completions in North America aggregated 7.8 million square feet at a total cost of \$315.4 million and development completions in Europe aggregated 7.0 million square feet at a total cost of \$429.1 million.
- Land acquisitions aggregating 808 acres; 363 acres in the United States, 442 acres in Europe (including 132 acres acquired by Kingspark S.A.) and 3 acres in Japan. This land can be used for the development of approximately 14.5 million square feet of distribution facilities.

### Operations

The CDFS business segment's income is primarily the profits from dispositions of distribution facilities developed as well as from development management fees earned. In 2001, the CDFS business generated \$160.3 million of ProLogis' total income as compared to 2000 and 1999 when the CDFS business segment generated \$121.9 million and \$70.5 million of ProLogis' total income, respectively. In 2001, 45% of the total income in this operating segment was generated in North America with the remaining 55% generated in Europe. In 2000 and 1999, 49% and 41%, respectively, of the total income from this operating segment was generated in North America with the remaining income generated in Europe. See Note 10 to ProLogis' Consolidated Financial Statements in Item 8.

ProLogis recognizes in excess of 99% of the earnings of Kingspark S.A. under the equity method either directly, through its ownership of Kingspark S.A.'s non-voting preferred stock, or indirectly, through its non-voting ownership interest in the entity that owns Kingspark S.A.'s voting common stock. Under the equity method, the income of Kingspark S.A. that is recognized by ProLogis in the CDFS business segment is based on the net income of Kingspark S.A. including all of its expenses. See Note 4 to ProLogis' Consolidated Financial Statements in Item 8.

Operational information about this operating segment for 2001 includes the following:

- ProLogis and Kingspark S.A. disposed of 17.2 million square feet of distribution facilities developed and land parcels generating net proceeds of over \$1.0 billion.
- ProLogis and Kingspark S.A. developed 4.0 million square feet of

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distribution facilities on behalf of customers under development management agreements generating \$8.0 million of fees. Further, ProLogis and Kingspark S.A. earned \$4.9 million of other fees and miscellaneous income from the CDFS business segment.

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Results of Operations -- CDFS Business."

### Market Presence

ProLogis' CDFS business has had development activity in substantially all of ProLogis' property operations markets. As of December 31, 2001, ProLogis had distribution facilities under development in 3 cities in the United States, 12 cities and regions in 7 countries in Europe (all facilities in the United Kingdom are being developed by Kingspark S.A.) and in Tokyo, Japan. As of December 31, 2001, the land positions owned by ProLogis were located in 28 cities and regions in 20 states in the United States, 4 cities in Mexico, 17 cities and regions in 9 countries in Europe (all land positions in the United Kingdom are owned or controlled by Kingspark S.A.) and in Tokyo, Japan.

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### Competition

There are a number of other national, regional and local developers engaged in industrial distribution facility development in the North American markets where ProLogis conducts business. ProLogis does compete with other developers for land acquisitions. The disposition market in North America is competitive and is driven by the supply of new developments, access to capital and interest rate levels. A key to ProLogis' success will be its ability to develop and lease distribution facilities that can be disposed of to generate profits and its ability to raise private capital through real estate funds, such as the five North American real estate funds already formed.

ProLogis believes that there are no other REITs or pan-European real estate operating companies in direct competition with its operations in Europe. However, there are a number of local and regional developers in ProLogis' target markets. As in North America, the disposition market in Europe is competitive and driven by the supply of new developments, access to capital and interest rate levels. However, the formation of ProLogis European Properties Fund has provided ProLogis with a source of capital that allows it to dispose of the distribution facilities developed in the CDFS business segment. The funding commitments to the ProLogis European Properties Fund expire in September 2002. To continue to generate profits in this operating segment after that date, ProLogis must secure additional private equity commitments or the existing commitments to the ProLogis European Properties Fund must be extended such that capital will be available to acquire ProLogis' stabilized facilities as they become available. As with the North American development pipeline, ProLogis' ability to develop and lease distribution facilities to be disposed of is critical to its success in Europe.

Further, ProLogis believes that it has a significant competitive advantage based upon the strategic locations of the extensive land positions owned or under control. Also, as the only distribution facilities and services provider operating on a national and pan-European basis, ProLogis believes it has differentiated itself from many of its competitors.

ProLogis' market research has identified a trend in Japan toward larger, more efficient distribution centers due to vertical integration, continued merger activity and the need to minimize costs in the supply chain. ProLogis currently serves customers who operate in Japan. ProLogis believes its past

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experience in serving these international customers (as with its entry into Europe) will provide opportunities for ProLogis to continue to meet the distribution space needs of the companies in Japan. ProLogis has not currently identified any North American industrial development companies with who it is in direct competition in Japan. Further, ProLogis believes that it has an advantage over local industrial development companies in Japan as the result of its experience in industrial development and because of the level of service it can offer through the ProLogis Operating System(R). See "-- ProLogis Operating System(R)".

### Customers

ProLogis leverages off the existing customer relationships it has developed, primarily within the property operations segment and utilizes the ProLogis Operating System(R) in marketing its CDFS business. See "-- Property Operations -- Customers" and "-- ProLogis Operating System(R)". In 2001, approximately 66% of customers who leased facilities developed in the CDFS business segment were repeat customers of ProLogis.

### Employees

ProLogis directly employs approximately 650 persons in North America, seven countries in Europe and in Japan. Of the total, approximately 70 employees are assigned directly to the CDFS business segment. ProLogis' other employees may provide assistance in this operating segment. ProLogis believes its relationship with its employees to be good. ProLogis' employees are not represented by a collective bargaining agreement.

Kingspark S.A. employs approximately 50 persons and these employees do not participate in a collective bargaining agreement. Kingspark S.A. believes its relationship with its employees to be good.

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### Seasonal Nature of the Business

The demand for the industrial distribution facilities that are developed in the CDFS business segment is not impacted on a seasonal basis. However, the development process can be impeded by weather, particularly during the winter months in certain markets, which affects the scheduling of development activities and can potentially delay construction completions.

### Future Plans

ProLogis' objective is to utilize the capital generated in the CDFS business segment to finance its future CDFS business activities in North America, Europe and Japan. In addition, proceeds from the disposition of facilities from the property operations segment can also be re-invested in new development facilities within the CDFS business segment.

ProLogis' success in this operating segment is dependent on its ability to raise private capital. See "-- Competition" ProLogis believes that the reconfiguration of supply chains, necessitated by the need for customers to add efficiencies within their distribution networks, in North America, Europe and Japan could favorably impact demand for the distribution facilities and distribution-related services provided by ProLogis within its CDFS business segment. Additionally, a limited supply of new state-of-the-art distribution space in Europe and Japan could also provide opportunities within this operating segment. See the discussion of factors that could affect the future plans of ProLogis, in the CDFS business segment at "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Risk Factors".

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### Temperature-Controlled Distribution Operations

#### Investments

ProLogis recognizes in excess of 99% of the earnings of ProLogis Logistics Services Incorporated ("ProLogis Logistics") under the equity method either directly, through its ownership of ProLogis Logistics' non-voting preferred stock, or indirectly, through its non-voting ownership interest in the entity that owns ProLogis Logistics' voting common stock. ProLogis Logistics owns CS Integrated LLC ("CSI"), a temperature-controlled distribution company operating in the United States. As of December 31, 2001, CSI owned or operated 59 temperature-controlled distribution facilities aggregating 178.4 million cubic feet (including 35.5 million cubic feet of non-temperature-controlled distribution space located in its facilities). Additionally, ProLogis recognizes in excess of 99% of the earnings of Frigoscandia Holding S.A. ("Frigoscandia S.A.") under the equity method either directly, through its ownership of Frigoscandia S.A.'s non-voting preferred stock, or indirectly, through its non-voting ownership interest in the entity that owns Frigoscandia S.A.'s voting common stock. Frigoscandia S.A. owns, through a wholly owned subsidiary, Frigoscandia Holding AB ("Frigoscandia"). As of December 31, 2001, Frigoscandia owned or operated 75 temperature-controlled distribution facilities aggregating 154.4 million cubic feet in seven European countries and had transportation operations in two other European countries. During 2001, Frigoscandia disposed of substantially all of its operating assets in Germany and all of its operating assets in the Czech Republic. In March 2002, all of Frigoscandia's operating assets in Sweden, Denmark, Finland, Norway and the Netherlands, as well as the remaining German operating assets (aggregating 37.8 million cubic feet), were sold. Negotiations are ongoing related to the sale of substantially all of the operating assets in the United States owned by CSI and 8.7 million cubic feet of Frigoscandia's operating assets in Europe, including its operating assets in Spain and Italy. Upon completion of these dispositions, ProLogis expects that there will be approximately 118.0 million cubic feet of facilities owned by the companies in this operating segment. No assurances can be given that any of these transactions will be completed.

In 2001, ProLogis Logistics and Frigoscandia S.A. recognized charges, of which ProLogis' share was \$53.3 million and \$35.1 million, respectively, related to the write-down of their respective operating companies' assets and other impairment charges related to ProLogis Logistics' and Frigoscandia S.A.'s investments in these the operating companies. See Note 4 to ProLogis' Consolidated Financial Statements in Item 8.

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#### Operations

ProLogis recognizes its share of the net earnings of ProLogis Logistics and Frigoscandia S.A. under the equity method as a component of its total income. In 2001, ProLogis' share of the net loss of ProLogis Logistics was a \$58.5 million (a \$4.5 million loss before the charges related to the write-down of operating assets and technology related investments of CSI and other impairment charges related to ProLogis Logistics' investment in CSI). ProLogis' share of the income of ProLogis Logistics was \$12.0 million in 2000 and \$10.8 million in 1999. In each year, 1999 to 2001, Frigoscandia S.A. generated net losses with ProLogis' share aggregating \$53.0 million in 2001 (a \$12.8 million loss before the charges related to the write-down of operating assets and technology related investments of Frigoscandia and other impairment charges related to Frigoscandia S.A.'s investment in Frigoscandia), \$20.3 million in 2000 and \$4.4 million in 1999. See "Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition -- Results of Operations -- Temperature-Controlled

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Distribution Operations", and Notes 4 and 10 to ProLogis' Consolidated Financial Statements in Item 8.

### Market Presence

Market presence in the temperature-controlled distribution industry is generally defined by the volume available for storage of frozen and chilled foods in addition to the transportation network in place to serve customers. With 59 facilities aggregating 178.4 million cubic feet in operation (including 35.5 million cubic feet of dry distribution space operated in its facilities), CSI believes it has the third largest network in the United States (based on cubic feet in operation). CSI's largest markets (based on CSI's cubic feet in operation) are Phoenix (16.7%), Southern California (16.1%), Southeastern Pennsylvania (14.3%) and Atlanta (12.0%). Frigoscandia believes that it has the largest temperature-controlled distribution company in Europe based on its 75 facilities aggregating 154.4 million cubic feet in operation in seven countries. Frigoscandia's largest markets (based on Frigoscandia's cubic feet in operation) are France (41.7%), the United Kingdom (28.2%) and Sweden (12.5%).

### Competition

ProLogis believes that the temperature-controlled distribution industry has significant barriers to entry due to its capital-intensive nature, which limits competition. In the United States, CSI competes directly with several national temperature-controlled distribution companies. However, CSI's primary competition in many markets is from local, and considerably smaller, warehouse operators. In Europe, Frigoscandia is one of a few European temperature-controlled distribution companies that have operations in more than one country (as compared to the nine countries in which Frigoscandia operates). Like CSI, Frigoscandia's primary competition in many markets is from local, and considerably smaller, warehouse operators.

### Customers

CSI has approximately 1,300 customers including some of the nation's leading supermarket retailers in the United States. Of CSI's total revenues, approximately 73% were derived from its 25 largest customers and CSI's largest customer accounted for approximately 35% of CSI's total revenues. Excluding the fees generated by CSI's retail-dedicated operations (where CSI provides warehouse logistics services in the distribution facilities that are owned by the customer) the 25 largest customers accounted for approximately 59% of CSI's total revenues with the largest customer accounting for approximately 11% of CSI's total revenues. See "-- Investments".

Frigoscandia has approximately 5,800 customers. Of Frigoscandia's total revenues, approximately 63% were derived from its 25 largest customers and Frigoscandia's largest customer accounted for approximately 6% of Frigoscandia's total revenues.

### Employees

CSI and Frigoscandia directly employ all employees in the temperature-controlled distribution operations segment. CSI employs approximately 3,800 persons in the United States, of whom approximately 56%

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participate in collective bargaining agreements. Frigoscandia employs approximately 2,300 persons in nine European countries, of whom approximately 45% participate in collective bargaining agreements. Both CSI and Frigoscandia believe their relationships with their employees to be good.



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### Seasonal Nature of the Business

Temperature-controlled distribution operations are seasonal, in that demand for temperature-controlled distribution facilities is stronger during the third quarter of the calendar year and is at its lowest level in the first quarter of the calendar year. The seasonal nature of temperature-controlled distribution operations coincides with the lower demand for frozen foods, such as ice cream, during the winter months and the timing of the harvests of various food crops in the third quarter of the year, which increases the demand for temperature-controlled storage capacity during that time.

### Future Plans

In 2002 the initial emphasis will be on completing the sales transactions currently being negotiated that were announced in January 2002. In March 2002, the sales of 37.8 million cubic feet of European operating assets were completed. If the remaining pending sales transactions are completed in Europe and in the United States, substantially all of the operating assets of the companies in which ProLogis has investments in this operating segment will be located in the United Kingdom and France at the end of 2002. Proceeds from the dispositions of operating assets will be used to repay third party debt within this operating segment with the remainder, if any, to be used to repay loans to ProLogis or distributed to ProLogis based on its ownership interest.

The focus in France and the United Kingdom in 2002 will continue to be on operational issues to increase operating efficiencies and profitability. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Results of Operations -- Temperature-Controlled Distribution Operations" for a discussion of operating performance of this business segment and see the discussion of factors that could affect the future plans of ProLogis, ProLogis Logistics and Frigoscandia S.A. at "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Risk Factors".

### PROLOGIS OPERATING SYSTEM(R)

The cornerstone of ProLogis' business strategy is the ProLogis Operating System(R), comprised of the Market Services Group, the Global Services Group, the Global Development Group and the ProLogis Solutions Group. The ProLogis Operating System(R) is a proprietary property management and customer service delivery system that has been designed to integrate four groups of professionals that provide a unique disciplined approach to serving existing and prospective ProLogis customers. The customer focus of the ProLogis Operating System(R) provides for a high-quality level of service and a single point of contact for distribution solutions on a global basis, and positions ProLogis to build customer relationships that will generate additional business opportunities.

#### Market Services Group

The Market Services Group is responsible for managing the facilities in ProLogis' property operations segment. Members of the Market Services Group, under the leadership of ProLogis' 22 Market Officers, are responsible for understanding the needs of existing and prospective customers in their respective markets. The Market Officers, along with their team of property management and leasing professionals, provide ProLogis and its customers with extensive knowledge of local market conditions. Market Officers also assist the Global Services Group in identifying those ProLogis customers with multiple market requirements and also assist in the marketing efforts directed at these customers. The market officers' ability to serve customers in the local market is enhanced by their access to both national and international ProLogis resources. Market officers do not develop projects or borrow or commit capital. Their focus is strictly on managing the facilities in their markets, creating

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and maintaining relationships with distribution space users and industrial brokers, marketing

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ProLogis products and identifying potential acquisition, development and leasing opportunities in their target markets.

### Global Services Group

The Global Services Group is dedicated to providing service to the largest users of distribution space, a group of businesses that ProLogis has identified as its targeted customers, with the primary focus to make ProLogis the preferred provider of distribution space to these companies. The Global Services Group is headquartered in Denver and Amsterdam and has regional offices in Atlanta, Chicago and New Jersey. ProLogis' multi-market presence permits it to accommodate the reconfiguration needs of its customers by relocating an existing customer within a market or between markets in North America or Europe. ProLogis' development program, land inventory and existing network of distribution facilities allow the Global Services Group to assist existing and prospective customers whose growing and changing business needs require them to expand their distribution facilities or reconfigure their distribution networks. The expansion can result in relocating the customer to larger ProLogis spaces or in developing a facility specifically for the customer.

Global Services Group professionals build long-term relationships with ProLogis' customers and provide a single point of contact for multi-location global users of distribution facilities to simplify and streamline the execution of such customers' distribution space plans. ProLogis' experience to date suggests that many major corporate customers are limiting the number of services providers that they work with to meet their distribution facility requirements. An ancillary benefit of this extensive contact with customers is the ability to be on the forefront of international and national distribution and logistics trends.

### Global Development Group

The Global Development Group focuses substantial research and development efforts on creating industry-leading distribution facilities and master-planned distribution parks. Members of the Global Development Group have extensive experience in the development and construction of generic facilities that appeal to a wide variety of customers as well as the development of specialized facilities that meet a specific customer's needs. ProLogis incorporates the latest technology with respect to building design and systems and has developed consistent standards and procedures that it strictly adheres to in the development of all facilities.

The Global Development Group is comprised principally of architects, engineers and construction professionals who oversee every aspect of the land planning and building design processes. These professionals also monitor the construction process and oversee the performance of third-party general contractors. The Global Development Group's development specialists and project managers operate regionally to better serve their markets. The project managers supervise each project with oversight from ProLogis' management, pursuant to uniform standards, procedures and specifications that have been carefully designed to achieve consistent quality.

ProLogis believes the depth and breadth of experience within the Global Development Group enhances the effectiveness of the Global Services Group and provides the Market Officers in the Market Services Group with a distinct competitive advantage for development opportunities in their respective markets.

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### ProLogis Solutions Group

The ProLogis Solutions Group coordinates a menu of value-added distribution-related services to customers, including network optimization tools, strategic site selection, business location services (including tax incentive analysis and tax negotiation consulting) and design consulting services. The ProLogis Solutions Group was formed to allow ProLogis to address all areas of its customers' distribution needs. ProLogis believes that by offering these additional services, it will be able to deepen its customer relationships and increase cash flows with relatively small additional capital requirements.

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### PROLOGIS MANAGEMENT

ProLogis' success depends upon its management's ability to provide strategic and day-to-day management, research, investment analysis, acquisition and due diligence, development, marketing, asset management, capital markets, asset disposition, management information systems support and accounting and legal services. ProLogis' management has demonstrated a strategic vision in determining an operating and investment focus that has provided favorable returns to its shareholders and has positioned ProLogis for long-term growth. Through the ProLogis Operating System(R), ProLogis believes it is the first international operating company that has been able to address and service a corporate customer's distribution space requirements on an international, national, regional and local basis. ProLogis has several senior executives with the leadership, operational, investment and financial skills and experience to oversee the entire operation of the company.

#### Executive Officers and Trustees

K. Dane Brooksher -- 63 -- Mr. Brooksher has served as a Trustee since October 1993. Mr. Brooksher has been Chairman and Chief Executive Officer of ProLogis since March 1999 and he was Co-Chairman and Chief Operating Officer of ProLogis from November 1993 to March 1999 (through September 1997 he was employed by ProLogis' former management company). Prior thereto, Mr. Brooksher was Area Managing Partner and Chicago Office Managing Partner of KPMG Peat Marwick (now KPMG LLP), independent public accountants, where he served on the Board of Directors and Management Committee and as International Development Partner for Belgium and the Netherlands. Mr. Brooksher is a Director of Vizional Technologies, Inc. (an entity in which ProLogis has invested) and Butler Manufacturing Company and he serves as an Advisory Board Member of the J.L. Kellogg Graduate School of Management of Northwestern University. Mr. Brooksher's term as Trustee expires in 2002.

Irving F. Lyons, III -- 52 -- Mr. Lyons has served as a Trustee since March 1996. Mr. Lyons has been Vice Chairman of ProLogis since December 2001 and Chief Investment Officer of ProLogis since March 1997. Mr. Lyons was President of ProLogis from March 1999 to December 2001, Co-Chairman of ProLogis from March 1997 to March 1999 and Managing Director from December 1993 to March 1997 (through September 1997 he was employed by ProLogis' former management company). Prior thereto, Mr. Lyons was the Managing Partner of King & Lyons, a San Francisco Bay Area industrial real estate development and management company, since its inception in 1979. Mr. Lyons' term as Trustee expires in 2003.

C. Ronald Blankenship -- 52 -- Mr. Blankenship has served as a Trustee since June 2000. Mr. Blankenship has been Director, Vice Chairman and Chief Operating Officer of Security Capital Group Incorporated ("Security Capital"), ProLogis' largest shareholder, since May 1998. Mr. Blankenship was Managing

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Director of Security Capital from 1991 until 1998 and he was Chairman of Archstone Communities Trust, (a REIT focused on apartment communities and a former affiliate of Security Capital) until June 1997. Mr. Blankenship was a Trustee of Archstone Communities Trust from March 2000 until February 2001. Mr. Blankenship was Interim Chairman, Chief Executive Officer and Director of Homestead Village Incorporated (an affiliate of Security Capital) from May 1999 to November 2001. Mr. Blankenship is a Director of BelmontCorp, InterPark Holdings Inc., Macquarie Capital Partners LLC, Regency Centers Corporation and Storage USA, Inc. (all affiliates of Security Capital). Mr. Blankenship's term as Trustee expires in 2004.

Stephen L. Feinberg -- 57 -- Mr. Feinberg has served as a Trustee since January 1993. Mr. Feinberg has been Chairman of the Board and Chief Executive Officer of Dorsar Investment Co., Inc., a diversified holding company with interests in real estate and venture capital since 1970. Mr. Feinberg is also a Director of Security Capital Preferred Growth (an affiliate of Security Capital), Continental Transmission Corporation, The Harvill Press Limited, MetaMetrics, Inc., St. John's College, The Santa Fe Institute and The Feinberg Foundation, Inc. He was formerly Chairman of the Board of St. John's College and a former Director of Farrar, Strauss and Giroux, Inc. (a private publishing company), Molecular Informatics, Inc., Border Steel Mills, Inc., Springer Building Materials Corporation, Circle K Corporation, EnerServ Products, Inc. and Texas Commerce Bank-First State. Mr. Feinberg's term as Trustee expires in 2004.

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George L. Fotiades -- 48 -- Mr. Fotiades was appointed as a Trustee in December 2001. Mr. Fotiades is President and Chief Operating Officer of Pharmaceutical Technologies and Services, a division of Cardinal Health, Inc., a provider of services supporting the health-care industry. Prior thereto, Mr. Fotiades was President of R. P. Scherer Corporation (which was merged into Cardinal Health, Inc. in August 1998), Executive Vice President and Group President from 1996 to 1998 and Group President of the Americas and Asia Pacific from 1996 to 1998. Mr. Fotiades' term as Trustee expires in 2002.

Donald P. Jacobs -- 74 -- Mr. Jacobs has served as a Trustee since February 1996. Mr. Jacobs has been a faculty member of the J.L. Kellogg Graduate School of Management of Northwestern University since 1957, and he was Dean from 1975 to 2001. Mr. Jacobs retired as Dean in 2001 and is now Dean Emeritus. Mr. Jacobs is a Director of Hartmarx Corporation, Terex Corporation and CDW Computer Centers. Mr. Jacobs was formerly a Director of Commonwealth Edison and its parent company, Unicom and he was formerly Chairman of the Public Review Board of Andersen Worldwide. Mr. Jacobs was Chairman of the Advisory Committee of the Oversight Board of the Resolution Trust Corporation for the third region from 1990 to 1992, Chairman of the Board of AMTRAK from 1975 to 1979, Co-Staff Director of the Presidential Commission on Financial Structure and Regulation from 1970 to 1971 and Senior Economist for the Banking and Currency Committee of the U.S. House of Representatives from 1963 to 1964. Mr. Jacobs' term as Trustee expires in 2004.

Kenneth N. Stensby -- 62 -- Mr. Stensby has served as a Trustee since March 1999. Mr. Stensby was a Director of Meridian Industrial Trust Inc. ("Meridian") from 1996 to March 1999 when it was merged with and into ProLogis. Mr. Stensby was President and Chief Executive Officer of United Properties, a Minneapolis-based diversified real estate company, from 1974 until his retirement in January 1995. Mr. Stensby is past President of the National Association of Industrial and Office Parks and was a Director of First Asset Realty Advisors, a pension advisory subsidiary of First Bank of Minneapolis and Corner House. Mr. Stensby's term as Trustee expires in 2002.

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J. Andre Teixeira -- 49 -- Mr. Teixeira has served as a Trustee since February 1999. Mr. Teixeira is Senior Consultant with BBL Partners, LLC, Moscow, Russia, a consulting and trading company specializing in the food and food ingredient industry. Mr. Teixeira was the President of Coca-Cola for the Russia and Ukraine region, General Manager of Coca-Cola Russia, Ukraine and Belarus and Head of Representation for the Coca-Cola Export Corporation, Moscow from 2000 to 2001. Mr. Teixeira was General Manager/President of the Coca-Cola Ukraine and Belarus region, Kiev from 1998 to 2000 and was with Coca-Cola in various capacities since 1990. Mr. Teixeira's term as Trustee expires in 2004.

Thomas G. Wattles -- 50 -- Mr. Wattles has served as a Trustee since January 1993. Mr. Wattles is a Managing Director of Security Capital and has been with Security Capital in various capacities since March 1991. Mr. Wattles was a Director of ProLogis' predecessor from its formation in June 1991 until January 1993. Mr. Wattles was Non-Executive Chairman of ProLogis from March 1997 to May 1998 and Co-Chairman and Chief Investment Officer of ProLogis from November 1993 to March 1997 (through September 1997 he was employed by ProLogis' former management company). Mr. Wattles is a Trustee of Urban Growth Property Trust (an affiliate of Security Capital) and he is a Director of Interpark Holdings Inc., Regency Centers Corporation and Security Capital -- European Realty, (all affiliates of Security Capital). Mr. Wattles' term as Trustee expires in 2002.

William D. Zollars -- 54 -- Mr. Zollars was appointed as a Trustee in June 2001. Mr. Zollars has been Chairman, President and Chief Executive Officer of Yellow Corporation, a holding company specializing in transportation of industrial, commercial and retail goods since 2000. From 1996 to 2000, Mr. Zollars was President of Yellow Freight System Inc., Yellow Corporation's principal operating subsidiary. He was a Senior Vice President of Ryder Integrated Logistics, Inc. from 1994 to 1996. Mr. Zollars is a Director of Butler Manufacturing Co. and Rogers Group, Inc. Mr. Zollars' term as Trustee expires in 2002.

### Senior Officers

Jeffrey H. Schwartz -- 42 -- President (Asia) and Chief Operating Officer for ProLogis' Asian operations since March 2002. Mr. Schwartz was President and Chief Executive Officer of Vizional

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Technologies, Inc. (a company in which ProLogis has invested) from August 2000 to February 2002. Mr. Schwartz was with ProLogis from October 1994 to September 2000, most recently as Vice Chairman for International Operations (through September 1997 he was employed by ProLogis' former management company). Prior to joining ProLogis in October 1994, Mr. Schwartz was a founder and managing partner of The Krauss/Schwartz Company, one of the largest industrial real estate developers in Florida.

John W. Seiple, Jr. -- 43 -- President (North America) since December 2001 and Chief Operating Officer for ProLogis' North American operations since December 1998. Mr. Seiple has been with ProLogis in varying capacities since October 1993 (through September 1997 he was employed by ProLogis' former management company). Prior to joining ProLogis, Mr. Seiple was a Senior Vice President with Trammell Crow Company, a diversified commercial real estate company in North America.

Robert J. Watson -- 52 -- President (Europe) since December 2001 and Chief Operating Officer for ProLogis' European operations since December 1998. Mr. Watson has been with ProLogis in varying capacities since January 1993 (through September 1997 he was employed by ProLogis' former management company). Prior to joining ProLogis, Mr. Watson was the Regional Partner for Southwest United

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States Real Estate with Trammell Crow Company, a diversified commercial real estate company in North America.

Timothy M. Harvie -- 41 -- Managing Director and Chief Technology Officer of ProLogis since November 2000, where he is responsible for ProLogis' information technology operations. Prior to joining ProLogis, Mr. Harvie was with USFreightways Corporation, a provider of comprehensive supply chain management services from February 1989 to November 2000, most recently as Chief Information Officer.

Walter C. Rakowich -- 44 -- Managing Director and Chief Financial Officer of ProLogis since December 1998, where he is responsible for worldwide corporate finance. Mr. Rakowich has been with ProLogis in varying capacities since July 1994 (through September 1997 he was employed by ProLogis' former management company). Prior to joining ProLogis, Mr. Rakowich was a consultant to ProLogis in the area of due diligence and acquisitions and he was a Principal with Trammell Crow Company, a diversified commercial real estate company in North America.

Ned K. Anderson -- 55 -- Managing Director of ProLogis since December 1998, where he is responsible for the Market Services Group in the Pacific Region of the United States. Mr. Anderson has been with ProLogis in varying capacities since December 1993 (through September 1997 he was employed by ProLogis' former management company). Prior to joining ProLogis, Mr. Anderson was a partner at King & Lyons, a San Francisco Bay Area industrial real estate development and management company.

Paul C. Congleton -- 47 -- Managing Director of ProLogis since September 1999, where he is responsible for the Global Capital Group, which is responsible for securing sources of private capital. Mr. Congleton has been with ProLogis in varying capacities since January 1995 (through September 1997 he was employed by ProLogis' former management company). Prior to joining ProLogis, Mr. Congleton was Managing Principal with Overland Company, an Arizona based property management, leasing and consulting company.

Steven K. Meyer -- 54 -- Managing Director of ProLogis since December 1998, where he is responsible for the Market Services Group in the Central Region of the United States and in Mexico. Mr. Meyer has been with ProLogis in varying capacities since September 1994 (through September 1997 he was employed by ProLogis' former management company). Prior to joining ProLogis, Mr. Meyer was an Executive Vice President with Trammell Crow Company, a diversified commercial real estate company in North America.

John R. Rizzo -- 52 -- Managing Director of ProLogis since December 2000, where he is responsible for the Global Development Group in North America. Mr. Rizzo has been with ProLogis in varying capacities since January 1999. Prior to joining ProLogis, Mr. Rizzo was Senior Vice President and Chief Operating Officer of Perini Management Services Incorporated, an affiliate of Perini Corporation, a construction management and general contracting firm.

Robin P. R. von Weiler -- 45 -- Managing Director of ProLogis since December 1999, where he is responsible for the Market Services and Global Development Groups in Northern and Central Europe.

Mr. von Weiler has been with ProLogis in varying capacities since October 1997. Prior to joining ProLogis, Mr. Von Weiler was with DTZ Zadelhoff V.O.F., part of DTZ Debenham Tie Lung, in Rotterdam, the Netherlands, most recently as Vice Managing Director, Real Estate Agent and Corporate Advisor.

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Gregory J. Arnold -- 47 -- Senior Vice President of ProLogis since December 2001, where he is a member of the Global Capital Group. Mr. Arnold has been with ProLogis in varying capacities since May 1994 (through September 1997 he was employed by ProLogis' former management company). Prior to joining ProLogis, Mr. Arnold was an Equity Vice President with LaSalle Partners (now Jones Lang LaSalle), a corporate real estate advisory firm.

James D. Cochran -- 41 -- Senior Vice President of ProLogis since December 2001, where he is a member of the Global Capital Group, which is responsible for securing sources of private capital. Mr. Cochran has been with ProLogis in varying capacities since March 1994 (through September 1997 he was employed by ProLogis' former management company). Prior to joining ProLogis, Mr. Cochran was a Vice President with TCW Realty Advisors, a real estate pension advisory firm.

Frank H. Fallon -- 40 -- Senior Vice President of ProLogis since September 1999, where he is responsible for the Market Services Group in the Southeast Region of the United States. Mr. Fallon has been with ProLogis in varying capacities since January 1995 (through September 1997 he was employed by ProLogis' former management company). Prior to joining ProLogis, Mr. Fallon was a Marketing Principal with Trammell Crow Company, a diversified commercial real estate company in North America.

Ranald A. Hahn -- 46 -- Senior Vice President of ProLogis since December 2000, where he is responsible for the Market Services and Global Development Groups in Southern Europe. Mr. Hahn has been with ProLogis in varying capacities since March 1999. Prior to joining ProLogis, Mr. Hahn was the International Business Development Director of GSE, a French logistics construction company.

Larry H. Harmsen -- 41 -- Senior Vice President of ProLogis since December 2001, where he is a member of the Market Services Group in the Pacific Region of the United States. Mr. Harmsen has been with ProLogis in varying capacities since February 1995 (through September 1997 he was employed by ProLogis' former management company). Prior to joining ProLogis, Mr. Harmsen was a Vice President and General Partner with Lincoln Property Company, a diversified national real estate operating company.

M. Gordon Keiser, Jr. -- 58 -- Senior Vice President of ProLogis since October 1995 and Treasurer of ProLogis since December 1998, where he is responsible for relationships with ProLogis' lenders. Mr. Keiser has been with ProLogis in varying capacities since October 1995 (through September 1997 he was employed by ProLogis' former management company). Prior to joining ProLogis, Mr. Keiser was Senior Vice President of JMB Realty Corporation with responsibilities for corporate finance and capital markets financing.

Douglas A. Kiersey, Jr. -- 41 -- Senior Vice President of ProLogis since December 2001, where he is responsible for the Market Services Group in the Mid-Atlantic Region of the United States. Mr. Kiersey has been with ProLogis in varying capacities since May 1994 (through September 1997 he was employed by ProLogis' former management company). Prior to joining ProLogis, Mr. Kiersey was a member of the Industrial/Technology Group at Cushman & Wakefield of Oregon, Inc., a real estate brokerage and services company.

Luke A. Lands -- 45 -- Senior Vice President and Controller of ProLogis since August 2000, where he supervises accounting, financial reporting and financial forecasting. Mr. Lands has been with ProLogis in varying capacities since January 1996 (through September 1997 he was employed by ProLogis' former management company). Prior to joining ProLogis, Mr. Lands was Vice President of SCG Realty Services (an affiliate of Security Capital) from February 1995 to January 1996. Prior thereto, Mr. Lands was Vice President and Controller for Lincoln Property Company, a diversified national real estate operating company. Mr. Lands is a Certified Public Accountant.

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Debra A. McRight -- 42 -- Senior Vice President of ProLogis since December 1999, where she is responsible for North American property management operations. Ms. McRight has been with ProLogis in varying capacities since September 1995 (through September 1997 she was employed by ProLogis' former

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management company). Prior to joining ProLogis, Ms. McRight was with Paragon Group, Inc., a full service real estate company, where she was responsible for property management operations in St. Louis, Missouri.

David S. Morze -- 41 -- Senior Vice President of ProLogis since March 1999, where he is responsible for the Global Services Group. Mr. Morze has been with ProLogis in varying capacities since March 1995 (through September 1997 he was employed by ProLogis' former management company). Prior to joining ProLogis, Mr. Morze was the Director of Marketing for Northern California for The SARES REGIS Group, an industrial, residential and retail development company in California.

Edward S. Nekritz -- 36 -- Senior Vice President and General Counsel of ProLogis since December 1998 and Secretary of ProLogis since March 1999, where he oversees the provision of all legal services for ProLogis. Mr. Nekritz is also responsible for ProLogis' risk management function. Mr. Nekritz has been with ProLogis in varying capacities since September 1995 (through September 1997 he was employed by ProLogis' former management company). Prior to joining ProLogis, Mr. Nekritz was an attorney with Mayer, Brown & Platt (now Mayer, Brown, Rowe & Maw).

Charles E. Sullivan -- 44 -- Senior Vice President of ProLogis since December 2001, where he is a member of the Market Services Group in the Southeast Region of the United States. Mr. Sullivan has been with ProLogis in varying capacities since October 1994 (through September 1997 he was employed by ProLogis' former management company). Prior to joining ProLogis, Mr. Sullivan was an Industrial Broker with Cushman & Wakefield of Florida, a real estate brokerage and services company.

### ENVIRONMENTAL MATTERS

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 at, on, under or in its property. 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. The presence of such substances may adversely affect the owner's ability to sell such real estate or to borrow using such real estate as collateral. ProLogis has not been notified by any governmental authority of any non-compliance, liability or other claim in connection with any of the properties owned or being acquired at December 31, 2001, and ProLogis is not aware of any environmental condition with respect to any of its properties that is likely to be material. ProLogis or the predecessor owners have subjected each of its properties to an environmental assessment (which does not involve invasive procedures such as soil sampling or ground water analysis) by independent consultants. While some of these assessments have led to further investigation and sampling, none of the environmental assessments has revealed, nor is ProLogis aware of, any environmental liability (including asbestos-related liability) that ProLogis believes would have a material adverse effect on its business, financial condition or results of operations. No assurance can be given, however, that these assessments and investigations reveal all potential environmental liabilities, that no prior owner or operator created any material environmental condition not known to ProLogis or the independent consultants or that future uses or conditions (including, without



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limitation, customer actions or changes in applicable environmental laws and regulations) will not result in unreimbursed costs relating to environmental liabilities. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Business Risks".

### INSURANCE COVERAGE

ProLogis and its unconsolidated entities currently carry comprehensive insurance coverage including property, liability, fire, flood, earthquake, environmental, extended coverage and rental loss, as appropriate for the markets where each entities' facilities and business operations are located. The insurance coverage contains policy specifications and insured limits customarily carried for similar facilities. ProLogis believes its facilities and the facilities of its unconsolidated entities are adequately insured. However, an uninsured loss could result in loss of capital investment and anticipated profits. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Business Risks".

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## ITEM 2. PROPERTIES

### INDUSTRIAL DISTRIBUTION FACILITIES

ProLogis has invested primarily in generic industrial distribution facilities with an average office finish level of less than 10%. Due to the costs associated with retrofitting customer spaces in service center product this type of product has been acquired only on a very limited basis, generally as part of portfolio acquisitions in which the majority of facilities being acquired were bulk distribution. ProLogis' industrial distribution facilities are typically used for storage, packaging, assembly, distribution and light manufacturing of consumer and industrial products. As of December 31, 2001, ProLogis' distribution facilities that are used for bulk distribution comprised of 86.4% of its total operating portfolio (based on square footage); the distribution facilities used for light manufacturing and assembly comprised 12.7% of its total operating portfolio (based on square footage) and the distribution facilities used for service centers was 0.9% of its total operating portfolio (based on square footage).

### GEOGRAPHIC DISTRIBUTION

ProLogis has direct ownership of 1,224 distribution facilities (operating and under development) in North America, Europe and Japan as of December 31, 2001. In North America, ProLogis' directly owned facilities are located in 39 cities and regions in 23 states and the District of Columbia in the United States and 4 cities in Mexico. ProLogis' directly-owned European facilities are located in 13 cities and regions in 8 countries. In Japan, ProLogis' one facility is located in Tokyo. The table below demonstrates the geographic distribution of ProLogis' portfolio (operating facilities and facilities under development). The table excludes land held for future development. The table includes facilities owned by entities that are consolidated in ProLogis' financial statements in which ProLogis does not own 100% (see "-- Consolidated Entities") but does not include facilities that are owned by ProLogis' unconsolidated entities which are discussed under "-- Unconsolidated Entities".

DECEMBER 31,

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2001

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2000  
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	NUMBER OF FACILITIES	PERCENTAGE OF ASSETS BASED ON COST(1)	NUMBER OF FACILITIES	PERCENTAGE OF ASSETS ON COST
NORTH AMERICAN MARKETS:				
United States:				
Atlanta, Georgia.....	89	6.08%	97	6
Austin, Texas.....	27	1.52	37	2
Charlotte, North Carolina.....	31	2.78	32	2
Chattanooga, Tennessee.....	5	0.35	5	0
Chicago, Illinois.....	62	7.99	64	7
Cincinnati, Ohio.....	40	2.52	47	3
Columbus, Ohio.....	31	3.70	32	4
Dallas/Ft. Worth, Texas.....	126	9.83	116	8
Denver, Colorado.....	23	1.60	26	1
El Paso, Texas.....	18	1.45	19	1
Ft. Lauderdale/Miami, Florida.....	12	1.14	17	1
Houston, Texas.....	85	5.07	82	4
I-95 Corridor, New Jersey.....	26	2.70	31	4
Indianapolis, Indiana.....	43	2.96	43	2
Kansas City, Kansas/Missouri.....	29	1.36	29	1
Las Vegas, Nevada.....	18	2.25	18	2
Los Angeles/Orange County, California.....	4	1.40	6	1
Louisville, Kentucky.....	8	1.01	8	1
Memphis, Tennessee.....	43	3.69	40	3
Nashville, Tennessee.....	31	1.96	29	1

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	DECEMBER 31,			
	2001		2000	
	NUMBER OF FACILITIES	PERCENTAGE OF ASSETS BASED ON COST(1)	NUMBER OF FACILITIES	PERCENTAGE OF ASSETS ON COST
Oklahoma City, Oklahoma.....	6	0.25	6	0
Orlando, Florida.....	19	1.54	23	1
Phoenix, Arizona.....	30	1.52	31	1
Portland, Oregon.....	20	1.09	26	1
Reno, Nevada.....	25	2.85	20	1
Salt Lake City, Utah.....	7	1.01	7	0
San Antonio, Texas.....	43	2.06	46	2
San Francisco (East Bay), California...	52	4.89	54	4
San Francisco (South Bay), California.....	71	5.21	71	4
Seattle, Washington.....	14	1.30	15	1
St. Louis, Missouri.....	13	0.83	15	1
Tampa, Florida.....	62	3.04	58	2
Tulsa, Oklahoma.....	9	0.28	9	0
Washington D.C./Baltimore, Maryland....	39	3.17	48	4
Other(2).....	5	1.37	23	1
Mexico:				
Juarez.....	10	0.54	7	0

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Monterrey.....	11	1.16	10	0
Reynosa.....	15	1.21	15	1
Tijuana.....	5	0.59	5	0
	-----	-----	-----	-----
Subtotal North America.....	1,207	95.27	1,267	96
	-----	-----	-----	-----
EUROPEAN MARKETS (3):				
Belgium (Liege).....	1	0.15	--	
France (4).....	4	0.80	6	1
Germany (5).....	1	0.21	3	0
Hungary (Budapest).....	1	0.23	--	
Italy (Milan).....	1	0.29	2	0
Netherlands (6).....	2	0.66	4	0
Poland (7).....	3	0.36	3	0
Spain (8).....	3	0.85	--	
	-----	-----	-----	-----
Subtotal Europe (3).....	16	3.55	18	3
	-----	-----	-----	-----
ASIAN MARKET:				
Tokyo, Japan.....	1	1.18	--	
	-----	-----	-----	-----
Subtotal Asia.....	1	1.18	--	
	-----	-----	-----	-----
Total.....	1,224 (9)	100.00%	1,285 (9)	100
	=====	=====	=====	=====

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- (1) Facilities under development are reflected at the total expected cost at completion, rather than cost incurred as of the date presented.
  - (2) In 2001, includes one facility each in Akron, Ohio; Brownsville, Texas; and Norfolk, Virginia and two facilities in the I-81 Corridor (Pennsylvania). In 2000, includes one facility each in Akron, Ohio; Detroit, Michigan and Norfolk, Virginia; six facilities in Birmingham, Alabama and 14 facilities in the Rio Grande Valley (Texas).
  - (3) ProLogis is committed to contribute all of its stabilized facilities developed in specified markets in Europe to ProLogis European Properties Fund, subject to meeting specified criteria, including leasing criteria. Generally upon completion, ProLogis holds distribution facilities in its operating portfolio in the property

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operations segment until such leasing criteria are met and the facility is contributed to the ProLogis European Properties Fund.

- (4) In 2001, includes one facility in Le Havre (0.26%), one facility in Lille (0.14%) and two facilities in Marseille (0.40%). In 2000, includes one facility in Le Havre (0.14%), one facility in Lille (0.06%), one facility in Marseille (0.14%) and three facilities in Paris (0.66%).
- (5) In 2001, includes a facility in Dortmund. In 2000, includes one facility in Cologne (0.28%), one facility in Neustadt (0.28%) and one facility in Soest (0.31%).
- (6) In 2001, includes one facility in Tilburg (0.28%) and one facility in Venlo (0.38%). In 2000, includes three facilities in Rotterdam (0.47%) and one facility in Tilburg (0.27%).

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- (7) In 2001, includes two facilities in Poznan (0.17%) and one facility in Warsaw (0.19%). In 2000, includes three facilities in Warsaw.
- (8) In 2001, includes one facility in Barcelona (0.26%) and two facilities in Madrid (0.59%).
- (9) Includes 16 facilities under development as of December 31, 2001 and 41 facilities under development as of December 31, 2000.

### FACILITIES

The information in the following table is as of December 31, 2001 for the facilities owned by ProLogis and its consolidated subsidiaries and partnerships. No individual facility or group of facilities operated as a single business unit amounted to 10% or more of ProLogis' consolidated total assets as of December 31, 2001 or generated income equal to 10% or more of ProLogis' consolidated gross revenues for the year ended December 31, 2001. The table does not include facilities that are owned by ProLogis' unconsolidated entities which are discussed under "-- Unconsolidated Entities".

	NO. OF BLDGS.	PERCENTAGE OCCUPANCY (1)	RENTABLE SQUARE FOOTAGE	INVESTMENT (2)	ENCUMBRANCE (3)
	-----	-----	-----	-----	-----
OPERATING FACILITIES DIRECTLY					
OWNED AS OF DECEMBER 31,					
2001(4):					
NORTH AMERICAN MARKETS:					
United States:					
Atlanta, Georgia.....	89	83.99%	9,026,973	\$ 269,314,552	\$ 37,958,6
Austin, Texas.....	27	96.12	1,759,309	67,422,951	-
Charlotte, North Carolina.....	31	92.71	4,047,470	122,987,638	41,630,1
Chattanooga, Tennessee.....	5	100.00	1,147,872	15,463,611	-
Chicago, Illinois.....	59	81.81	7,703,210	310,365,869	45,116,6
Cincinnati, Ohio.....	40	84.22	4,221,692	111,382,707	40,562,9
Columbus, Ohio.....	31	87.06	5,038,799	163,923,531	30,622,6
Dallas/Ft. Worth, Texas....	126	84.19	13,481,581	435,407,912	66,364,8
Denver, Colorado.....	23	90.54	2,681,171	70,914,926	-
El Paso, Texas.....	18	91.87	2,231,903	64,410,115	2,776,8
Ft. Lauderdale/Miami, Florida.....	12	88.31	984,557	50,322,024	1,876,0
Houston, Texas.....	85	95.97	7,500,012	224,617,787	47,093,2
I-95 Corridor, New Jersey.....	26	92.52	3,455,097	119,373,970	28,323,5
Indianapolis, Indiana.....	43	77.25	4,187,721	131,087,594	-
Kansas City, Kansas/Missouri.....	29	86.33	1,578,487	60,255,236	12,619,9
Las Vegas, Nevada.....	17	100.00	2,061,291	95,201,188	17,242,6
Los Angeles/Orange County, California.....	4	9.35	1,232,399	62,156,322	-
Louisville, Kentucky.....	8	80.02	1,819,988	44,635,164	6,390,8
Memphis, Tennessee.....	43	78.93	6,489,619	163,413,159	12,915,3

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	NO. OF BLDGS.	PERCENTAGE OCCUPANCY (1)	RENTABLE SQUARE FOOTAGE	INVESTMENT (2)	ENCUMBRANCE (3)
Nashville, Tennessee.....	31	81.97	3,450,080	86,851,732	7,123,8
Oklahoma City, Oklahoma....	6	95.12	639,942	11,254,373	-
Orlando, Florida.....	19	92.54	1,750,236	68,120,110	7,944,8
Phoenix, Arizona.....	30	94.33	2,016,336	67,410,869	-
Portland, Oregon.....	20	84.94	1,330,129	48,088,129	420,8
Reno, Nevada.....	25	93.82	3,522,929	126,216,442	10,971,2
Salt Lake City, Utah.....	7	85.82	1,643,468	44,812,541	-
San Antonio, Texas.....	43	92.13	3,532,803	91,303,011	-
San Francisco (East Bay), California.....	52	88.91	5,327,385	216,449,454	14,523,5
San Francisco (South Bay), California.....	71	94.02	3,694,781	230,616,372	18,201,3
Seattle, Washington.....	14	83.26	1,272,827	57,403,549	4,783,6
St. Louis, Missouri.....	13	86.82	1,251,825	36,927,803	8,643,3
Tampa, Florida.....	62	85.59	3,602,788	134,538,930	28,025,8
Tulsa, Oklahoma.....	9	97.30	523,623	12,475,643	-
Washington D.C./Baltimore, Maryland.....	39	93.04	3,303,854	140,563,733	36,680,0
Other(5).....	4	100.00	495,598	22,522,210	411,2
Mexico:					
Juarez.....	10	100.00	685,603	24,013,913	-
Monterrey.....	11	95.53	1,267,603	51,421,800	-
Reynosa.....	15	76.41	1,501,147	53,770,344	-
Tijuana.....	5	96.00	756,410	26,136,345	-
Subtotal North America...	1,202	86.90	122,218,518	4,133,553,559	529,224,1
EUROPEAN MARKETS(6):					
Belgium (Liege).....	1	--	241,652	6,711,644	-
France (Lille).....	1	--	192,977	6,293,530	-
Poland(7).....	3	49.85	429,268	15,675,940	-
Spain (Barcelona).....	1	45.41	273,190	11,314,793	-
Subtotal Europe(6).....	6	29.73	1,137,087	39,995,907	-
TOTAL OPERATING FACILITIES DIRECTLY OWNED AS OF DECEMBER 31, 2001(4).....	1,208	86.37%	123,355,605	\$4,173,549,466	\$529,224,1

	NO. OF BLDGS.	RENTABLE SQUARE FOOTAGE	INVESTMENT (2)	TOTAL EXPECTED COST (8)
FACILITIES UNDER DEVELOPMENT AS OF DECEMBER 31, 2001(9) (10):				
NORTH AMERICAN MARKETS:				
United States:				
Chicago, Illinois.....	3	972,351	\$ 21,665,177	\$ 43,594,737
I-81 Corridor, Pennsylvania.....	1	1,059,654	20,548,389	37,959,871

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Las Vegas, Nevada.....	1	120,000	968,182	4,492,806
	--	-----	-----	-----
Subtotal North America.....	5	2,152,005	43,181,748	86,047,414
	--	-----	-----	-----

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	NO. OF BLDGS.	RENTABLE SQUARE FOOTAGE	INVESTMENT (2)	TOTAL EXPECTED COST (8)
	-----	-----	-----	-----
EUROPEAN MARKETS:				
France (11).....	3	925,316	12,928,623	29,107,823
Germany (Dortmund).....	1	176,487	3,889,163	9,280,056
Hungary (Budapest).....	1	231,426	2,954,806	10,176,277
Italy (Milan).....	1	328,173	1,428,265	12,759,433
Netherlands (12).....	2	764,460	17,349,369	28,976,266
Spain (Madrid).....	2	583,075	9,086,445	25,940,063
	--	-----	-----	-----
Subtotal Europe.....	10	3,008,937	47,636,671	116,239,918
	--	-----	-----	-----
ASIAN MARKET:				
Tokyo, Japan.....	1	196,476	40,726,363	52,212,717
	--	-----	-----	-----
Subtotal Asia.....	1	196,476	40,726,363	52,212,717
	--	-----	-----	-----
TOTAL FACILITIES UNDER DEVELOPMENT AS OF DECEMBER 31, 2001 (9) (10).....				
	16	5,357,418	\$131,544,782	\$254,500,049
	==	=====	=====	=====

		INVESTMENT (2)	ENCUMBRANCES (3)
	ACREAGE	-----	-----
	-----	-----	-----
LAND HELD FOR DEVELOPMENT AS OF DECEMBER 31, 2001 (13):			
NORTH AMERICAN MARKETS:			
United States:			
Atlanta, Georgia.....	201.4	\$ 16,399,577	\$ --
Austin, Texas.....	7.2	763,323	--
Baltimore, Maryland.....	5.8	1,083,611	--
Charlotte, North Carolina.....	17.3	1,513,440	--
Chicago, Illinois.....	109.4	17,781,716	--
Cincinnati, Ohio.....	100.1	8,771,105	--
Columbus, Ohio.....	56.5	2,368,696	--
Dallas/Ft. Worth, Texas.....	147.4	11,624,808	--
Denver, Colorado.....	6.0	550,374	--
El Paso, Texas.....	106.9	6,534,545	--
Ft. Lauderdale/Miami, Florida.....	10.0	2,833,305	--
Houston, Texas.....	64.9	5,316,711	--
I-95 Corridor, New Jersey.....	25.4	2,096,018	--
Indianapolis, Indiana.....	123.4	8,564,040	--
Kansas City, Kansas/Missouri.....	16.6	1,525,975	--
Las Vegas, Nevada.....	56.7	6,351,236	304,384

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Los Angeles/Orange County, California.....	9.2	1,623,022	--
Louisville, Kentucky.....	42.4	4,059,823	--
Memphis, Tennessee.....	120.6	6,495,766	--
Northern Virginia.....	16.6	2,434,290	--
Orlando, Florida.....	28.1	2,841,892	--
Portland, Oregon.....	18.0	2,888,152	--
Reno, Nevada.....	30.2	4,178,309	--
Salt Lake City, Utah.....	30.3	2,023,921	--
San Antonio, Texas.....	58.1	5,107,655	--
San Francisco (East Bay) California.....	77.5	6,436,426	2,577,065
Seattle Washington.....	10.6	1,972,439	--
Tampa, Florida.....	51.1	3,543,063	--

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	ACREAGE	INVESTMENT (2)	ENCUMBRANCES (3)
	-----	-----	-----
Mexico:			
Juarez.....	17.0	3,092,150	--
Monterrey.....	25.9	3,928,849	--
Reynosa.....	82.6	8,213,965	--
Tijuana.....	7.5	1,501,998	--
	-----	-----	-----
Subtotal North America.....	1,680.7	154,420,200	2,881,449
	-----	-----	-----
EUROPEAN MARKETS:			
Belgium(14).....	12.5	830,967	--
France(15).....	101.7	7,464,633	--
Germany(16).....	25.5	4,769,815	--
Hungary (Budapest).....	55.7	4,858,243	--
Italy (Milan).....	4.6	1,329,027	--
Netherlands (Rotterdam).....	5.0	1,401,685	--
Poland (Warsaw).....	44.3	8,610,513	--
Spain(17).....	46.5	17,051,923	--
	-----	-----	-----
Subtotal Europe.....	295.8	46,316,806	--
	-----	-----	-----
TOTAL LAND HELD FOR DEVELOPMENT AS OF DECEMBER 31, 2001(13).....	1,976.5	\$200,737,006	\$2,881,449
	=====	=====	=====

	NO. OF BLDGS.	ACREAGE	RENTABLE SQUARE FOOTAGE	INVESTMENT (2)	TOTAL EXPECTED COST (9)
	-----	-----	-----	-----	-----
GRAND TOTALS AS OF DECEMBER 31, 2001:					
Operating facilities(4).....	1,208	n/a	123,355,605	\$4,173,549,466	n/
Facilities under development....	16	n/a	5,357,418	131,544,782	\$254,500,04
Land held for development.....	n/a	1,976.5	n/a	200,737,006	n/
	-----	-----	-----	-----	-----

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Totals.....	1,224	1,976.5	128,713,023	\$4,505,831,254 (18)	\$254,500,0
	=====	=====	=====	=====	=====

-----  
n/a Not Applicable

- (1) Percentage Occupancy is physical occupancy for the facility as of December 31, 2001. Operating facilities as of December 31, 2001 include recently completed development facilities in initial lease-up (including 3.2 million square feet completed in the fourth quarter of 2001) which impacts the overall occupancy percentage as of December 31, 2001.
- (2) Investment is as of December 31, 2001 and represents ProLogis' historical cost.
- (3) Certain facilities are pledged as collateral under ProLogis' mortgage notes, securitized debt and assessment bonds as of December 31, 2001. See Schedule III -- Real Estate and Accumulated Depreciation to ProLogis' Consolidated Financial Statements in Item 8 for specific facilities pledged.
- (4) All assets are utilized in the property operations segment. Includes 69 facilities aggregating 13.1 million square feet at an aggregate investment of \$469.5 million that were developed in the CDFS business segment that are pending disposition or contribution to a real estate fund. See "Item 1 -- Business -- Business Strategy and Operating Segments -- CDFS Business Segment".
- (5) Includes one facility each in Akron, Ohio; the I-81 Corridor (Pennsylvania); Brownsville, Texas and Norcross, Virginia.
- (6) ProLogis is committed to contribute all of its stabilized facilities developed in specified markets in Europe to ProLogis European Properties Fund, subject to meeting specified criteria, including leasing criteria. Generally upon completion, ProLogis holds distribution facilities in its operating portfolio in the property operations segment until such leasing criteria are met and the facility is contributed to the ProLogis European Properties Fund.

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- (7) Includes two facilities in Poznan and one facility in Warsaw.
- (8) Represents the total expected cost at completion for facilities under development, which includes the cost of land, fees, permits, payments to contractors, architectural and engineering fees and interest and property taxes to be capitalized during construction, rather than costs incurred to date.
- (9) All of the facilities under development are expected to be utilized in the CDFS business segment. See "Item 1 -- Business -- ProLogis Trust -- Business Strategy and Operating Segments -- CDFS Business Segment".
- (10) Includes 1.1 million square feet in the design and permitting stage.
- (11) Includes one project in Le Havre and two projects in Marseille.
- (12) Includes one project each in Tilburg and Venlo.



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- (13) All of the land held for future development is expected to be utilized in the CDFS business segment for the development of approximately 36.3 million square feet of distribution facilities. See "Item 1 -- Business -- Business Strategy and Operating Segments -- ProLogis Trust -- CDFS Business Segment". Does not include 1,294 acres of land controlled directly by ProLogis under option, letter of intent or contingent contract with the capacity of developing approximately 23.8 million square feet of distribution facilities.
- (14) Includes land in Leige and Tongeren.
- (15) Includes land in Le Havre and Lyon.
- (16) Includes land in Dortmund and the Rhine/Ruhr region.
- (17) Includes land in Barcelona and Madrid.
- (18) See Schedule III -- Real Estate and Accumulated Depreciation to ProLogis' Consolidated Financial Statements in Item 8 for a reconciliation of this amount to ProLogis' total investment in real estate.

### CONSOLIDATED ENTITIES

#### Partnerships

As of December 31, 2001, ProLogis held a majority interest in and controlled five real estate partnerships (collectively, the "Partnerships"), which are consolidated with the accounts of ProLogis.

Generally, pursuant to the Partnership agreements, ProLogis or one of its wholly owned subsidiaries is the sole controlling general partner and has full responsibility for the management and control of the Partnerships. The limited partners have no authority to transact business for, or participate in the management decisions of, the Partnerships (except as noted below). However, any decision to amend certain provisions of the applicable partnership agreement, to dissolve a Partnership prior to the term set forth in the applicable partnership agreement or to enter into certain extraordinary transactions would require the consent of all limited partners. Pursuant to the partnership agreements, ProLogis or its wholly owned subsidiary, as the case may be, may not voluntarily withdraw from the applicable Partnership or transfer or assign its interests in the Partnership without the consent of all of the limited partners thereto. The limited partners may freely transfer their Partnership units to affiliates, provided that such transfer does not cause a termination of the Partnership under the Code and does not cause ProLogis to cease to comply with requirements under the Code for qualification as a REIT. Each of the Partnership agreements grants to the limited partners the right to exchange their Partnership units for ProLogis Common Shares, subject to certain conditions.

For financial reporting purposes, the assets, liabilities, results of operations and cash flows of each of the Partnerships are included in ProLogis' consolidated financial statements, and in the preceding real estate tables. The interests of the limited partners are reflected as minority interest. See Note 6 to ProLogis' Consolidated Financial Statements in Item 8.

The Partnerships, whose assets are included in the property operations segment and in the tables under "-- Facilities", are as follows as of December 31, 2001:

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ENTITY	FORMATION DATE	INVESTMENT IN REAL ESTATE (IN MILLIONS)	PROLOGIS' OWNERSHIP	LIMITED PARTNERSHIP UNITS OUTSTANDING
ProLogis Limited Partnership-I.....	1993	\$213.1 (1) (2)	68.65%	4,520,532 (3)
ProLogis Limited Partnership-II.....	1994	\$ 60.1 (4)	97.82%	90,213 (3)
ProLogis Limited Partnership-III.....	1994	\$ 35.9 (5)	79.63%	350,964 (3)
ProLogis Limited Partnership-IV(6)...	1994	\$106.1 (7)	98.49%	68,612 (3)
Meridian Realty Partners Limited Partnership.....	(8)	\$ 10.4 (9)	87.00%	29,712 (1)

(1) These facilities cannot be sold, prior to the occurrence of certain events, without the consent of the limited partners thereto, other than in tax-deferred exchanges.

(2) Facilities are located in the San Francisco (both South Bay and East Bay) and Tampa markets.

(3) Each unit is convertible into one Common Share.

(4) Facilities are located in the Charlotte, Dallas/Ft. Worth, Denver, El Paso, San Francisco (East Bay), St. Louis and Washington, D.C./Baltimore markets.

(5) Facilities are located in the Chicago, Ft. Lauderdale/Miami, Norfolk, Orlando, San Antonio and Tampa markets.

(6) ProLogis Limited Partnership-IV was formed through a cash contribution from a wholly owned subsidiary of ProLogis, ProLogis-IV, Inc., and the contribution of distribution facilities from the limited partner. ProLogis Limited Partnership-IV and ProLogis-IV, Inc. are legal entities separate and distinct from ProLogis, its affiliates and each other, and each has separate assets, liabilities, business functions and operations. The sole assets of ProLogis-IV, Inc. are its general partner advances to and its interest in ProLogis Limited Partnership-IV. As of December 31, 2001, ProLogis Limited Partnership-IV had outstanding borrowings from ProLogis-IV, Inc., of \$0.3 million and ProLogis-IV, Inc. had outstanding borrowings from ProLogis and its affiliates of \$0.3 million.

(7) Facilities are located in the Akron, Cincinnati, Dallas/Ft. Worth, Ft. Lauderdale/Miami, I-95 Corridor (New Jersey), Orlando and Tampa markets.

(8) Acquired in 1999 merger transaction. See Note 11 to ProLogis' Consolidated Financial Statements in Item 8.

(9) Facility is located in the Los Angeles/Orange County market.

(10) Each unit is convertible into 1.1 Common Shares, plus \$2.00.

ProLogis Development Services

ProLogis Development Services Incorporated ("ProLogis Development Services") is a subsidiary of ProLogis that operates in the CDFS business segment. ProLogis owned only the non-voting preferred stock of ProLogis Development Services, representing a 95% interest until October 2001 when ProLogis also acquired the voting common stock. ProLogis has advanced mortgage loans to fund ProLogis Development Services' acquisition, development and

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construction activities since its inception. A charitable trust owned the voting common stock of ProLogis Development Services prior to October 2001 but had no substantive role in the decision-making process regarding the operations of ProLogis Development Services. Accordingly, ProLogis consolidated ProLogis Development Services in its financial statements. ProLogis Development Services' real estate assets aggregated \$396.1 million as of December 31, 2001 and consisted of operating facilities that have been developed for future sale, facilities under development and land positions. In October 2001, ProLogis acquired the voting common stock from the charitable trust for \$1.3 million. As of December 31, 2001, ProLogis owned 100% of ProLogis Development Services and continues to consolidate ProLogis Development

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Services in its financial statements. ProLogis Development Services is not a qualified REIT subsidiary under the Code. Accordingly, provisions for federal and state income taxes are recognized, as appropriate.

### UNCONSOLIDATED ENTITIES

As of December 31, 2001, ProLogis' investments in and advances to unconsolidated entities totaled \$1.31 billion. These investments were structured to either allow ProLogis to comply with the requirements of the Code to qualify as a REIT or to further ProLogis' objective of increasing cash flows without raising additional capital through direct public debt and public equity offerings.

ProLogis' investments in and advances to the Funds discussed below under "-- Property Operations" was \$446.5 million as of December 31, 2001. These entities were all formed to allow ProLogis to access private capital for future development activities while still maintaining an ownership interest in the facilities. All of ProLogis' unconsolidated entities are discussed in Note 4 to ProLogis' Consolidated Financial Statements in Item 8. See also "Item 1 -- Business -- Business Strategy and Operating Segments".

ProLogis' investments in and advances to the temperature-controlled distribution operating companies was \$358.0 million as of December 31, 2001. ProLogis' investments in and advances to Kingspark S.A. was \$500.0 million as of December 31, 2001. These companies produce income that is not REIT qualifying income (i.e., not rental income and mortgage interest income) under the Code; therefore, ProLogis has made a taxable REIT subsidiary election with respect to these investments. To maintain its qualification as a REIT, ProLogis can collectively invest in these taxable REIT subsidiaries in amounts up to 20% of the fair market value of ProLogis' total assets. ProLogis accounts for the investments in Kingspark S.A., ProLogis Logistics and Frigoscandia S.A. under the equity method.

ProLogis' remaining investments in and advances to unconsolidated entities aggregated \$41.9 million as of December 31, 2001. These remaining unconsolidated entities in which ProLogis has invested do not own real estate.

### Property Operations

As of December 31, 2001, ProLogis had ownership interests ranging from 20% to 50% in six real estate funds accounted for under the equity method. See "Item 1. Business -- Business Strategy and Operating Segments -- Property Operations Segment" and Note 4 to ProLogis' Consolidated Financial Statements in Item 8.

RENTABLE PERCENTAGE

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	NO. OF BLDGS.	SQUARE FOOTAGE	OCCUPANCY (1)	INVESTMENT (2)
	-----	-----	-----	-----
NORTH AMERICA:				
PROLOGIS CALIFORNIA:				
Los Angeles/Orange County, California.....	79	13,052,402	94.54%	\$607,313,411
	---	-----	-----	-----
PROLOGIS NORTH AMERICAN PROPERTIES FUND I:				
Atlanta, Georgia.....	5	1,172,168	97.54%	40,975,466
Chicago, Illinois.....	1	249,576	100.00	14,764,133
Cincinnati, Ohio.....	2	297,720	100.00	15,041,733
Columbus, Ohio.....	2	888,691	100.00	30,245,266
Dallas/Ft. Worth, Texas.....	3	1,221,934	100.00	49,898,211
Denver, Colorado.....	2	198,892	100.00	9,137,133
El Paso, Texas.....	1	354,159	100.00	13,625,544
Houston, Texas.....	2	238,450	100.00	10,880,011
I-95 Corridor, New Jersey.....	5	1,100,320	77.83	58,898,888
Indianapolis, Indiana.....	2	719,829	100.00	21,564,444
Louisville, Kentucky.....	3	905,800	93.38	33,619,577
Nashville, Tennessee.....	1	412,800	100.00	14,630,866
Phoenix, Arizona.....	1	156,410	100.00	6,779,277

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	NO. OF BLDGS.	RENTABLE SQUARE FOOTAGE	PERCENTAGE OCCUPANCY (1)	INVESTMENT (2)
	-----	-----	-----	-----
Salt Lake City, Utah.....	3	396,600	100.00	17,024,011
San Antonio, Texas.....	1	244,800	100.00	9,033,477
San Francisco (East Bay), California.....	2	404,400	100.00	16,970,977
	---	-----	-----	-----
Total ProLogis North American Properties Fund I.....	36	8,962,549	96.29%	363,089,022
	---	-----	-----	-----
PROLOGIS NORTH AMERICAN PROPERTIES FUND II:				
Austin, Texas.....	4	324,800	100.00%	17,818,711
Charlotte, North Carolina.....	2	178,000	100.00	7,778,777
Bethlehem, Pennsylvania.....	1	528,670	100.00	25,408,177
Chicago, Illinois.....	4	510,725	95.39	37,816,877
Dallas/Ft. Worth, Texas.....	4	669,416	100.00	25,611,644
Denver, Colorado.....	1	104,400	100.00	5,408,833
El Paso, Texas.....	1	239,133	100.00	10,309,355
Ft. Lauderdale/Miami, Florida.....	3	383,650	94.24	23,600,599
I-95 Corridor, New Jersey.....	1	501,400	100.00	26,252,722
Reno, Nevada.....	1	169,625	100.00	7,161,655
San Antonio, Texas.....	1	160,000	95.00	6,737,466
San Francisco (East Bay), California.....	1	89,626	100.00	4,308,255
Washington D.C./Baltimore, Maryland.....	3	617,225	100.00	35,369,211
	---	-----	-----	-----

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Total ProLogis North American Properties Fund II.....	27	4,476,670	98.80%	233,582,26
-----				
PROLOGIS NORTH AMERICAN PROPERTIES FUND III:				
Atlanta, Georgia.....	2	151,600	78.89%	6,941,18
Austin, Texas.....	6	282,100	100.00	15,263,90
Charlotte, North Carolina.....	1	136,000	100.00	5,354,74
Cincinnati, Ohio.....	5	1,044,390	97.55	44,952,87
Columbus, Ohio.....	1	289,280	62.50	8,818,46
Denver, Colorado.....	1	104,400	50.00	5,541,85
Houston, Texas.....	1	140,000	100.00	5,472,33
I-95 Corridor, New Jersey.....	1	204,000	100.00	10,539,45
Las Vegas, Nevada.....	1	235,520	100.00	9,822,16
Orlando, Florida.....	4	361,866	97.16	18,051,06
Portland, Oregon.....	2	200,600	100.00	10,652,87
San Francisco (East Bay), California.....	1	351,788	100.00	15,363,13
Seattle, Washington.....	1	117,620	100.00	5,810,12
St. Louis, Missouri.....	2	370,000	100.00	14,911,37
Washington D.C./Baltimore, Maryland.....	5	391,325	84.53	29,487,60
-----				
Total ProLogis North American Properties Fund III.....	34	4,380,489	93.40%	206,983,15
-----				
PROLOGIS NORTH AMERICAN PROPERTIES FUND IV:				
Atlanta, Georgia.....	3	252,800	96.54%	13,423,03
Columbus, Ohio.....	1	1,014,592	100.00	27,981,68
Dallas/Ft. Worth, Texas.....	1	180,440	100.00	10,968,90
Denver, Colorado.....	2	357,400	100.00	15,001,86
El Paso, Texas.....	1	153,034	100.00	5,706,94
Ft. Lauderdale/Miami, Florida.....	1	421,101	100.00	17,188,23
-----				
Total ProLogis North American Properties Fund IV.....	17	3,474,903	96.97%	143,620,17
-----				
Subtotal North America.....	193	34,347,013	95.65%	1,554,588,03
-----				
EUROPE:				
PROLOGIS EUROPEAN PROPERTIES FUND(6):				
Belgium (Tongeren).....	1	226,797	100.00%	8,182,34
France:				
Lille.....	2	376,492	100.00	12,041,25
Lyon.....	7	1,742,855	100.00	57,324,32

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Marseille.....	4	646,336	99.93	27,905,77
Metz.....	1	193,042	100.00	6,456,80
Orleans.....	3	704,504	100.00	25,206,12
Paris.....	56	6,537,229	92.39	307,509,46
Vatry.....	2	675,312	100.00	22,868,19
Germany(7).....	3	726,850	100.00	44,740,44
Italy (Milan).....	3	677,250	100.00	33,327,84
Netherlands:				
Amsterdam.....	5	804,565	100.00	54,312,26
Haafden.....	1	499,880	100.00	16,361,99
Rotterdam.....	9	1,750,236	100.00	83,064,14
Tilburg.....	1	307,614	100.00	17,204,52
Veghel.....	1	210,974	100.00	8,985,18
Venlo.....	1	232,384	100.00	10,726,21
Poland (Warsaw).....	7	1,151,747	94.90	74,074,97
Spain (Barcelona).....	3	649,327	100.00	37,122,80
United Kingdom(6):				
East Midlands.....	10	2,137,307	100.00	187,034,42
West Midlands.....	12	1,569,827	100.00	155,133,04
North.....	1	129,047	100.00	11,135,04
North East.....	1	120,000	100.00	9,330,66
South East.....	7	1,059,957	100.00	151,056,60
-----				
Total ProLogis European Properties Fund.....	141	23,129,532	97.59%	1,361,104,46
-----				
TOTAL UNCONSOLIDATED ENTITIES.....	334	57,476,545	96.43%	\$2,915,692,50
=====				

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- (1) Percentage Occupancy is physical occupancy for the facility as of December 31, 2001.
  - (2) Investment represents 100% of the entities' historical cost in the assets as of December 31, 2001.
  - (3) ProLogis had a 50% ownership interest in ProLogis California as of December 31, 2001.
  - (4) ProLogis had a 41.3% ownership interest in ProLogis North American Properties Fund I as of December 31, 2001.
  - (5) As of December 31, 2001, ProLogis had a 20% ownership interest in each of ProLogis North American Properties Fund II, ProLogis North American Properties Fund III and ProLogis North American Properties Fund IV.

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- (6) ProLogis European Properties Fund's assets in the United Kingdom are all located in England. ProLogis manages the assets in England on a regional basis. Leicester and Northampton are located in the East Midlands region, Birmingham is located in the West Midlands region and London is located in the South East region.
- (7) Includes one facility each in Dortmund and the Rhine/Ruhr region.
- (8) ProLogis had a 35.4% ownership interest in ProLogis European Properties Fund as of December 31, 2001.

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## CDFS Business

ProLogis recognizes in excess of 99% of the earnings of Kingspark S.A. under the equity method. As of December 31, 2001 Kingspark S.A. owned 16 operating facilities aggregating 1.6 million square feet at an investment of 140.5 million and 13 facilities under development aggregating 2.4 million square feet with an expected cost at completion of \$262.2 million. In addition, Kingspark S.A. owned 185 acres and controlled 1,595 acres of land through purchase option, letter of intent, development rights agreement or contingent contract as of December 31, 2001. This land has the combined capacity for the future development of approximately 25.9 million square feet of distribution facilities. Kingspark S.A.'s facilities and land acreage are located in 6 cities or regions in the United Kingdom. See "Item 1. Business -- Business Strategy and Operating Segments -- CDFS Business Segment", "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Results of Operations -- CDFS Business" and Note 4 to ProLogis' Consolidated Financial Statements in Item 8.

## Temperature-Controlled Distribution Operations

See "Item 1. Business -- Business Strategy and Operating Segments -- Temperature-Controlled Distributions Operations Segment" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Results of Operations -- Temperature-Controlled Distribution Operations" for a discussion of the facilities owned and leased by the companies in which ProLogis has invested in this operating segment.

## ITEM 3. LEGAL PROCEEDINGS

ProLogis and its unconsolidated entities from time to time may be a party to a variety of legal proceedings arising in the ordinary course of its business. Such matters generally are not expected to have a material adverse effect on ProLogis' business, financial position or results of operations.

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## ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

## PART II

## ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

ProLogis' Common Shares are listed on the New York Stock Exchange ("NYSE") under the symbol "PLD". The following table sets forth the high and low sale prices of the Common Shares as reported in the NYSE Composite Tape, and distributions per Common Share, for the periods indicated.

	HIGH	LOW	PER COMMON SHARE DISTRIBUTION
	-----	-----	-----
2000:			
First Quarter.....	\$19.875	\$17.563	\$ 0.335(1)
Second Quarter.....	22.063	18.813	0.335
Third Quarter.....	24.688	21.250	0.335

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Fourth Quarter.....	23.750	19.438	0.335
2001:			
First Quarter.....	\$22.937	\$19.730	\$ 0.345 (2)
Second Quarter.....	22.950	19.650	0.345
Third Quarter.....	23.300	19.350	0.345
Fourth Quarter.....	22.800	19.600	0.345
2002:			
First Quarter.....	\$24.150	\$20.960	\$ 0.355 (3)
Second Quarter (through April 3, 2002).....	\$23.490	\$23.030	--

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- (1) Declared in the fourth quarter of 1999 and paid in the first quarter of 2000.
- (2) Declared in the fourth quarter of 2000 and paid in the first quarter of 2001.
- (3) Declared in the fourth quarter of 2001 and paid on February 28, 2002.

On April 3, 2002, ProLogis had approximately 177,427,212 Common Shares outstanding, which were held of record by approximately 10,380 shareholders.

In January 2001, ProLogis announced a Common Share repurchase program under which it may repurchase up to \$100.0 million of its Common Shares. The Common Shares have been and will continue to be repurchased from time to time in the open market and in privately negotiated transactions, depending on market prices and other conditions. During 2001, 778,400 Common Shares were repurchased under this program at a total cost of \$16.0 million.

ProLogis redeemed all of its outstanding Series B cumulative convertible redeemable preferred shares of beneficial interest ("Series B Convertible Preferred Shares") as of March 20, 2001. Prior to the call for redemption, 163,827 Series B Convertible Preferred Shares were converted into 210,026 Common Shares. Subsequent to the call for redemption, 5,908,971 Series B Convertible Preferred Shares were converted into 7,575,301 Common Shares. The remaining 183,302 Series B Convertible Preferred Shares outstanding on March 20, 2001 were redeemed at a price of \$25.00 per share, plus \$0.442 in accrued and unpaid dividends. The aggregate redemption cost (including accrued dividends) of the Series B Convertible Preferred Shares was \$4.7 million.

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ProLogis redeemed all 5,400,000 of its outstanding Series A cumulative redeemable preferred shares of beneficial interest ("Series A Preferred Shares") as of May 8, 2001 at the price of \$25.00 per share, plus \$0.2481 in accrued and unpaid dividends. The aggregate redemption cost (including accrued dividends) of the Series A Preferred Shares was \$136.3 million.

In 2001, ProLogis issued 25,000 Common Shares, upon exchange of limited partnership units in one or more of the Partnerships. See "Item 2. Properties -- Facilities -- Consolidated Entities". The Common Shares were issued in transactions exempt from registration under Section 4(2) of the Securities Act.

### Distributions and Dividends

In order to qualify as a REIT under the Code, ProLogis is required to make distributions (other than capital gain distributions) to its shareholders in amounts at least equal to (i) the sum of (a) 90% of its "REIT taxable income"



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computed without regard to the dividends paid deduction and its net capital gain and (b) 95% of the net income (after tax), if any, from foreclosure property, minus (ii) the sum of certain items of noncash income. ProLogis' distribution strategy is to distribute what it believes is a conservative percentage of its cash flow, permitting ProLogis to retain funds for capital improvements, investment activities and other cash needs.

ProLogis announces the following year's projected annual Common Share distribution level after the annual budget review and approval by the Board in December of each year. At a meeting in December 2001, the Board announced a projected increase in the annual distribution level for 2002 from \$1.38 to \$1.42 per Common Share. The payment of distributions is subject to the discretion of the Board and is dependent upon the financial condition and operating results of ProLogis and may be adjusted at the discretion of the Board during the year. Also at the December meeting, the Board declared a distribution of \$0.355 per Common Share for the first quarter of 2002. This distribution was paid on February 28, 2002 to holders of Common Shares on February 14, 2002.

For federal income tax purposes, distributions may consist of ordinary income, capital gains, non-taxable return of capital or a combination thereof. Distributions that exceed ProLogis' current and accumulated earnings and profits (calculated for tax purposes) constitute a return of capital rather than a dividend and reduce the shareholder's basis in the Common Shares. To the extent that a distribution exceeds both current and accumulated earnings and profits and the shareholders basis in the Common Shares, it will generally be treated as a gain from the sale or exchange of that shareholder's Common Shares. ProLogis annually notifies shareholders of the taxability of distributions paid during the preceding year. The following summarizes the taxability of distributions on Common Shares (amounts for 2001 are estimated):

	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
	-----	-----	-----
Per Common Share:			
Ordinary income.....	\$1.09	\$1.19	\$0.84
Capital gains.....	0.19	0.15	0.35
Return of capital.....	0.10	--	0.11
	-----	-----	-----
Total.....	\$1.38	\$1.34	\$1.30
	=====	=====	=====

On May 3, 1999, ProLogis paid a distribution to holders of the common stock of Meridian Industrial Trust Inc., ("Meridian") which was merged with and into ProLogis on March 30, 1999. The distribution was paid to holders of the common stock as of March 19, 1999. This distribution, which was declared by the Meridian Board of Directors prior to the closing of the merger, related to the first quarter of 1999 and aggregated \$11.1 million. This liability was assumed by ProLogis in connection with the merger. See Note 11 to ProLogis' Consolidated Financial Statements in Item 8.

Annual dividends per preferred share were as follows:

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	YEAR ENDED DECEMBER 31,		
	2001 (1)	2000 (2)	1999 (3)
Series A Preferred Shares.....	\$0.84 (4)	\$2.35	\$2.35
Series B Convertible Preferred Shares.....	\$0.44 (4)	\$1.75	\$1.75
Series C Preferred Shares.....	\$4.27	\$4.27	\$4.27
Series D Preferred Shares.....	\$1.98	\$1.98	\$1.98
Series E Preferred Shares.....	\$2.19	\$2.19	\$1.64 (5)

- 
- (1) For federal income tax purposes, \$0.71 of the Series A dividend, \$0.38 of the Series B dividend, \$3.63 of the Series C dividend, \$1.68 of the Series D dividend and \$1.86 of the Series E dividend are treated as ordinary income to the holders. The remaining portion of each dividend represents capital gains.
  - (2) For federal income tax purposes \$2.08 of the Series A dividend, \$1.55 of the Series B dividend, \$3.78 of the Series C dividend, \$1.75 of the Series D dividend and \$1.94 of the Series E dividend are treated as ordinary income to the holders. The remaining portion of each dividend represents capital gains.
  - (3) For federal income tax purposes \$1.65 of the Series a dividend, \$1.23 of the Series B dividend, \$3.00 of the Series C dividend, \$1.39 of the Series D dividend and \$1.15 of the Series E dividend are treated as ordinary income to the holders. The remaining portion of each dividend represents capital gains.
  - (4) The Series A Preferred Shares were redeemed as of May 8, 2001 and the Series B Convertible Preferred Shares were redeemed as of March 20, 2001.
  - (5) For the period from date of issuance to December 31, 1999.

On April 30, 1999, ProLogis paid an aggregate dividend of \$1.1 million (\$0.5469 per share) on the Series E cumulative redeemable preferred shares of beneficial interest ("Series E Preferred Shares"), of which \$729,200 related to Meridian's series D preferred stock that was accrued by Meridian and assumed by ProLogis in connection with the merger. See Note 11 to ProLogis' Consolidated Financial Statements in Item 8.

Pursuant to the terms of its preferred shares, ProLogis is restricted from declaring or paying any distribution with respect to the Common Shares unless all cumulative dividends with respect to the preferred shares have been paid and sufficient funds have been set aside for dividends for the then-current dividend period with respect to the preferred shares.

ProLogis' tax return for the year ended December 31, 2001 has not been filed. The taxability information for 2001 is based upon the best available data. ProLogis' tax returns for prior years have not been examined by the Internal Revenue Service. Consequently, the taxability of distributions is subject to change.

Under federal income tax rules, ProLogis' earnings and profits are first allocated to its preferred shares, which increases the portion of the Common Shares distribution classified as return of capital. The portion of distributions characterized as return of capital results primarily from the excess of distributions over earnings and profits primarily because non-cash charges such as depreciation are not considered in determining distribution

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levels. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Results of Operations."

### Common Share Plans

ProLogis' holders of Common Shares may acquire additional Common Shares by automatically reinvesting distributions under the 1999 Dividend Reinvestment and Share Purchase Plan (the "1999 Common Share Plan"). Holders of Common Shares who do not participate in the 1999 Common Share Plan continue to receive distributions as declared. The 1999 Common Share Plan also allows both holders of Common Shares and persons who are not holders of Common Shares to purchase a limited number of additional Common Shares by making optional cash payments, without payment of any brokerage commission or service charge. Common Shares are acquired pursuant to the 1999 Common Share Plan at a price equal to

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98% of the market price of such Common Shares. During 2001, ProLogis generated net proceeds of \$67.1 million from the issuance of 3,261,000 Common Shares under the 1999 Common Share Plan.

In May 2001, ProLogis' shareholders approved the establishment of the ProLogis Trust Employee Share Purchase Plan (the "Employee Share Plan"). Under the terms of the Employee Share Plan, employees of ProLogis and its participating entities may purchase Common Shares, through payroll deductions only, at a discounted price of 85% of the fair market value of such Common Shares. Subject to certain provisions, the aggregate number of Common Shares which may be issued under the Plan may not exceed 5,000,000. ProLogis began issuing Common Shares under the Employee Share Plan in January 2002.

### ITEM 6. SELECTED FINANCIAL DATA

The following tables set forth selected financial data relating to the historical financial condition and results of operations of ProLogis for the years indicated (amounts in thousands, except per share data). Such selected financial data is qualified in its entirety by, and should be read in conjunction with, "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation" and ProLogis' Consolidated Financial Statements and notes thereto in Item 8.

	YEAR ENDED DECEMBER 31,				
	2001	2000	1999	1998	1997
<b>OPERATING DATA:</b>					
Rental income.....	\$ 465,777	\$ 480,088	\$ 491,826	\$ 345,046	\$ 288,000
Other real estate income.....	104,436	78,103	46,678	17,554	1,000
Income (loss) from unconsolidated entities(1) (2).....	(51,222)	78,063	22,519	2,755	30,000
Total income(1) (2).....	523,125	643,521	567,392	368,107	300,000
Rental expenses, net of recoveries.....	28,700	27,177	33,501	27,120	2,000
REIT management fees paid to affiliate.....	--	--	--	--	1,000
General and administrative.....	50,274	44,954	38,284	22,893	5,000
Interest expense.....	163,629	172,191	170,746	77,650	5,000
Earnings before minority interest(1) (2) (3).....	133,043	241,807	166,549	107,617	4,000

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Gain on disposition of real estate, net.....	10,008	1,314	38,994	5,565	
Foreign currency hedge income (expense).....	--	--	--	2,054	
Foreign currency exchange gains (losses), net.....	(3,721)	(17,927)	(16,818)	2,938	
Total income taxes.....	4,725	5,130	1,472	2,164	
Cumulative effect of accounting change(4).....	--	--	1,440	--	
Preferred share dividends.....	37,309	56,763	56,835	49,098	3
Net earnings attributable to Common Shares(1) (2) (3) (4).....	90,835	157,715	123,999	62,231	
Common Share cash distributions paid(5).....	\$ 237,691	\$ 219,333	\$ 208,969	\$ 151,050	\$ 10

PER SHARE DATA:

Basic net earnings attributable to Common Shares(1) (2) (3) (4).....	\$ 0.53	\$ 0.96	\$ 0.81	\$ 0.51	\$
Diluted net earnings attributable to Common Shares.....	0.52	0.96	0.81	0.51	
Series A Preferred Share dividends paid.....	0.84	2.35	2.35	2.35	
Series B Convertible Preferred Share dividends paid.....	0.44	1.75	1.75	1.75	
Series C Preferred Share dividends paid.....	4.27	4.27	4.27	4.27	
Series D Preferred Share dividends paid.....	1.98	1.98	1.98	1.42	
Series E Preferred Share dividends paid(6).....	2.19	2.19	1.64	--	

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YEAR ENDED DECEMBER 31,

	2001	2000	1999	1998	19
Common Share distributions paid(6).....	\$ 1.38	\$ 1.34	\$ 1.30	\$ 1.24	\$
Weighted average Common Shares outstanding:					
Basic.....	172,755	163,651	152,412	121,721	10
Diluted.....	175,197	164,401	152,739	122,028	10
OTHER DATA:					
Reconciliation of net earnings to funds from operations(1) (2) (3) (4) (7):					
Net earnings attributable to Common Shares(1) (2) (3) (4).....	\$ 90,835	\$ 157,715	\$ 123,999	\$ 62,231	\$
Add (Deduct):					
Real estate related depreciation and amortization.....	137,033	146,859	150,050	99,514	7
Gain on disposition of non-CDFS business segment assets.....	(10,008)	(1,314)	(38,994)	(5,565)	
Foreign currency exchange (gains) losses, net.....	1,484	19,569	16,596	(3,227)	
Deferred income tax expense					

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(benefit).....	2,258	4,230	--	1,796	
Cumulative effect of accounting change.....	--	--	1,440	--	
ProLogis' share of reconciling items of unconsolidated entities:					
Real estate related depreciation and amortization.....	63,948	57,366	49,644	36,489	
Write-down of operating assets and other impairment charges(1).....	88,413	--	--	--	
(Gain) loss on disposition of non-CDFS business segment assets.....	4,417	(744)	826	179	
Foreign currency exchange (gains) losses, net.....	8,204	(2,773)	14,650	14,208	
Deferred income tax expense (benefit).....	(12,171)	(4,190)	510	(2,929)	
Cumulative effect of accounting change.....	--	--	1,480	--	
	-----	-----	-----	-----	-----
Funds from operations attributable to Common Shares (1) (2) (3) (4) (7):.....	\$ 374,413	\$ 376,718	\$ 320,201	\$ 202,696	\$ 7
	=====	=====	=====	=====	=====
Weighted average Common Shares outstanding:					
Basic.....	172,755	163,651	152,412	121,721	10
Diluted(8).....	180,284	178,166	167,421	137,153	10
Net cash provided by operating activities.....	\$ 346,860	\$ 325,158	\$ 271,376	\$ 238,253	\$ 19
Net cash provided by (used in) investing activities.....	100,020	(381,513)	(34,350)	(1,264,722)	(57)
Net cash provided by (used in) financing activities.....	\$ (476,761)	\$ 44,887	\$ (230,828)	\$ 1,064,600	\$ 39

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	DECEMBER 31,				
	2001	2000	1999	1998	19
	-----	-----	-----	-----	-----
<b>FINANCIAL POSITION:</b>					
Real estate owned, at cost.....	\$4,387,456	\$4,502,087	\$4,811,255	\$3,476,704	\$2,84
Land held for development.....	200,737	187,405	163,696	180,796	15
Investments in and advances to unconsolidated entities.....	1,310,735	1,453,148	940,364	733,863	8
Total assets.....	5,603,941	5,946,334	5,848,040	4,330,729	3,03
Lines of credit and short-term borrowings(10).....	375,875	439,822	98,700	494,300	
Senior unsecured debt.....	1,670,359	1,699,989	1,729,630	1,083,641	72
Mortgage notes and other secured debt.....	532,106	537,925	695,586	227,804	13
Total liabilities.....	2,882,303	2,972,333	2,832,232	2,023,066	1,00
Minority interest.....	45,639	46,630	62,072	51,295	5
Total shareholders' equity.....	\$2,675,999	\$2,927,371	\$2,953,736	\$2,256,368	\$1,97
Number of Common Shares					

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outstanding.....	175,888	165,287	161,825	123,416	11
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- (1) Income (loss) from unconsolidated entities, total income, earnings before minority interest, net earnings attributable to Common Shares and funds from operations attributable to Common Shares for 2001 include charges of \$88.4 million representing ProLogis' share of the write-downs of operating assets and other impairment charges of its unconsolidated entities operating in the temperature-controlled distribution operations segment and charges of \$5.8 million representing ProLogis' share of the write-downs of technology related investments of these entities. The technology related charges are included in funds from operations attributable to Common Shares. See "Item 7 -- Management's Discussion and Analysis of Financial Condition and Results of Operations -- Results of Operations -- Temperature-Controlled Distribution Operations".
  - (2) Income (loss) from unconsolidated entities, total income, earnings before minority interest, net earnings attributable to Common Shares and funds from operations attributable to Common Shares for 2001 include charges of \$37.0 million representing ProLogis' share of the write-downs of technology related investments of two of ProLogis' unconsolidated entities. See "Item 7 -- Management's Discussion and Analysis of Financial Condition and Results of Operations -- Other Income and Expense Items -- Income (Loss) from Unconsolidated Entities".
  - (3) Earnings before minority interest, net earnings attributable to Common Shares and funds from operations attributable to Common Shares for 1999 and 1998 reflect \$0.9 million and \$26.1 million, respectively, of mark to market expense associated with two interest rate hedge agreements that, due to changing market conditions, no longer qualified for hedge accounting treatment under generally accepted accounting principles ("GAAP"). Earnings before minority interest, net earnings attributable to Common Shares and funds from operations attributable to Common Shares for 1997 reflect the one-time, non-cash charge of \$75.4 million associated with the costs incurred in acquiring ProLogis' management companies from Security Capital in September 1997.
  - (4) For 1999, net earnings attributable to Common Shares includes a one-time expense of \$1.4 million related to unamortized organization and start-up costs. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation -- Other Income and Expense Items -- Cumulative Effect of Accounting Change".
  - (5) For 1999, includes \$11.1 million paid to Meridian shareholders. See "Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters -- Distributions and Dividends".
  - (6) Does not include dividends paid to Meridian shareholders. See "Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters -- Distributions and Dividends".
  - (7) Amounts presented for the years 1997 through 1999 have been restated from amounts previously presented in those years to reflect a change in the definition of funds from operations effective in 2000. Funds from operations is discussed and defined in "Item 7 -- Management's Discussion and Analysis of Financial Conditions and Results of Operations -- Funds from Operations". Funds from operations does not represent net income or cash from operating activities in accordance with GAAP and is not necessarily indicative of cash available to fund cash needs, which is presented in the Consolidated

Statement of Cash Flows in ProLogis' Consolidated Financial Statements in Item 8. Cash distributions paid to shareholders are presented above in the "Operating Data" section of this table. Funds from operations should not be considered as an alternative to net income as an indicator of ProLogis' operating performance or as an alternative to cash flows from operating, investing or financing activities as a measure of liquidity. Additionally, the funds from operations measure presented by ProLogis will not necessarily be comparable to similarly titled measures of other REITs. ProLogis considers funds from operations to be a useful supplemental measure of comparative period operating performance and as a supplemental measure to provide management, financial analysts, potential investors and shareholders with an indication of ProLogis' ability to fund its capital improvements, investment activities and other cash needs.

- (8) In calculating the weighted average Common Shares for funds from operations purposes, weighted average Series B Convertible Preferred Shares and weighted average limited partnership units are considered common stock equivalents. The weighted average Series B Convertible Preferred Shares included are 1,544,000, 8,417,000, 9,221,000 and 10,055,000 for 2001, 2000, 1999 and 1998, respectively. The amount of dividends associated with the Series B Convertible Preferred Shares are \$81,000, \$11,358,000, \$12,523,000 and \$13,668,000 and for 2001, 2000, 1999 and 1998, respectively. The effect of the Series B Convertible Preferred Shares in 1997 was anti-dilutive. The weighted average limited partnership units included are 5,087,000, 5,348,000, 5,461,000, 5,070,000 and 5,190,000 for 2001, 2000, 1999, 1998 and 1997, respectively. The minority interest share of earnings associated with these limited partnership units are \$5,968,000, \$5,586,000, \$4,979,000, \$4,681,000 and \$3,560,000 for 2001, 2000, 1999, 1998 and 1997, respectively.
- (10) As of April 3, 2002, ProLogis had \$107.0 million of borrowings outstanding under its U.S. dollar denominated line of credit resulting in \$448.5 million of borrowing capacity available (\$453.0 million reduced by \$4.5 million of letters of credit outstanding). As of April 3, 2002, ProLogis had the currency equivalent of approximately \$226.8 million (based on currency exchange rates quoted by Reuters) outstanding on its multi-currency lines of credit resulting in the currency equivalent of \$58.9 million (based on currency exchange rates quoted by Reuters) of borrowing capacity available. As of April 3, 2002, ProLogis had the currency equivalent of approximately \$46.7 million (based on currency exchange rates quoted by Reuters) outstanding on its Japanese yen denominated line of credit resulting in the currency equivalent of approximately \$137.9 million (based on currency exchange rates quoted by Reuters) of borrowing capacity available.

#### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with ProLogis' Consolidated Financial Statements and the notes thereto included in Item 8 of this report.

Some statements contained in this discussion are not historical facts but are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Because these forward-looking statements are based on current expectations, estimates and projections about the industry and markets in which ProLogis operates, management's beliefs, and assumptions made by management, they involve uncertainties that could significantly impact ProLogis financial results. Words such as "expects", "anticipates", "intends",

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"plans", "believes", "seeks", "estimates", variations of such words and similar expressions are intended to identify such forward-looking statements. Forward-looking statements include discussions of strategy, plans or intentions of management. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Specifically, but not limited to, comments concerning ProLogis' expectations with respect to the North American economy, its ability to raise private capital and generate income in the CDFS business segment and its plans for its investments in the temperature-controlled distribution operations segment are forward-looking statements. Factors which may affect outcomes and results include: (i) changes in general economic conditions in ProLogis' markets that could adversely affect demand for ProLogis' facilities and the creditworthiness of ProLogis' customers, (ii) changes in financial markets, interest rates and foreign currency

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exchange rates that could adversely affect ProLogis' cost of capital and its ability to meet its financial needs and obligations, (iii) increased or unanticipated competition for distribution facilities in ProLogis' target market cities; (iv) the availability of private capital to ProLogis and (v) those factors discussed under "-- Risk Factors".

### CRITICAL ACCOUNTING POLICIES

A critical accounting policy is one that is both important to the portrayal of an entity's financial condition and results of operations, and requires judgment on the part of management. Generally, the judgment requires management to make estimates about the effect of matters that are inherently uncertain. Of the accounting policies discussed in Note 2 to ProLogis' Consolidated Financial Statements in Item 8, those presented below have been identified by ProLogis as critical accounting policies.

#### Consolidation

ProLogis' consolidated financial statements include the accounts of ProLogis Trust and its wholly owned subsidiaries and its majority-owned and controlled subsidiaries and partnerships. All subsidiaries in which ProLogis owns a majority voting interest are consolidated. Investments in entities that are not consolidated but in which ProLogis has the ability to exercise significant influence over operating and financial policies, are accounted for under the equity method. Management's judgments with respect to its level of influence or control of each entity includes the consideration of factors including the form of ProLogis' ownership interest, representation on the board of directors, size of investment (including loans) and participation in policy making decisions. Investments in entities that ProLogis does not control or for which ProLogis does not exercise significant influence are carried at cost or fair value, as appropriate. All material intercompany accounts and transactions, including transactions with unconsolidated entities, are eliminated in ProLogis' consolidated financial statements. Management's ability to make these judgements affects the presentation of these investments in its financial statements and, consequently, its financial position and results of operations which are used by its shareholders, potential investors, industry analysts and lenders to evaluate the company.

#### Recoverability of Investments in Long-Lived Assets

ProLogis' management periodically reviews long-lived assets (primarily real estate and investments in unconsolidated entities) for impairment whenever events or changes in circumstances indicate that the carrying value of such



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assets may not be recoverable. The determination of the fair value of the investment involves significant judgment. This judgment is based on management's analysis of the future operating results and resulting cash flows of each long-lived asset. Management's ability to accurately predict future cash flows may impact the determination of fair value.

In the event that a decline in fair value of a long-lived asset occurs, ProLogis' management may be required to make a determination as to whether the decline in fair value is other than temporary. Management's assessment as to the nature of a decline in fair value is primarily based on estimates of future operating results, the resulting cash flows and the intent to hold the long-lived asset. If an investment is considered impaired and the decline in value is considered to be other than temporary, a write-down is recognized.

### Revenue Recognition

ProLogis recognizes gains or losses from the disposition of real estate assets generally at the time the title to the asset is transferred and ProLogis has no future involvement with the asset sold. In certain transactions, an entity in which ProLogis has an ownership interest will acquire the real estate assets from ProLogis. Management makes judgments based on the specific terms of each transaction as to the amount of the total profit from the transaction that ProLogis can recognize given its level of future involvement in the entities that are acquiring the assets. Management's ability to accurately assess the provisions of each disposition transaction under the accounting guidelines for revenue recognition may impact its financial position and

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results of operations which are used by shareholders, potential investors, industry analysts and lenders to evaluate the company.

### Depreciation and Useful Lives of Real Estate Assets

ProLogis' management estimates the useful lives of its depreciable long-lived assets (primarily real estate assets) in order to record depreciation expense related to these assets. Management's ability to accurately estimate the useful lives of its long-lived assets is critical to the determination of the appropriate amount of depreciation expense recorded and the carrying value of the underlying assets. Any change to the estimated depreciable lives of these assets would have an impact on the depreciation expense recognized by ProLogis.

### RESULTS OF OPERATIONS

ProLogis' net earnings attributable to Common Shares were \$90.8 million in 2001, \$157.7 million in 2000 and \$124.0 million in 1999. In 2001, basic and diluted per share net earnings attributable to Common Shares were \$0.53 and \$0.52 per share, respectively. Basic and diluted net earnings attributable to Common Shares were \$0.96 per share in 2000 and \$0.81 per share in 1999.

As ProLogis shifted the primary focus of its development activities to the development of assets to be sold or contributed to real estate funds, the CDFS business segment had an integral role in ProLogis' business strategy in 2001 and 2000. The CDFS business segment provided capital for ProLogis to fund its development activities and generated profits that contributed to ProLogis' total income. ProLogis' net operating income from this segment increased by \$39.3 million in 2001 over 2000, and by \$51.4 million in 2000 over 1999, primarily the result of the volume of contributions of facilities developed by ProLogis and Kingspark S.A. to real estate funds in which ProLogis maintains an ownership interest, as well as dispositions to third parties. ProLogis' property operations segment's net operating income decreased by \$17.2 million in 2001

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from 2000, and increased by \$41.6 million in 2000 over 1999. The decrease in 2001 is primarily the result of dispositions of assets from this operating segment. The increase in 2000 is primarily the result of the recognition of income from the distribution facilities acquired in the 1999 merger transaction for a full year. See Note 10 to ProLogis' Consolidated Financial Statements in Item 8. This operating segment's net income includes rental income and net rental expenses from facilities directly owned by ProLogis and also its share of the income of the Funds and the management fees earned from the Funds. ProLogis' share of the combined losses of its unconsolidated entities operating in the temperature-controlled distribution operations segment increased by \$103.1 million in 2001 over 2000 and increased by \$14.8 million in 2000 over 1999, primarily the result of write-downs of the operating assets of these companies and other impairment charges in 2001 and poor operating performance in 2000. See "-- Property Operations", "-- CDFS Business" and "-- Temperature-Controlled Distribution Operations".

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Property Operations

ProLogis owned or had ownership interests in the following operating facilities as of the dates indicated (square feet in thousands):

	DECEMBER 31,					
	2001		2000		1999	
	NUMBER	SQUARE FOOTAGE	NUMBER	SQUARE FOOTAGE	NUMBER	SQUARE FOOTAGE
Direct ownership(1).....	1,208	123,356	1,244	126,275	1,328	133,356
ProLogis California(2).....	79	13,052	77	12,395	78	11,000
ProLogis North American Properties Fund						
I(1)(3).....	36	8,963	33	8,031	--	--
ProLogis North American Properties Fund						
II(1)(4).....	27	4,477	3	440	--	--
ProLogis North American Properties Fund						
III(1)(5).....	34	4,380	--	--	--	--
ProLogis North American Properties Fund						
IV(1)(6).....	17	3,475	--	--	--	--
ProLogis European Properties Fund and						
ProLogis European Properties S.a.r.l.(7)...	141	23,130	104	14,385	18	3,000
Totals.....	1,542	180,833	1,461	161,526	1,424	148,356

(1) Includes operating facilities directly owned by ProLogis. See "Item 2. Properties -- Facilities" and "Item 2. Properties -- Consolidated Entities". The decrease in 2001 from 2000 is primarily the result of the formation of two of the Funds and the increase in the size of one other of the Funds in 2001 whose entire portfolios consist of distribution facilities that were previously directly owned by ProLogis. The decrease in 2000 from 1999 represents the growth of ProLogis European Properties Fund in 2000, a significant portion of which is a result of acquiring distribution facilities from ProLogis, and the formation of ProLogis North American

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Properties Fund I in 2000 whose entire portfolio consists of distribution facilities that were previously directly owned by ProLogis.

- (2) ProLogis has had a 50% ownership interest in ProLogis California since its inception on August 26, 1999. See Note 4 to ProLogis' Consolidated Financial Statements in Item 8.
- (3) ProLogis had a 41.3% and 20% ownership interest as of December 31, 2001 and 2000, respectively. This entity was formed on June 30, 2000 with the acquisition of 33 distribution facilities from ProLogis. In January 2001, ProLogis contributed three additional distribution facilities to ProLogis North American Properties Fund I for an additional equity interest of \$34.1 million, increasing its ownership interest to 41.3% as of January 15, 2001. See Note 4 to ProLogis' Consolidated Financial Statements in Item 8.
- (4) ProLogis has had a 20% ownership interest in ProLogis North American Properties Fund II since its inception on June 30, 2000. This entity originally acquired three distribution facilities from ProLogis in 2000. All of the 24 distribution facilities acquired by this entity in 2001 were previously owned by ProLogis. See Note 4 to ProLogis' Consolidated Financial Statements in Item 8.
- (5) ProLogis has had a 20% ownership interest in ProLogis North American Properties Fund III since its inception on June 15, 2001. All of this entity's 34 distribution facilities were previously owned by ProLogis. See Note 4 to ProLogis' Consolidated Financial Statements in Item 8.
- (6) ProLogis has had a 20% ownership interest in ProLogis North American Properties Fund IV since its inception on September 21, 2001. All of this entity's 17 distribution facilities were previously owned by ProLogis. See Note 4 to ProLogis' Consolidated Financial Statements in Item 8.
- (7) ProLogis' ownership interest in ProLogis European Properties Fund was 35.4%, 34.4% and 19.7% as of December 31, 2001, 2000 and 1999, respectively. ProLogis European Properties Fund began operations on September 23, 1999. As of December 31, 2000, includes 44 distribution facilities aggregating 7,751,000 square feet owned directly by ProLogis European Properties Fund and 60 distribution facilities aggregating 6,634,000 square feet owned by ProLogis European Properties S.a.r.l, which was owned by

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ProLogis European Properties Fund (50.1%) and ProLogis (49.9%) as of December 31, 2000. In 1999, ProLogis European Properties S.a.r.l. was 100% owned by ProLogis. In 2000 and 2001, ProLogis contributed 50.1% and 49.9%, respectively, of the common stock of ProLogis European Properties S.a.r.l. to ProLogis European Properties Fund for additional equity interests. As of December 31, 1999, all facilities were owned directly by ProLogis European Properties Fund. See Note 4 to ProLogis' Consolidated Financial Statements in Item 8.

ProLogis' property operations segment net operating income consists of the: (i) net operating income (rental income less net rental expenses) from the distribution facilities that are owned by ProLogis directly and (ii) income recognized by ProLogis under the equity method from its investments in the Funds and fee income earned from these entities. The net operating income from distribution facilities that are developed by ProLogis in its CDFS business segment is included in the net operating income of the property operations segment until the facilities are contributed to an entity in which ProLogis has an ownership interest or sold to a third party. See Note 10 to ProLogis' Consolidated Financial Statements in Item 8. The amounts recognized under the

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equity method are based on the net earnings of each unconsolidated entity and include (in addition to net operating income): interest income and interest expense, depreciation and amortization expenses, general and administrative expenses, income taxes and foreign currency exchange gains and losses (with respect to ProLogis Garonor, ProLogis European Properties Fund and ProLogis European Properties S.a.r.l.). ProLogis' net operating income from the property operations segment was as follows for 2001, 2000 and 1999 (in thousands) (see Note 10 to ProLogis' Consolidated Financial Statements in Item 8):

	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
Facilities directly owned by ProLogis:			
Rental income(1).....	\$465,777	\$480,088	\$491,826
Property operating expenses(2).....	28,700	27,177	33,501
Net operating income.....	437,077	452,911	458,325
Income from ProLogis California.....	13,147	13,178	3,917
Income from ProLogis North American Properties Fund I(3)....	4,648	1,806	--
Income from ProLogis North American Properties Fund II(3)...	2,328	612	--
Income from ProLogis North American Properties Fund III(4).....	1,178	--	--
Income from ProLogis North American Properties Fund IV(5)...	598	--	--
Income from ProLogis European Properties Fund(6).....	15,798	15,648	820
Income from ProLogis European Properties S.a.r.l.(6).....	205	8,041	--
Loss from ProLogis Garonor(7).....	--	--	(12,423)
Total property operations segment.....	\$474,979	\$492,196	\$450,639

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- (1) The decrease in rental income between the periods presented is due to the changes in the number and composition of the directly owned facilities in each year and to lower average occupancy levels of the directly owned facilities in 2001 as compared to 2000.
  
- (2) The \$1.5 million increase in property operating expenses in 2001 as compared to 2000 is a function of: (i) an increase in bad debt expense (bad debt expense was \$2.4 million for 2001 and \$1.6 million for 2000) and (ii) an overall increase in operating costs (rental expenses, excluding bad debt and before recoveries from tenants, were 26.2% of rental income in 2001 as compared to 24.4% of rental income for 2000) offset by (iii) a decrease in the number of directly owned facilities in 2001 as compared to 2000. The increase in bad debt expense and operating costs is primarily due to the downturn in general economic conditions in North America experienced in 2001. Property operating expenses decreased by \$6.3 million in 2000 from 1999, primarily the result of a decrease in the number of directly owned facilities in 2000 over 1999, in addition to increased rental expense recoveries (as a percentage of total rental expenses) in 2000 as compared to 1999. Total rental expense recoveries were 76.9%, 77.1% and 72.4% of total rental expenses in 2001, 2000 and 1999, respectively.
  
- (3) ProLogis North American Properties Fund I and ProLogis North American Properties Fund II began operations on June 30, 2000.

- (4) ProLogis North American Properties Fund III began operations on June 15, 2001.
- (5) ProLogis North American Properties Fund IV began operations on September 21, 2001.
- (6) In 2001, ProLogis' share of the income of ProLogis European Properties Fund includes net foreign currency gains of \$0.8 million. In 2000, ProLogis' share of the income of ProLogis European Properties Fund and ProLogis European Properties S.a.r.l. includes net foreign currency gains of \$2.3 million and \$2.4 million, respectively. In 1999, ProLogis' share of the income of ProLogis European Properties Fund includes net foreign currency gains of \$0.3 million. Excluding net foreign currency exchange gains, ProLogis' share of the income of ProLogis European Properties Fund would have been \$15.2 million, \$13.3 million and \$0.5 million for 2001, 2000 and 1999, respectively. Excluding net foreign currency exchange gains, ProLogis' share of the income of ProLogis European Properties S.a.r.l. would have been \$5.6 million for 2000. The decrease in ProLogis' combined share of the income, excluding foreign currency gains, of ProLogis European Properties Fund and ProLogis European Properties S.a.r.l. in 2001 from 2000 is due to: (i) higher effective interest costs in 2001; (ii) changes in ProLogis' ownership interests between periods; and (iii) the effects of a decrease in the foreign currency exchange rates at which the income of these entities is translated to U. S. dollars. ProLogis recognized income under the equity method related to ProLogis European Properties S.a.r.l. in 2001 for only six days. See Note 4 to ProLogis' Consolidated Financial Statements in Item 8.
- (7) As of December 31, 1998, ProLogis had a non-voting preferred stock investment in Garonor Holdings S.A. ("Garonor Holdings") that owned Garonor S.A. ("ProLogis Garonor"), an industrial real estate operating company in France. ProLogis recognized 95% of the earnings of ProLogis Garonor and Garonor Holdings for the period from its acquisition by ProLogis on December 29, 1998 to June 29, 1999. On June 29, 1999, ProLogis Garonor became a wholly owned subsidiary of ProLogis when ProLogis acquired the voting common stock of Garonor Holdings S.A. ProLogis Garonor was directly owned by ProLogis during the period from June 29, 1999 to January 7, 2000 and its results of operations were consolidated in ProLogis' financial statements along with ProLogis' other majority owned and controlled subsidiaries and partnerships. ProLogis Garonor's assets are part of ProLogis European Properties S.a.r.l. ProLogis' share of ProLogis Garonor's loss in 1999 includes the recognition of foreign currency exchange losses of \$13.0 million.

ProLogis' stabilized operating facilities (facilities owned by ProLogis and the Funds), were 92.4% occupied and 93.1% leased as of December 31, 2001. ProLogis' stabilized occupancy levels have decreased as compared to 2000 (95.4% occupied and 96.2% leased) and 1999 (96.0% occupied and 96.5% leased). The term "stabilized" means that for acquisitions any necessary capital improvements, repositioning, new management and new marketing programs and, in the case of newly developed facilities, construction and marketing, have been in effect for a sufficient period of time (generally 12 months) to achieve stabilized occupancy (typically 93%, but ranging from 90% to 95%, depending on the submarket and product type). ProLogis, utilizing its ProLogis Operating System(R), has been successful in increasing occupancies on acquired and developed facilities during their initial months of operation.

ProLogis believes that the decrease in its stabilized occupancy levels in 2001 is the result of the current economic conditions in North America that have led to a slowing in customer leasing decisions and in a slowing in the

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absorption of new distribution facilities in the market. ProLogis does not expect market conditions affected by the North American economy to improve for the next several quarters and believes that occupancies could continue to decline over the next few quarters. However, ProLogis believes that its global operating platform and the ProLogis Operating System(R) will partially mitigate the effects of these occupancy decreases, as they have allowed ProLogis to build strong local market presence and strong customer relationships across many global markets. In Europe, leasing activity has remained constant throughout 2001, with 8.7 million square feet of leases signed during the year. ProLogis believes the leasing activity in Europe is currently affected more by a shift in distribution patterns of its customers and their need to reduce distribution costs than it is by the effects of general economic conditions.

The average increase in rental rates for both new and renewed leases on previously leased space (38.0 million square feet) for all facilities including those owned by the Funds during 2001 was 14.6% as

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compared to 15.5% in 2000 and 15.5% in 1999. During 2001, the net operating income (rental income less net rental expenses) generated by ProLogis' "same store" portfolio of operating facilities (facilities owned by ProLogis and its consolidated and the unconsolidated real estate funds that were in operation throughout both 2001 and 2000) increased by 1.4% over the same period in 2000 (as compared to an increase of 5.9% during 2000 as compared to 1999). The decrease in the growth rate in same store net operating income is due to increased bad debt expense in 2001 and to lower occupancy levels in the same store portfolio in 2001 as compared to 2000. Although the average increase in rental rates for new and renewed leases was 14.6% for ProLogis' same store operating portfolio in 2001, only 23.1 million square feet of new or renewed leases were signed during 2001. Therefore, rental rate growth only affected a small subset of the same store portfolio.

### CDFS Business

Net operating income from ProLogis' CDFS business segment consists primarily of: (i) the profits from the disposition of land parcels and distribution facilities that were developed by ProLogis and sold to third parties or contributed to real estate funds in which ProLogis maintains an ownership interest; (ii) development management fees earned by ProLogis; and (iii) income recognized under the equity method from ProLogis' investment in Kingspark S.A.

ProLogis recognizes 99.75% of the earnings of Kingspark S.A. under the equity method including (in addition to net operating income): interest income and interest expense (net of capitalized amounts), general and administrative expense (net of capitalized amounts), income taxes and foreign currency exchange gains and losses. See Note 4 to ProLogis' Consolidated Financial Statements in Item 8.

Income from the CDFS business segment is dependent on ProLogis' ability to develop and lease distribution facilities that can be disposed of to generate profits and its ability to raise private capital through the formation of real estate funds or other sources. There can be no assurance that ProLogis will be able to maintain the level of profits in this business segment.

The CDFS business segment operations and ProLogis' income from this segment have increased each year. The CDFS business segment's net operating income is comprised of the following (in thousands):

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	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
Net gains on disposition of land parcels and facilities developed(1).....	\$ 96,847	\$ 71,284	\$44,843
Development management fees.....	2,723	3,954	1,790
Income from Kingspark S.A.(2).....	55,839	43,795	23,855
Miscellaneous fees and other income.....	4,867	2,864	45
Other expenses(3).....	(3,983)	(4,863)	(4,920)
	-----	-----	-----
	\$156,293	\$117,034	\$65,613
	=====	=====	=====

(1) Represents gains from the disposition of land parcels and facilities developed as follows:

- 2001: 229 acres; 14.5 million square feet; \$714.0 million of proceeds;
- 2000: 193 acres; 10.6 million square feet; \$491.9 million of proceeds; and
- 1999: 203 acres; 5.4 million square feet; \$357.5 million of proceeds.

(2) Kingspark S.A.'s income includes, among other items:

- Gains from the disposition of land parcels and facilities developed as follows:
  - 2001: 63 acres; 2.7 million square feet; \$300.0 million of proceeds; net gains of \$38.5 million;
  - 2000: 11 acres; 1.2 million square feet; \$180.5 million of proceeds; net gains of \$30.5 million; and
  - 1999: 97 acres; 1.1 million square feet; \$155.4 million of proceeds; net gains of \$23.4 million.
- Development fees and other miscellaneous income of \$11.4 million in 2001, \$11.9 million in 2000 and \$10.1 million in 1999;

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- Deferred and current income tax benefits of \$3.7 million in 2001 and deferred and current income tax expense of \$2.6 million in 2000 and \$7.7 million in 1999; and
- Foreign currency exchange losses of \$4.6 million in 2001, foreign currency exchange gains of \$0.3 million in 2000 and foreign currency exchange losses of \$1.5 million in 1999.

(3) Includes land holding costs of \$2.7 million, \$2.1 million and \$2.0 million, in 2001, 2000 and 1999, respectively and the write-off of previously capitalized pursuit costs related to potential CDFS business segment projects of \$1.3 million, \$2.8 million and \$2.9 million in 2001, 2000 and 1999, respectively.

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During 2001, ProLogis began to direct the focus of its CDFS business segment operations from North America to Europe, given the deteriorating economic conditions in North America. As of December 31, 2001, 73% of ProLogis' CDFS business segment assets were located in Europe with 22% in North America, and the remaining 5% located in Japan. ProLogis believes that the continuing demand for state-of-the-art distribution facilities in Europe will continue to provide it with opportunities to expand its CDFS business. Further to this objective, with 2,846 acres of land owned or controlled in Europe including 1,780 acres of land owned and controlled in the United Kingdom by Kingspark S.A., ProLogis believes it will not be affected by land entitlement constraints that currently exist in Europe. ProLogis will continue to monitor leasing activity and general economic conditions in North America as it pertains to its CDFS business segment operations. In 2001, ProLogis began its first development project in Japan. Like Europe, ProLogis believes that demand for state-of-the-art distribution facilities in Japan will provide opportunities for ProLogis to expand its CDFS business.

### Temperature-Controlled Distribution Operations

ProLogis recognizes income from the temperature-controlled distribution operations segment of its business under the equity method. Negotiations are ongoing for the disposition of a significant portion of the operating assets within the temperature-controlled distribution operations segment. In March 2002, the operating assets in Sweden, Denmark, Finland, Norway and the Netherlands, as well as the remaining German operating assets owned by Frigoscandia were sold. Negotiations related to the sale of substantially all of the temperature-controlled distribution operating assets in the United States owned by CSI and the operating assets in Spain and Italy owned by Frigoscandia are continuing. ProLogis' share of the combined write-downs and other impairment charges of ProLogis Logistics/CSI and Frigoscandia S.A./Frigoscandia was \$88.4 million in 2001. See "Item 1. Business -- Business Strategy and Operating Segments -- Temperature-Controlled Distribution Operations -- Operations". ProLogis' share of the income or loss in this operating segment was as follows (in thousands) (see Notes 4 and 10 to ProLogis' Consolidated Financial Statements in Item 8):

	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
Loss from CSI/Frigo LLC(1).....	\$ (5,975)	\$ --	\$ --
Income (loss) from ProLogis Logistics.....	(56,405)	11,950	10,791
Loss from Frigoscandia S.A.....	(49,088)	(20,298)	(4,364)
	-----	-----	-----
Total temperature-controlled distribution operations segment.....	\$ (111,468)	\$ (8,348)	\$ 6,427
	=====	=====	=====

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(1) CSI/Frigo LLC, a limited liability company, owns 100% of the voting common stock of ProLogis Logistics and Frigoscandia S. A. ProLogis owns 89% of the membership interests (all non-voting) in CSI/Frigo LLC and K. Dane Brooksher, ProLogis' chairman and chief executive officer, owns the remaining 11% of the membership interests (all voting). ProLogis has a note agreement with CSI/Frigo LLC that allows ProLogis to participate in its earnings such that ProLogis will recognize 95% of the earnings of CSI/Frigo LLC. Mr. Brooksher is the managing member. ProLogis' ownership in this



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entity does not result in ProLogis having control as its membership interest is non-voting. Therefore, this entity is not consolidated in ProLogis' financial statements.

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Prior to January 5, 2001, the common stock of ProLogis Logistics was owned by unrelated third parties and the common stock of Frigoscandia S.A. was owned by a limited liability company in which unrelated parties owned 100% of the voting interests and Security Capital, ProLogis' largest shareholder, owned 100% of the non-voting interests. On January 5, 2001, the common stock of both ProLogis Logistics and Frigoscandia S.A. was acquired by CSI/Frigo LLC for an aggregate purchase price of \$3.3 million.

Amounts recognized by ProLogis under the equity method from CSI/Frigo LLC include ProLogis' share of this entity's share of the income or losses from ProLogis Logistics and Frigoscandia S.A. Amounts recognized by ProLogis under the equity method from ProLogis Logistics and Frigoscandia S.A. include (in addition to net operating income): interest income and interest expense, depreciation and amortization expense, general and administrative expense, income taxes, foreign currency exchange gains and losses (with respect to Frigoscandia) and impairment charges. ProLogis recognized in excess of 99% of the earnings of each entity in 2001 as compared to 95% in both 2000 and 1999.

CSI's operating capacity was 178.4 million, 182.2 million and 167.6 million cubic feet as of December 31, 2001, 2000 and 1999, respectively. The increase in 2000 from 1999, was primarily the result of development completions. ProLogis' share of ProLogis Logistics/CSI's net earnings from 2000 to 2001 decreased by \$68.4 million. This decrease is primarily attributable to: (i) a \$53.3 million charge related to the write-down of operating assets and other impairment charges; (ii) higher interest expense as a result of increasing external debt of this entity in 2001 with the proceeds used to repay debt to ProLogis; and (iii) a decrease in operating income as a result of lower occupancy levels in certain markets in 2001. The increase in ProLogis' share of ProLogis Logistics/CSI's net earnings of \$1.2 million in 2000, from 1999, was primarily attributable to the increase in cubic feet capacity in operation in 2000.

Frigoscandia's operating capacity was 154.4 million, 187.7 million and 192.3 million cubic feet as of December 31, 2001, 2000 and 1999, respectively. The decrease in 2001, from 2000, reflects the dispositions of substantially all of the operating assets in Germany and all of the operating assets in the Czech Republic in May 2001 and September 2001, respectively.

ProLogis' share of Frigoscandia S.A./Frigoscandia's net losses includes net foreign currency exchange losses of \$3.5 million, \$0.8 million and \$1.3 million in 2001, 2000 and 1999, respectively. Excluding these foreign exchange losses, ProLogis recognized \$26.1 million more loss under the equity method in 2001, than it recognized in 2000 from its investment in Frigoscandia S.A. The increase in ProLogis' share of Frigoscandia S.A./Frigoscandia's net loss in 2001 from 2000 is primarily attributable to: (i) a \$35.1 million charge related to the write-down of operating assets and other impairment charges; (ii) a net loss recognized on the disposal of substantially all of Frigoscandia's operating assets in Germany and all of Frigoscandia's operating assets in the Czech Republic of approximately \$4.4 million; offset by (iii) higher operating revenues and lower general and administrative expense in 2001. Excluding foreign currency exchange losses, ProLogis recognized \$16.4 million more loss under the equity method in 2000 than it recognized in 1999. The increase in Frigoscandia S.A./Frigoscandia's net loss in 2000 from the loss recognized in 1999 is primarily due to: (i) lower occupancy levels; (ii) a weak European vegetable harvest; and (iii) increases in fuel prices and expenses incurred related to trucker strikes in August and September.

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### Other Income and Expense Items

#### General and Administrative Expense

General and administrative expense was \$50.3 million in 2001, \$45.0 million in 2000 and \$38.3 million in 1999. The increase in general and administrative expense in each year is primarily attributable to new business initiatives in North America, Europe and Japan.

#### Depreciation and Amortization

Depreciation and amortization expense was \$143.5 million in 2001, \$151.5 million in 2000 and \$152.4 million in 1999. The fluctuations in this expense between years is primarily attributable to the number of distribution facilities directly owned by ProLogis in each year. See "-- Property Operations".

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#### Interest Expense

Interest expense is a function of the level of borrowings outstanding and interest rates charged on borrowings, offset by interest capitalization with respect to development activities. Interest expense, before capitalization, was \$187.9 million in 2001, \$190.7 million in 2000 and \$186.7 million in 1999. The decrease in 2001 over 2000 is primarily due to lower average interest rates and lower average borrowings outstanding on ProLogis' lines of credit. The increase in 2000 over 1999 is primarily the result of the increased use of debt to finance investment activities in each year, particularly in 1999 when ProLogis increased its secured debt balances to \$695.6 million as of December 31, 1999.

Interest expense recognized on borrowings is offset by interest capitalized with respect to ProLogis' development activities. Capitalized interest increased by \$5.8 million to \$24.3 million in 2001 from \$18.5 million in 2000 and increased by \$2.5 million to \$18.5 million in 2000 from \$16.0 million in 1999. Capitalized interest levels are reflective of ProLogis' cost of funds and the level of development activity in each year.

#### Other Expenses

Other expenses were \$4.0 million in 2001, \$5.9 million in 2000 and \$5.9 million in 1999. Included as "Other Expenses" are land holding costs, the write-off of previously capitalized pursuit costs and \$1.0 million of expense incurred in connection with an interest rate hedge that was terminated in 1999.

Land holding costs were \$2.7 million in 2001, \$2.1 million in 2000 and \$2.0 million in 1999. Pursuit cost write-offs were \$1.3 million in 2001, \$3.8 million in 2000 and \$2.9 million in 1999.

#### Gain on Disposition of Real Estate

Gain on disposition of real estate represents the net gains from the disposition of distribution facilities that were acquired or developed for long-term use in the property operations segment. Generally, ProLogis disposes of facilities in the property operations segment because such facilities are considered to be non-strategic facilities. Non-strategic facilities are assets located in markets or submarkets that are no longer considered target markets as well as assets that were acquired as part of previous portfolio acquisitions that are not consistent with ProLogis' core portfolio based on the asset's size or configuration. Also, ProLogis will contribute facilities from its operating portfolio to complement the portfolio of developed distribution facilities that

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are acquired by the real estate funds.

Property operations segment dispositions were as follows:

- 2001: 6.7 million square feet; \$236.1 million of proceeds; net gain of \$9.5 million; and a net gain of \$0.5 million recognized upon the contribution of ProLogis' 49.9% ownership of ProLogis European Properties S.a.r.l. to ProLogis European Properties Fund in January 2001;
- 2000: 3.5 million square feet; \$133.7 million of proceeds; net gains of \$1.3 million; and
- 1999 (excluding ProLogis California): 2.6 million square feet; \$99.5 million of proceeds; net gains of \$13.4 million.

In August 1999, in connection with the formation of ProLogis California, ProLogis disposed of 78 distribution facilities and two facilities under development to ProLogis California. The net sales proceeds from this disposition were \$538.3 million and ProLogis recognized a gain of \$25.6 million on the transaction, which is net of \$25.6 million that was deferred because it did not qualify for income recognition due to ProLogis' continuing ownership in ProLogis California. ProLogis received an equity interest in ProLogis California of \$148.2 million and ProLogis California assumed \$199.3 million of ProLogis' debt. The remaining proceeds were received in cash.

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### Income (Loss) from Unconsolidated Entities

The combined income (loss) from unconsolidated entities that is not directly attributable to any of ProLogis' three business segments was a loss of \$33.5 million for 2001 (see Note 10 to ProLogis' Consolidated Financial Statements in Item 8). This amount consists primarily of losses recognized by ProLogis under the equity method from its investments in two unconsolidated entities whose sole purpose is to hold preferred stock in technology companies. In 2001, these entities both recognized write-downs of their investments to estimated fair value. ProLogis' share of these write-downs was \$37.0 million which was offset by fee income recognized by these entities in 2001 under license fee agreements. For 2000, the total income of \$3.3 million from these entities is primarily ProLogis' share of the license fee income recognized by these two unconsolidated entities. See Note 4 to ProLogis' Consolidated Financial Statements in Item 8.

### Foreign Currency Exchange Losses, Net

ProLogis recognized net foreign currency exchange losses of \$3.7 million, \$17.9 million and \$16.8 million for 2001, 2000 and 1999, respectively. Foreign currency exchange gains and losses are primarily the result of the remeasurement and settlement of intercompany and third party debt of ProLogis' foreign subsidiaries. Fluctuations in the foreign currency exchange gains and losses recognized in each period are a product of movements in certain foreign currency exchange rates, primarily the euro, the pound sterling and the yen and the level of intercompany and third party debt outstanding that is denominated in currencies other than the U.S. dollar. During 2001, 2000 and 1999, the euro and pound sterling depreciated against the U.S. dollar which is the primary cause of the remeasurement losses recognized in these years. ProLogis began utilizing foreign currency put options to hedge its foreign currency exchange risk in September 1999. See "-- Liquidity and Capital Resources -- Derivative Financial Instruments".

### Income Taxes

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ProLogis is taxed as a REIT for federal income tax purposes and is not required to pay federal income taxes if minimum distribution and income, asset and shareholder tests are met. Not all of ProLogis' consolidated subsidiaries in the United States are qualified REIT subsidiaries for tax purposes. Also, the foreign countries in which ProLogis operates do not recognize REITs under their respective tax laws. Accordingly, ProLogis recognizes income taxes as appropriate and in accordance with GAAP in the United States with respect to the taxable earnings of certain of its taxable subsidiaries.

Current income tax expense recognized in 2001, 2000 and 1999 was \$2.5 million, \$0.9 million and \$1.5 million, respectively. Current income tax expense is higher in 2001 primarily due to the level of income recognized by ProLogis' taxable subsidiary operating in the CDFS business segment, ProLogis Development Services. ProLogis recognized deferred income tax expense of \$2.3 million in 2001 and \$4.2 million in 2000 and ProLogis did not record deferred income taxes in 1999. ProLogis' deferred income tax component of total income taxes is a function of each year's temporary differences (items that are treated differently for tax purposes than for book purposes) as well as the need for a deferred tax valuation allowance to adjust certain deferred tax assets (primarily deferred tax assets created by tax net operating losses) to their estimated realizable value. In 1999, the effect of the current year's temporary differences were entirely offset by adjustments to the valuation allowance resulting in no net deferred tax expense being recognized.

### Cumulative Effect of Accounting Change

Through 1998, ProLogis capitalized costs associated with start-up activities and organization costs and amortized such costs over an appropriate period, generally five years. Statement of Position 98-5 "Reporting on the Costs of Start-Up Activities", which requires that costs associated with organizational, pre-opening, and start-up activities be expensed as incurred, was adopted by ProLogis on January 1, 1999. Accordingly, ProLogis expensed \$1.4 million of unamortized organization and start-up costs as a cumulative effect of accounting change in the first quarter of 1999. All such costs incurred since 1999 have been expensed.

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### Merger Transaction

On March 30, 1999, Meridian, a publicly traded REIT that owned industrial distribution facilities in the United States, was merged with and into ProLogis. In accordance with the terms of the Agreement and Plan of Merger dated November 16, 1998, as amended, the approximately 33.8 million outstanding shares of Meridian common stock were exchanged (on a 1.1 for one basis) into approximately 37.2 million ProLogis Common Shares. In addition, the holders of Meridian common stock received \$2.00 in cash per outstanding share, approximately \$67.6 million in total. The holders of Meridian's Series D cumulative redeemable preferred stock received a new series of ProLogis cumulative redeemable preferred shares, Series E preferred shares, on a one for one basis. The Series E preferred shares have an 8.75% annual dividend rate (\$2.1875 per share) and an aggregate liquidation value of \$50.0 million. The total purchase price of Meridian was approximately \$1.54 billion, which included the assumption of the outstanding debt and liabilities of Meridian as of March 30, 1999 and the issuance of approximately 1.0 million stock options, each to acquire 1.1 ProLogis Common Shares, plus \$2.00 in cash. The total assets acquired from Meridian aggregated approximately \$1.54 billion, including \$1.42 billion of real estate assets and an interest in a temperature-controlled distribution operations company of \$28.7 million. The transaction was structured as a tax-free merger and was accounted for under the purchase method. See Note 11 to ProLogis' Consolidated Financial

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Statements in Item 8.

### ENVIRONMENTAL MATTERS

ProLogis has not experienced any environmental condition on its facilities which materially adversely affected its results of operations or financial position, nor is ProLogis aware of any environmental liability that ProLogis believes would have a material adverse effect on its business, financial condition or results of operations. See "-- Risk Factors".

### LIQUIDITY AND CAPITAL RESOURCES

#### Overview

ProLogis considers its liquidity and ability to generate cash from operations as well as its financing capabilities (including proceeds from the disposition of distribution facilities) to be adequate and expects it to continue to be adequate to meet its anticipated development, acquisition, operating and debt service needs as well as its shareholder distribution requirements.

ProLogis' future investing activities are expected to consist of: (i) the acquisition of land for future development and the development of distribution facilities in the CDFS business segment for future disposition and (ii) acquisitions of existing distribution facilities in key distribution markets in the property operations segment. ProLogis' future investing activities are expected to be funded with:

- cash generated by operations;
- the proceeds from the disposition of facilities developed by ProLogis to third parties;
- the proceeds from the contribution of facilities to real estate funds in which ProLogis maintains an ownership interest;
- the proceeds from the disposition of ProLogis' investment in the temperature-controlled distribution operations segment;
- the proceeds from the sale of Common Shares under the Common Share plans; and
- utilization of ProLogis' U.S. dollar denominated and multi-currency denominated revolving credit facilities.

In the short-term, borrowings on and subsequent repayments of ProLogis' revolving credit facilities will provide ProLogis with adequate liquidity and financial flexibility to efficiently respond to market opportunities. As of April 3, 2002, on a combined basis, ProLogis had approximately \$380.5 million of short-term borrowings outstanding resulting in additional short-term borrowing capacity available of \$645.3 million (see "-- Borrow-

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ing Capacity and Debt Maturities"). ProLogis has \$608.0 million of shelf-registered securities which can be issued in the form of debt securities, preferred shares, Common Shares, rights to purchase Common Shares and preferred share purchase rights on an as-needed basis, subject to ProLogis' ability to effect an offering on satisfactory terms. ProLogis will continue to evaluate the public debt markets with the objective of reducing its short-term borrowings and extending debt maturities should favorable terms be available.

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Within ProLogis European Properties Fund, ProLogis has access to 456.0 million euros (the currency equivalent of approximately \$402.1 million as of December 31, 2001 based on currency exchange rates quoted by Reuters) of third party equity capital in Europe that has been committed primarily by institutional investors through September 2002. The capital is committed to fund acquisitions of ProLogis' completed stabilized European developments and acquisitions of facilities from third parties. ProLogis has entered into a subscription agreement to make additional capital contributions of 58.9 million euros (the currency equivalent of approximately \$51.9 million as of December 31, 2001 based on currency exchange rates quoted by Reuters) through September 2002.

Within ProLogis European Properties Fund, third party institutional investors executed equity subscription agreements with ProLogis European Properties Fund in the original amount of 1.06 billion euros (the currency equivalent of approximately \$1.07 billion at then-current currency exchange rates quoted by Reuters), of which approximately 456 million euros (the currency equivalent of approximately \$402 million as of December 31, 2001 based on currency exchange rates quoted by Reuters) remains unfunded at December 31, 2001. The subscription agreements expire in September 2002 and the proceeds are committed to fund acquisitions of ProLogis' completed stabilized European developments and acquisitions of facilities from third parties. By terms of an agreement with ProLogis European Properties Fund, ProLogis is required to contribute to ProLogis European Properties Fund, and ProLogis European Properties Fund is required to acquire, any European distribution facilities that meet specified criteria (primarily as to asset class, stabilization, location and yield). Such contributions are made to ProLogis European Properties Fund based on appraised values of the property. Although ProLogis is required to contribute to ProLogis European Properties Fund all assets that meet the specified criteria, there are no requirements that ProLogis acquire or develop land or contribute a minimum amount of facilities. As a result, the third party subscription agreements do not represent a committed source of financing to ProLogis. ProLogis is a co-investor with the third party investors in ProLogis European Properties Fund and entered into a subscription agreement in the original amount of approximately 270 million euros (the currency equivalent of approximately \$280 million at then-current currency exchange rates quoted by Reuters), of which approximately 58.9 million euros (the currency equivalent of approximately \$51.9 million as of December 31, 2001 based on currency exchange rates quoted by Reuters) remains unfunded at December 31, 2001. ProLogis believes that the funding sources itemized above are adequate to fund the investment required in development facilities prior to their contribution to ProLogis European Properties Fund and the contributions required by ProLogis' subscription agreement with ProLogis European Properties Fund.

### Cash Operating Activities

Net cash provided by operating activities was \$346.9 million in 2001, \$325.2 million in 2000 and \$271.4 million in 1999. The increases from year to year are primarily the result of lower interest expense in 2001 as well as other operational items discussed in "-- Results of Operations". Cash provided by operating activities exceeded the cash distributions paid on Common Shares in each year, 1999 to 2001.

### Cash Investing and Cash Financing Activities

For 2001, ProLogis' investing activities provided net cash of \$100.0 million. For 2000 and 1999, ProLogis used net cash of \$381.5 million, and \$34.4 million, respectively, in its investing activities. The shift from utilizing cash in its investing activities to generating cash from its investing activities is primarily the result of disposition activity. Investing activities consisted primarily of investments in real estate (both acquisition and development expenditures) as well as recurring capital expenditures, tenant improvements and lease commissions on previously leased space and totalled

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\$840.2 million in 2001, \$675.5 million in 2000 and \$507.1 million in 1999. ProLogis' unconsolidated entities generated net cash to ProLogis of \$72.7 million in

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2001. However, ProLogis' additional investments in unconsolidated entities, net of distributions received and debt repayments, required cash of \$188.8 million in 2000 and \$141.0 million in 1999. Net cash generated from the dispositions of facilities and land parcels was \$856.0 million, \$489.0 million and \$564.8 million in 2001, 2000 and 1999, respectively.

In 2001, ProLogis' financing activities utilized cash primarily for net debt repayments (including short-term borrowings) of \$109.4 million and the redemption of preferred equity of \$139.6 million. ProLogis' financing activities in 2000 generated cash and consisted primarily of net short-term borrowings of \$341.1 million and \$30.7 million of proceeds from Common Share transactions. In 1999, ProLogis' financing activities utilized cash and involved the completion of secured and unsecured long-term debt transactions generating net cash of \$966.1 million. Proceeds from these debt transactions were the primary source of the funds used to repay short-term borrowings of \$724.0 million in 1999 (including \$328.4 million repayment of short-term borrowings assumed in the 1999 merger transaction). See "-- Results of Operations -- Merger Transaction" and Note 11 to ProLogis' Consolidated Financial Statements in Item 8.

Common Share cash distributions were \$237.7 million, \$219.3 million and \$209.0 million (including \$11.1 million paid to Meridian shareholders) in 2001, 2000 and 1999, respectively. Dividends paid on preferred shares were \$37.3 million in 2001 and \$56.8 million in both 2000 and 1999 (including \$0.7 million paid to Meridian shareholders in 1999). See "-- Distribution and Dividend Requirements".

### Borrowing Capacity and Debt Maturities

ProLogis has over \$1.0 billion of short-term borrowing capacity under four revolving lines of credit. These borrowings are available in four currencies and are summarized below (dollar amounts in millions of U.S. dollars):

TOTAL COMMITMENT	OUTSTANDING AS OF		WEIGHTED AVERAGE INTEREST RATE (1)	EXPIRATION
	DECEMBER 31, 2001	APRIL 3, 2002		
\$ 500.0	\$203.5 (2)	\$107.0 (2)	2.68%	06/06/03 (3)
60.0	--	--	--	06/06/02
285.7 (4)	156.4 (4)	226.8 (4)	4.24%	12/17/03
184.6 (5)	47.5 (5)	46.7 (5)	1.09%	09/13/04 (3)
\$1,030.3 (6)	\$407.4	\$380.5	3.09%	
=====	=====	=====	=====	

(1) Represents the weighted average interest rate on borrowings outstanding as of December 31, 2001.

(2) Includes \$31.5 million of direct borrowings by ProLogis Logistics under ProLogis' line of credit as of December 31, 2001. ProLogis has guaranteed these borrowings. No such borrowings were outstanding at April 3, 2002.

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- (3) Credit agreement may be extended from this date for one year at ProLogis' option.
- (4) Borrowings can be denominated in either euros or pounds sterling (total commitment is 325.0 million euros). As of December 31, 2001, 174.1 million euros were outstanding. As of April 3, 2002, 258.0 million euros were outstanding.
- (5) Borrowings are denominated in yen (total commitment is 24.5 billion yen). As of December 31, 2001, 6.2 billion yen were outstanding. As of April 3, 2002, 6.2 billion yen were outstanding.
- (6) Available borrowings as of April 3, 2002 are reduced by \$4.5 million of letters of credit outstanding.

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ProLogis has senior unsecured notes and secured debt (mortgage notes, assessment bonds and securitized debt) outstanding as of December 31, 2001 with annual principal payments during each of the years in the five-year period ending December 31, 2006 and thereafter as follows (in thousands):

2002.....	\$	49,252
2003.....		185,214
2004.....		316,554
2005.....		111,579
2006.....		319,995
2007 and thereafter.....		1,222,012
		-----
Total principal due.....		2,204,606
Less: Original issue discount.....		(2,141)
		-----
Total carrying value.....		\$2,202,465
		=====

See Note 5 to ProLogis' Consolidated Financial Statements in Item 8.

### Liquidity and Capital Resources of ProLogis' Unconsolidated Entities

ProLogis has investments and advances to unconsolidated entities of \$1.3 billion as of December 31, 2001. Summarized financial information for certain of these unconsolidated entities is presented below (in millions of U.S. dollars). The information presented is for the entire entity.

	PROLOGIS LOGISTICS (1)	FRIGOSCANDIA S.A. (1)	PROLOGIS CALIFORNIA (2)	PROLOGIS NORTH AMERICAN PROPERTIES FUND I (3)	PROLOGIS NORTH AMERICAN PROPERTIES FUND II
	-----	-----	-----	-----	-----
Total assets.....	\$328.9	\$ 401.7	\$591.1	\$360.6	\$235.
Total liabilities....	\$165.5(7)	\$ 515.0(8)	\$301.0(9)	\$238.7(10)	\$169.
Minority interest....	\$ --	\$ 0.2	\$ --	\$ --	\$ --
Equity(16).....	\$163.4	\$(113.5)	\$290.1	\$121.9	\$ 66.



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	PROLOGIS NORTH AMERICAN PROPERTIES FUND IV(5) -----	PROLOGIS EUROPEAN PROPERTIES FUND (6) -----	KINGSPARK S.A. (1) -----
Total assets.....	\$146.2	\$1,477.3	\$550.4
Total liabilities....	\$104.7(13)	\$ 676.5(14)	\$467.8(15)
Minority interest....	\$ --	\$ --	--
Equity(16).....	\$ 41.5	\$ 800.8	\$ 82.6

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(1) ProLogis had an ownership interest in excess of 99% in each entity as of December 31, 2001.

(2) ProLogis had a 50% ownership interest in this entity as of December 31, 2001.

(3) ProLogis and ProLogis Development Services had a combined 41.3% ownership interest in this entity as of December 31, 2001.

(4) ProLogis and ProLogis Development Services had a combined 20% ownership interest in each entity as of December 31, 2001.

(5) ProLogis had a 20% ownership interest in this entity as of December 31, 2001.

(6) ProLogis had a 35.4% ownership interest in this entity as of December 31, 2001. Includes the ProLogis European Properties S.a.r.l. which is wholly owned by ProLogis European Properties Fund as of December 31, 2001.

(7) Liabilities include amounts due to ProLogis and loans from third parties in the following amounts:

- \$10.9 million due to ProLogis;

- \$90.0 million due to a third party; due on June 6, 2002; all of which has been guaranteed by ProLogis;

- \$31.5 million borrowed under ProLogis' \$500.0 million line of credit all of which has been guaranteed by ProLogis (see -- "Borrowing Capacity and Debt Maturities"); and

- \$2.6 million of other third party debt; none of which has been guaranteed by ProLogis.

(8) Liabilities include amounts due to ProLogis and loans from third parties in the following amounts:

- \$290.0 million due to ProLogis;

- \$90.4 million due to a third party; due on June 28, 2002; all of which has been guaranteed by ProLogis (paid in full on March 28, 2002); and

- \$6.8 million of other third party debt; none of which has been guaranteed

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by ProLogis.

- (9) Liabilities include amounts due to ProLogis and loans from third parties in the following amounts:
- \$17.2 million due to a third party; due May 31, 2005; none of which has been guaranteed by ProLogis;
  - \$182.0 million due to a third party; due March 1, 2009; none of which has been guaranteed by ProLogis; and
  - \$93.9 million due to a third party; due August 1, 2009; none of which has been guaranteed by ProLogis.
- (10) Liabilities include amounts due to ProLogis and loans from third parties in the following amounts:
- \$1.1 million due to ProLogis;
  - \$102.0 million due to a third party; due on March 10, 2011; none of which has been guaranteed by ProLogis; and
  - \$130.6 million due to a third party; due on December 10, 2010; none of which has been guaranteed by ProLogis.
- (11) Liabilities include amounts due to ProLogis and loans from third parties in the following amounts:
- \$0.3 million due to ProLogis and
  - \$165.0 million due to a third party; due on June 1, 2007; none of which has been guaranteed by ProLogis.
- (12) Liabilities include amounts due to ProLogis and loans from third parties in the following amounts:
- \$0.1 million due to ProLogis and
  - \$150.0 million due to a third party; due on September 1, 2007; none of which has been guaranteed by ProLogis.
- (13) Liabilities include amounts due to ProLogis and loans from third parties in the following amounts:
- \$0.1 million due to ProLogis and
  - \$103.0 million due to a third party; due on January 2, 2008; none of which has been guaranteed by ProLogis.
- (14) Liabilities include amounts due to ProLogis and loans from third parties in the following amounts:
- \$6.4 million due to ProLogis;
  - \$121.8 million (eight mortgage issues) due to third parties due on various dates ranging from July 2006 through July 2008; none of which has been guaranteed by ProLogis;
  - \$192.1 million due to a third party; due on May 1, 2011; none of which has been guaranteed by ProLogis;
  - \$105.8 million due to a third party; due on August 14, 2002; none of

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which has been guaranteed by ProLogis; and

- \$178.4 million due to a third party; due on September 15, 2002; none of which has been guaranteed by ProLogis.

(15) Liabilities include \$433.7 million due to ProLogis. ProLogis has guaranteed a 25.0 million pound sterling (the currency equivalent of approximately \$36.1 million as of December 31, 2001 based on currency exchange rates quoted by Reuters) line of credit of a subsidiary of Kingspark S.A. As of December 31, 2001, there were no borrowings outstanding on the line of credit.

(16) ProLogis has entered into a subscription agreement to make additional capital contributions of 58.9 million euros (the currency equivalent of approximately \$51.9 million as of December 31, 2001) through September 2002.

### Distribution and Dividend Requirements

ProLogis' current distribution policy is to pay quarterly distributions to shareholders based upon what it considers to be a reasonable percentage of cash flow and at the level that will allow ProLogis to continue to

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qualify as a REIT for tax purposes. Because depreciation is a non-cash expense, cash flow typically will be greater than earnings from operations and net earnings. Therefore, annual distributions are expected to be consistently higher than annual earnings.

Cash distributions paid in 2001, 2000 and 1999 were \$1.38 per Common Share, \$1.34 per Common Share and \$1.30 per Common Share, respectively. The Board set a projected annual distribution rate for 2002 of \$1.42 per Common Share. ProLogis paid a distribution for the first quarter of 2002 of \$0.355 per Common Share on February 28, 2002 to holders of Common Shares as of February 14, 2002. The payment of distributions is subject to the discretion of the Board and is dependent upon the financial condition and operating results of ProLogis and may be adjusted at the discretion of the Board during the year.

As of December 31, 2001, ProLogis had three series of cumulative redeemable preferred shares of beneficial interest outstanding. The annual dividend rates on ProLogis' preferred shares are \$4.27 per share (Series C), \$1.98 per share (Series D) and \$2.19 per Series E Preferred Share.

Pursuant to the terms of its preferred shares, ProLogis is restricted from declaring or paying any distribution with respect to the Common Shares unless and until all cumulative dividends with respect to the Preferred Shares have been paid and sufficient funds have been set aside for dividends for the then current dividend period with respect to the preferred shares.

### Other Commitments

As of December 31, 2001, ProLogis had letters of intent or contingent contracts, subject to ProLogis' final due diligence, for the acquisition of 3.1 million square feet of distribution facilities at an estimated acquisition cost of \$83.3 million. The foregoing transactions are subject to a number of conditions, and ProLogis cannot predict with certainty that they will be consummated. As of December 31, 2001, ProLogis had \$65.0 million of funds escrowed as the result of tax-deferred exchange transactions that can be used to acquire these assets. In January 2002, ProLogis completed the acquisition of one of these facilities aggregating 0.3 million square feet at a total acquisition

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cost of \$10.8 million. In addition, as of December 31, 2001, ProLogis had facilities under development with an expected cost at completion of \$250.5 million of which \$132.2 million was unfunded.

In January 2001, ProLogis announced a Common Share repurchase program under which it may repurchase up to \$100.0 million of its Common Shares. The Common Shares have been and, to the extent these repurchases continue, will be purchased from time to time in the open market and in privately negotiated transactions, depending on market prices and other conditions. During 2001, 778,400 common shares were purchased under this program at a total cost of \$16.0 million. ProLogis intends to fund the Common Share repurchase program through borrowings on its unsecured revolving credit facilities.

### Derivative Financial Instruments

ProLogis uses derivative financial instruments as hedges to manage well-defined risk associated with interest and foreign currency rate fluctuations on existing or anticipated obligations and transactions. ProLogis does not use derivative financial instruments for trading purposes.

The primary risks associated with derivative instruments are market risk and credit risk. Market risk is defined as the potential for loss in the value of the derivative due to adverse changes in market prices (interest rates or foreign currency rates). The use of derivative financial instruments allows ProLogis to manage the risks of increases in interest rates and fluctuations in foreign currency exchange rates with respect to the effects these fluctuations would have on ProLogis' income and cash flows.

Credit risk is the risk that one of the parties to a derivative contract fails to perform or meet their financial obligation under the contract. ProLogis does not obtain collateral to support financial instruments subject to credit risk but monitors the credit standing of counterparties, primarily global commercial banks. ProLogis does not anticipate non-performance by any of the counterparties to its derivative contracts. Should a counterparty fail to perform, however, ProLogis would incur a financial loss to the extent of the positive fair market value of the derivative instruments, if any.

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As of December 31, 2001, ProLogis had foreign currency put option contracts outstanding in the notional amount of 45.8 million euros and 17.4 million pounds sterling (the currency equivalent of approximately \$65.5 million based on currency exchange rates quoted by Reuters) related to its operations in Europe. The put option contracts were fully paid for at execution and provide ProLogis with the option to exchange euros and pound sterling for U.S. dollars at a fixed exchange rate such that, if the euro or pound sterling were to depreciate against the U.S. dollar to predetermined levels (as set by the contract), ProLogis could exercise its options and mitigate its foreign currency exchange losses. The outstanding contracts do not qualify for hedge accounting treatment and were marked to market through income as of December 31, 2001. In 2001, ProLogis recognized aggregate expense of \$1.0 million on various put option contracts, including realized losses of \$2.1 million and mark to market income of \$1.1 million.

### Conversion to the Euro

Effective January 1, 1999, eleven of the fifteen member countries of the European Monetary Union launched the new monetary unit, the euro, as the single currency for the member countries of the European Monetary Union. During the period from January 1, 1999 to January 1, 2002, a transition period was in effect during which time the euro was available for non-cash transactions.

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However, transactions could continue to be denominated in the old national currencies. After January 1, 2002, all transactions must be denominated in the euro. The targeted exchange rates of the old national currencies to the euro were determined in May 1998. Conversion to the euro has not had, nor is management aware of any future effects of the conversion to the euro that will have, a material impact on its business operations or results of operations.

### NEW TAX LEGISLATION

Due to the previous limitations in the Code, certain of ProLogis' taxable subsidiaries (those entities whose operations generated income that was restricted under the REIT rules) were formed as entities in which ProLogis owned 100% of the non-voting preferred stock and a third party owned 100% of the voting common stock. Accordingly, ProLogis accounted for these types of investments under the equity method rather than consolidating the investments in its balance sheet and results of operations as the non-voting ownership interest did not result in ProLogis having control of the entities. The REIT Modernization Act ("RMA"), which was effective on January 1, 2001, modified certain provisions of the Code with respect to the taxation of REITs. Primarily, the RMA allows for the creation of Taxable REIT Subsidiaries ("TRS") that allows ProLogis and other REITs to own up to 100% of a TRS (previously limited to 10% of the voting stock). However, certain state law restrictions have prevented ProLogis from changing the ownership structures such that ProLogis owns 100% of these entities. See "Item 2. Properties -- Unconsolidated Entities" and Note 4 to ProLogis' Consolidated Financial Statements in Item 8.

### FUNDS FROM OPERATIONS

Funds from operations attributable to Common Shares decreased \$2.3 million to \$374.4 million for 2001 from \$376.7 million for 2000. The decrease in 2001 is primarily attributable to the recognition of ProLogis' share of aggregate charges of \$42.8 million related to the write-down of technology related investments of certain of ProLogis' unconsolidated entities. Funds from operation attributable to Common Shares increased \$56.5 million from 1999 to 2000.

Funds from operations does not represent net income or cash from operating activities in accordance with GAAP and is not necessarily indicative of cash available to fund cash needs, which is presented in the Consolidated Statement of Cash Flows in ProLogis' Consolidated Financial Statements in Item 8. Funds from operations should not be considered as an alternative to net income, as an indicator of ProLogis' operating performance, or as an alternative to cash flows from operating, investing or financing activities as a measure of liquidity. Additionally, the funds from operations measure presented by ProLogis will not necessarily be comparable to similarly titled measures of other REITs. ProLogis considers funds from operations to be a useful supplemental measure of comparative period operating performance and as a supplemental measure to provide management, financial analysts, potential investors and shareholders with an indication of ProLogis' ability to fund its capital expenditures and investment activities and to fund other cash needs.

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Funds from operations is defined by the National Association of Real Estate Investment Trusts ("NAREIT") generally as net income (computed in accordance with GAAP), excluding real estate related depreciation and amortization, gains and losses from sales of properties except those gains and losses from sales of properties upon completion or stabilization under pre-sale agreements, and after adjustments for unconsolidated entities to reflect their funds from operations on the same basis. ProLogis includes gains and losses from the disposition of its CDFS business segment assets in funds from operations.

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Funds from operations, as presented by ProLogis, is modified from the NAREIT definition. ProLogis' funds from operations measure does not include: (i) charges related to the write-down of non-CDFS business segments assets; (ii) deferred income tax benefits and deferred income tax expenses of ProLogis' taxable subsidiaries; (iii) foreign currency exchange gains and losses resulting from debt transactions between ProLogis and its consolidated and unconsolidated entities; (iv) foreign currency exchange gains and losses from the remeasurement (based on current foreign currency exchange rates) of third party debt of ProLogis' foreign consolidated and unconsolidated entities; and (v) mark to market adjustments related to derivative financial instruments utilized to manage ProLogis' foreign currency risks. These adjustments to the NAREIT definition are made to reflect ProLogis' funds from operations on a comparable basis with the other REITs that do not engage in the types of transactions that give rise to these items.

Funds from operations is as follows (in thousands):

	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
Net earnings attributable to Common Shares.....	\$ 90,835	\$157,715	\$123,999
Add (Deduct):			
Real estate related depreciation and amortization.....	137,033	146,859	150,050
Gain on disposition of non-CDFS business segment assets.....	(10,008)	(1,314)	(38,994)
Foreign currency exchange losses, net(1).....	1,484	19,569	16,596
Deferred income tax expense (benefit).....	2,258	4,230	--
Cumulative effect of accounting change(2).....	--	--	1,440
ProLogis' share of reconciling items of unconsolidated entities:			
Real estate related depreciation and amortization.....	63,948	57,366	49,644
Write-down of operating assets and other impairment charges(3).....	88,413	--	--
(Gain) loss on disposition of non-CDFS business segment assets.....	4,417	(744)	826
Foreign currency exchange (gains) losses, net....	8,204	(2,773)	14,650
Deferred income tax expense (benefit).....	(12,171)	(4,190)	510
Cumulative effect of accounting change(2).....	--	--	1,480
Funds from operations attributable to Common Shares...	\$374,413	\$376,718	\$320,201

(1) See "-- Results of Operations -- Other Income and Expense Items -- Foreign Currency Exchange Losses, Net".

(2) See "-- Results of Operations -- Other Income and Expense Items -- Cumulative Effect of Accounting Change".

(3) See "-- Results of Operations -- Temperature-Controlled Distribution Operations".

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### RISK FACTORS

ProLogis' operations involve various risks that could adversely affect ProLogis' financial condition, results of operations, cash flow, ability to pay distributions on Common Shares and the market price of Common Shares. These risks include, among others:

#### General Real Estate Risks

##### General Economic Conditions

ProLogis is exposed to the general economic conditions and the local, regional, national and international conditions that affect the markets in which it owns industrial distribution facilities. ProLogis' operating performance depends on the economic conditions of markets in which its distribution facilities are concentrated. While ProLogis does not have in excess of 10% of its total portfolio in any one market, it does have significant holdings in Atlanta, Chicago, Dallas/Ft. Worth, Los Angeles, Paris, San Francisco and the United Kingdom. ProLogis' operating performance could be adversely affected if conditions in these larger markets, such as an oversupply of distribution space or a reduction in demand for industrial distribution facilities, become less favorable relative to other geographic areas. Any material oversupply of distribution space or material reduction of demand for distribution space could adversely affect ProLogis' operating income and the value of its Common Shares.

##### Risks Particular To Real Estate

Real property investments are subject to varying degrees of risk. While ProLogis seeks to minimize these risks through our market research and property management capabilities, these risks cannot be eliminated. The factors that can affect real estate values include:

- changes in the general economic climate;
- local conditions, such as an oversupply of space or a reduction in demand for industrial real estate in an area;
- the quality and philosophy of management;
- the attractiveness of our facilities to potential customers;
- competition from other available facilities;
- the ability of ProLogis to provide adequate maintenance and insurance on its facilities;
- the ability of ProLogis to control variable operating costs;
- governmental regulations, including zoning, usage and tax laws and changes in these laws;
- interest rate levels at which ProLogis may borrow funds and the availability of funds to ProLogis;
- potential liability under, and changes in, environmental, zoning, and other laws.

##### Risks Associated with Concentration of ProLogis' Investments in the Industrial Sector

ProLogis' property operations and CDFS business segments are concentrated

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in the industrial distribution sector. This concentration may expose ProLogis to the risk of economic downturns in this sector to a greater extent than if ProLogis' business activities included other types of real estate investments.

### Risks Associated with ProLogis' Development Activities

ProLogis has developed a significant number of distribution facilities since its inception and intends to continue to pursue development activities as opportunities arise. Such development activities generally require

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various government and other approvals. ProLogis may not receive such approvals. ProLogis will be subject to risks associated with such development activities. These risks include:

- the risk that development opportunities explored by ProLogis may be abandoned with the related investment written off;
- the risk that construction costs of a facility may exceed original estimates or may not be concluded on schedule (including the possibility of contract default, the effect of local weather conditions and local or national strikes, or shortages in materials, building supplies or energy and fuel for equipment) which could make the project less profitable than originally estimated; and
- the risk that occupancy rates and rents of a completed project will not make the project as profitable as originally estimated.

### Risks Associated with the Disposition of ProLogis' Facilities

ProLogis has disposed of or contributed to real estate funds a significant number of distribution facilities in recent years and ProLogis intends to continue to pursue disposition activities as opportunities arise, particularly in its CDFS business segment. ProLogis' ability to dispose of facilities on advantageous terms is dependent upon several factors, some of which are beyond the control of ProLogis' management, primarily competition from other owners of facilities that are also trying to dispose of their facilities. ProLogis' ability to complete and lease developed facilities will impact its ability to dispose of or contribute these facilities. Should ProLogis not have sufficient facilities available that meet the investment criteria of future real estate funds or of ProLogis European Properties Fund, then the dispositions could be delayed resulting in adverse effects on ProLogis' liquidity and on its ability to meet projected earnings levels in a particular reporting period. Failure to meet its projected earnings levels could have an adverse effect on the market price of Common Shares. Further, the inability of ProLogis to redeploy the proceeds from its divestitures in accordance with its investment strategy could have an adverse affect on ProLogis.

### Risks Associated with Acquisition of Facilities

ProLogis acquires distribution facilities from time to time. The acquisition of facilities involves risks including the risk that the acquired facility will not perform as anticipated and the risks that the expected costs for renovation and improvements identified in the pre-acquisition due diligence process prove to be inaccurate. There is, and it is expected that there will continue to be, significant competition for investment opportunities that meet ProLogis' investment criteria as well as risks associated with obtaining financing for acquisition activities, if necessary.

### Tenant Default



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ProLogis' income and distributable cash flow would be adversely affected if a significant number of ProLogis' tenants are unable to meet their obligations to ProLogis. In the event of default by a significant number of tenants, ProLogis may experience delays and incur substantial costs in enforcing its rights as landlords.

### Ability to Renew Leases or Re-let Space as Leases Expire

ProLogis' income and distributable cash flow would be adversely affected if ProLogis is unable to lease, on economically favorable terms, a significant amount of space in its distribution facilities. ProLogis has 21.2 million square feet (a total of 106.7 million square feet leased) of distribution space with leases that expire in 2002 and the Funds have a combined 4.1 million square feet (a total of 55.4 million square feet leased) of distribution space with leases that expire in 2002. The number of distribution facilities in a market or submarket could adversely affect both ProLogis' ability to lease distribution space and the rental rates that can be obtained in new leases.

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### Real Estate Investments Are Not As Liquid As Other Types Of Assets

Real estate investments are not as liquid as other types of assets and that may tend to limit the ability of ProLogis 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, ProLogis must comply with the safe harbor rules relating to the number of facilities disposed of in a year, their tax bases and the cost of improvements made to the facilities, or meet other tests which enable a REIT to avoid punitive taxation on the sale of assets. Thus, ProLogis' ability at any time to sell assets, or contribute assets to real estate funds or other entities in which ProLogis has an ownership interest may be restricted.

### ProLogis' Insurance Coverage Does Not Include All Potential Losses

ProLogis and its unconsolidated entities currently carry comprehensive insurance coverage including property, liability, fire, flood, earthquake, environmental, extended coverage and rental loss as appropriate for the markets where each entity's facilities and business operations are located. The insurance coverage contains policy specifications and insured limits customarily carried for similar facilities. ProLogis believes its facilities and the facilities of its unconsolidated entities are adequately insured. However, there are certain losses, including losses from floods and losses from earthquakes, acts of war or riots, that are not generally insured against or that are not generally fully insured against because it is not deemed to be economically feasible or prudent to do so. Should an uninsured loss or a loss in excess of insured limits occur with respect to one or more of ProLogis' facilities, ProLogis 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 facility.

### Potential Environmental Liability

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 hazardous or toxic substances at, on, under or in its property. The costs of removal or remediation of such substances could be substantial. Such laws often impose liability without regard to whether

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the owner or operator knew of, or was responsible for, the release or presence of such hazardous substances. ProLogis conducts Phase I environmental assessments as part of its due diligence activities. ProLogis has not been notified nor is ProLogis aware of any environmental condition with respect to its real estate investments that are likely to be material to ProLogis' financial condition. However, ProLogis cannot give any assurance that such conditions do not exist or may not arise in the future. The presence of such substances on ProLogis' real estate investments could adversely affect its ability to sell such investments or to borrow using such investments as collateral and may also have an adverse effect on ProLogis' cash flow and, consequently, its ability to pay distributions to its shareholders.

### Financing and Capital Risks

#### Access to Capital

ProLogis, as a REIT, is required to distribute at least 90% of its taxable income to its shareholders. Consequently, ProLogis is, as are all REITs, dependent on external capital to fund its development and acquisition activities. Due to the reduced availability of direct public debt and public equity capital at favorable prices in the real estate industry during the last several years, ProLogis has been accessing private debt and equity capital through the establishment of real estate funds that acquire facilities from ProLogis. ProLogis' ability to access private debt and equity capital on favorable terms or at all is dependent upon a number of factors, including general market conditions and competition from other real estate companies. Further, ProLogis generates significant profits as a result of these dispositions. To the extent that private capital is not available to acquire facilities from ProLogis, these profits may not be realized which could result in an earnings stream that is less predictable than some of its competitors and result in ProLogis not meeting

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its projected earnings levels in a particular reporting period. Failure to meet its projected earnings levels could have an adverse effect on the market price of Common Shares.

ProLogis is obligated to contribute all of the facilities it develops within certain specified markets in Europe to ProLogis European Properties Fund, subject to these facilities meeting specified investment criteria. ProLogis European Properties Fund's investors have entered into subscription agreements whereby they have committed to provide capital to ProLogis European Properties Fund through September 2002. Should any of the investors in ProLogis European Properties Fund default on this commitment or should ProLogis not secure funding commitments after September 2002, the ability of ProLogis to dispose of its development pipeline in Europe will be jeopardized and ProLogis' ability to meet its projected earnings levels and generate cash flow would be adversely affected.

#### Limitations on Debt

ProLogis currently has a policy of incurring debt only, if upon such incurrence, ProLogis' debt-to-book capitalization ratio, as adjusted, would not exceed 50%. The Board could alter or eliminate this policy without shareholder approval and would do so if, for example, it were necessary in order for ProLogis to continue to qualify as a REIT under the Code. If this policy were changed, ProLogis could become more highly leveraged, resulting in an increase in debt service that could adversely affect the cash available for distribution to shareholders.

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### Debt Financing

ProLogis is subject to risks normally associated with debt financing, including the risk that ProLogis' cash flow will be insufficient to meet required payments of principal and interest and the risk that ProLogis will not be able to refinance existing indebtedness or that the terms of such refinancings will not be as favorable as the terms of the existing indebtedness. There can be no assurance that ProLogis will be able to refinance any indebtedness or otherwise obtain funds by selling assets or raising equity to make required payments on maturing indebtedness.

Currently, ProLogis utilizes its short-term borrowing capability (over \$1.0 billion available) under four credit agreements in addition to operating cash flow and proceeds from dispositions to fund its development, acquisition and distribution requirements. ProLogis' four short-term credit agreements have maturities during 2002 (\$60.0 million), 2003 (\$287.0 million), 2004 (\$500.0 million) and 2005 (\$188.0 million). The ability of ProLogis to refinance these credit agreements in a timely manner and at favorable terms is dependent on several factors including, general economic conditions and interest rate levels. ProLogis' short-term credit agreements bear interest at variable rates. Increases in interest rates would increase ProLogis' interest expense under these agreements. If ProLogis is unable to refinance its indebtedness at maturity or meet its payment obligations, the amount of cash available for distribution may be adversely affected.

### Requirements of Credit Facilities

The terms of ProLogis' indebtedness require ProLogis to comply with a number of customary financial and other covenants, such as maintaining debt service coverage and leverage ratios and maintaining insurance coverage. These covenants may limit ProLogis' flexibility in its operations, and breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness even if ProLogis has satisfied its payment obligations. If ProLogis is unable to refinance its indebtedness at maturity or meet its payment obligations, the amount of cash available for distribution may be adversely affected.

### Federal Income Tax Risks

#### Failure to Qualify as a REIT Could Adversely Affect Shareholders

ProLogis has elected to be taxed as a REIT under the Code commencing with its taxable year ended December 31, 1993. To maintain REIT status, ProLogis must meet a number of highly technical requirements on a continuing basis. Those requirements seek to ensure, among other things, that the gross income

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and investments of a REIT are largely real estate related, that a REIT distributes substantially all its ordinary taxable income to shareholders on a current basis and that the REIT's 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 developments at ProLogis, no assurance can be given that ProLogis will qualify as a REIT for any particular year.

If ProLogis fails to qualify as a REIT, it will be taxed as a regular corporation, and distributions to shareholders will not be deductible in computing ProLogis' taxable income. The resulting corporate income tax liabilities could materially reduce the funds available for distribution to

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ProLogis' shareholders or for reinvestment. Moreover, ProLogis might not be able to elect to be treated as a REIT for the four taxable years after the year during which ProLogis ceased to qualify as a REIT. In addition, if ProLogis later requalified as a REIT, it might be required to pay a full corporate-level tax on any unrealized gain in its assets as of the date of requalification and to make distributions to shareholders equal to any earnings accumulated during the period of non-REIT status. In the absence of REIT status, distributions to shareholders would no longer be required.

### Potential Adverse Effect of REIT Distribution Requirements

To maintain its qualification as a REIT under the Code, ProLogis must annually distribute to ProLogis' shareholders at least 90% of its ordinary taxable income, excluding net capital gains. This requirement limits ProLogis' ability to accumulate capital. ProLogis 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 ProLogis' funds or to timing differences between tax reporting and cash receipts and disbursements, because income may have to be reported before cash is received, because expenses may have to be paid before a deduction is allowed or because deductions may be disallowed or limited. In those situations, ProLogis might be required to borrow funds or sell facilities on adverse terms in order to meet the distribution requirements. If ProLogis fails to make a required distribution, it would cease to be a REIT.

### Prohibited Transaction Income Could Result From Certain Property Transfers

ProLogis disposes of and contributes facilities from both its property operations segment and from within its CDFS business to third parties and to real estate funds. Some of these dispositions and contributions are made from ProLogis' taxable subsidiaries. Under the Code, if the disposition or contribution of facilities is deemed to be a prohibited transaction, a 100% penalty tax on the resulting income could be assessed. The question of what constitutes a prohibited transaction is based on the facts and circumstances surrounding each transaction. The Internal Revenue Service could contend that certain dispositions or contributions by ProLogis are prohibited transactions. While ProLogis' management does not believe that the Internal Revenue Service would prevail in such a dispute, if the matter was successfully argued by the Internal Revenue Service the 100% penalty tax could be assessed against the profits from these transactions. Additionally, any income from a prohibited transaction may adversely affect ProLogis' ability to satisfy the income tests for qualification as a REIT.

### Other Risks

#### Influence of ProLogis' Principal Shareholder May Impact ProLogis' Management and Operations

ProLogis and Security Capital are parties to a Third Amended and Restated Investor Agreement, dated as of September 9, 1997. Pursuant to the investor agreement, Security Capital has the right, so long as it owns between 10% and 25% of the Common Shares, to nominate one person to the Board. So long as Security Capital owns 25% or more of the Common Shares, Security Capital will be entitled to nominate a proportionate number of persons to the Board subject to a maximum of three nominees if the size of the Board does not increase above the current size of ten trustees. Under the investor agreement, so long as it owns at

least 25% of the Common Shares, Security Capital also has the right of prior

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approval with respect to the following matters:

- the issuance of equity securities or securities convertible into equity securities, other than issuances in connection with option, dividend reinvestment and similar plans, for less than the fair market value of such securities;
- the issuance of any preferred shares which would result in the fixed charge coverage ratio being less than 1.4 to 1.0;
- adopting any employee benefit plans under which Common Shares may be issued;
- the compensation of senior officers of ProLogis; and
- the incurrence of additional indebtedness which would result in the interest expense coverage ratio being less than 2.0 to 1.0.

### ProLogis is Dependent on Key Personnel

ProLogis' executive and senior officers have a significant role in ProLogis' success. The ability of ProLogis to retain its management group or to attract suitable replacements should any members of the management group leave ProLogis 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 ProLogis' financial condition and cash flow. Further, such a loss could be negatively perceived in the capital markets and have an adverse affect on the market price of Common Shares.

### Share Prices May Be Affected By Market Interest Rates

The annual distribution rate on Common Shares as a percentage of its 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, which could adversely affect the market price of such Common Shares. A decrease in the market price of the Common Shares could reduce ProLogis' ability to raise additional equity capital in the public markets.

### Foreign Currency Risk

ProLogis has pursued and intends to continue to pursue growth opportunities in international markets and often invests in countries where the U.S. dollar is not the national currency. As a result, ProLogis is subject to foreign currency risk due to potential fluctuations in exchange rates between foreign currencies and the U.S. dollar. For example, a significant depreciation in the value of the foreign currencies of one or more countries where ProLogis has a significant investment may materially adversely affect ProLogis' performance. ProLogis attempts to mitigate any such effects through the use of debt denominated in foreign currencies and foreign currency put option contracts, although there can be no assurance that such attempts will be successful.

### Government Regulations and Actions

There are many laws and governmental regulations that are applicable to ProLogis and its facilities. Changes in these laws and governmental regulations, or their interpretation by agencies or the courts, could occur. Further, economic and political factors, including civil unrest, governmental changes and restrictions on the ability to transfer capital across borders in the United States, but primarily in the foreign countries in which ProLogis has invested, can have a major impact on a global company such as ProLogis.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

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ProLogis is exposed to market risk from changes in interest rates and foreign currency exchange rates. On a limited basis, ProLogis uses certain derivative financial instruments, including interest rate swap agreements and foreign currency option and forward contracts to reduce its market risk. ProLogis does not use financial

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instruments for trading or speculative purposes and all financial instruments are entered into in accordance with Board approved policies.

ProLogis has estimated its market risk exposures using sensitivity analysis. ProLogis has defined its market risk exposure as the potential loss in future earnings and cash flow with respect to interest rate exposure and future earnings with respect to foreign currency exchange exposure. ProLogis' sensitivity analysis estimates the exposure to market risk sensitive instruments assuming a hypothetical 10% adverse change in year end interest rates and foreign currency exchange rates. The results of the sensitivity analysis are summarized below. The sensitivity analysis is of limited predictive value. As a result, ProLogis' ultimate realized gains or losses with respect to interest rate and foreign currency exchange rate fluctuations will depend on the exposures that arise during a future period, hedging strategies at the time, and the prevailing interest and foreign currency exchange rates.

### Interest Rate Risk

ProLogis' interest rate risk management objective is to limit the impact of interest rate changes on earnings and cash flows. To achieve its objective, ProLogis primarily borrows on a fixed rate basis. Therefore, ProLogis' primary interest rate risk is created by its variable rate lines of credit. Although ProLogis has no interest rate derivatives outstanding as of December 31, 2001, ProLogis has in the past and may in the future, utilize derivative instruments as hedges in anticipation of future debt transactions to manage its interest rate exposure.

During the year ended December 31, 2001, ProLogis had weighted average outstanding borrowings of \$314.6 million on its variable rate lines of credit. Based on the results of the sensitivity analysis, which assumed a 10% adverse change in interest rates, the estimated market risk exposure for interest rate-related financial instruments was approximately \$1.6 million on both future earnings and cash flow for the year ended December 31, 2001. The sensitivity analysis was based on the weighted average outstanding variable rate borrowings for 2001 and assumed a flat yield curve.

### Foreign Currency Risk

ProLogis uses foreign currency forward and option contracts to manage foreign currency exchange rate risk related to projected net operating income (operating income net of foreign denominated interest expense) from foreign entities. In addition, ProLogis incurs foreign currency risk related to third-party and intercompany loans of its foreign consolidated subsidiaries that are not denominated in the functional currency of the entity. The remeasurement of these loans results in foreign currency exchange gains or losses that are recognized by ProLogis. However, ProLogis does not incur an actual cash gain or loss until the loans are repaid. ProLogis' exposure to foreign currency exchange rates exists with the following currencies versus the U.S. dollar: euro, British pound sterling, Swedish krona and Japanese yen. Based on the results of a sensitivity analysis, which assumed a 10% adverse change in foreign currency exchange rates, the estimated 2001 year-end market risk exposure to future earnings related to these loans was \$65.6 million.

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ProLogis translates the income and expenses of its consolidated foreign subsidiaries and its share of the income recognized under the equity method from its unconsolidated entities. ProLogis hedges the foreign currency risk associated with approximately 75% of the net income from its consolidated and unconsolidated entities through foreign currency put option contracts. ProLogis' sensitivity analysis, which assumed a 10% adverse change in foreign currency exchange rates, estimated the 2001 year-end market risk exposure to future earnings of ProLogis was \$2.1 million. The effect of the assumed adverse change in foreign currency exchange rates on translated income and expenses of ProLogis' consolidated and unconsolidated entities has a high degree of inverse correlation with the derivative instruments used to hedge it. However, since ProLogis hedges approximately 75% of its projected net income from foreign entities, approximately 25% of the impact to total net income from its foreign entities of an adverse movement in foreign exchange rates would not be offset by derivative instruments.

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### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

ProLogis Consolidated Balance Sheets as of December 31, 2001 and 2000, its Consolidated Statements of Earnings, Shareholders' Equity and Comprehensive Income and Cash Flows for each of the three years in the period ended December 31, 2001, Notes to Consolidated Financial Statements and Schedule III -- Real Estate and Accumulated Depreciation, together with the report of Arthur Andersen LLP, independent public accountants, are included under Item 14 of this report and are incorporated herein by reference. Selected quarterly financial data is presented in Note 14 of Notes to Consolidated Financial Statements.

### ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE MATTERS

Not applicable.

## PART III

### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

#### TRUSTEES AND OFFICERS

For information regarding ProLogis' executive officers and Trustees, see "Item 1. Business -- ProLogis Management -- Executive Officers and Trustees" and "-- Senior Officers." Security Capital has the right to nominate up to three Trustees, depending on its level of beneficial ownership of Common Shares. See "Item 13. Certain Relationships and Transactions -- Amended and Restated Investor Agreement." Messrs. Blankenship and Wattles are the nominees of Security Capital. The Declaration of Trust requires that a majority of the Trustees not be officers or employees of ProLogis.

### SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires ProLogis' Trustees and officers and beneficial owners of more than ten percent of the outstanding Common Shares to file reports of ownership and changes in ownership of the Common Shares with the Securities Exchange Commission and to send copies of those reports to ProLogis. Based solely on a review of those reports and amendments thereto furnished to ProLogis and on written representations of certain of such persons that they were not required to file certain of those reports, ProLogis believes that no such person failed to file any such report on a timely basis during 2001, except that K. Dane Brooksher filed one late report with respect to one transaction.

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ITEM 11. EXECUTIVE COMPENSATION

EXECUTIVE COMPENSATION

The following table presents the compensation for 2001, 2000 and 1999 of each of the Chairman and Chief Executive Officer, the Vice Chairman and the three other most highly compensated executive officers in 2001 (the "Named Executive Officers").

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION		OTHER ANNUAL COMPENSATION (\$)(1)
		SALARY (\$)	BONUS (\$)	
K. Dane Brooksher.....	2001	884,551 (6)	1,150,000	--
Chairman and	2000	500,000	1,000,000	--
Chief Executive Officer	1999	400,000	900,000	--
Irving F. Lyons, III.....	2001	425,000	625,000	--
Vice Chairman and	2000	400,000	550,000	--
Chief Investment	1999	350,000	550,000	--
Officer				
Walter C. Rakowich.....	2001	320,000	375,000	--
Managing Director and	2000	300,000	325,000	--
Chief Financial Officer	1999	300,000	300,000	101,370
John W. Seiple, Jr. ....	2001	320,000	375,000	--
President and	2000	300,000	325,000	--
Chief Operating Officer	1999	250,000	300,000	110,860
for North America				
Robert J. Watson.....	2001	306,640 (7)	325,000	--
President and Chief	2000	289,733 (7)	300,000	--
Operating Officer for	1999	277,177 (7)	275,000	158,971
Europe				

LONG-TERM COMPENSATION AWARDS

NAME AND PRINCIPAL POSITION	RESTRICTED SHARE AWARDS (\$)(2)	COMMON SHARES UNDERLYING OPTIONS (#)(3)	LTIP PAYOUT (\$)(4)	ALL OTHER COMPENSATION (\$)(5)
K. Dane Brooksher.....	--	168,483	860,400	20,940
Chairman and	3,726,875	174,529	934,500	16,645
Chief Executive Officer	--	162,700	--	15,743
Irving F. Lyons, III.....	--	110,161	505,485	20,652
Vice Chairman and	--	101,808	556,250	16,645
Chief Investment	--	97,620	--	15,743
Officer				
Walter C. Rakowich.....	--	45,360	209,723	13,229
Managing Director and	--	41,814	244,750	11,023
Chief Financial Officer	--	40,675	--	10,452
John W. Seiple, Jr. ....	--	45,360	209,723	13,229
President and	--	41,814	244,750	11,023



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Chief Operating Officer for North America	--	40,675	--	10,452
Robert J. Watson.....	--	45,360	209,723	14,392
President and Chief	--	41,814	222,500	12,086
Operating Officer for Europe	--	40,675	--	11,446

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- (1) Represents reimbursement of relocation costs.
  
- (2) Represents a restricted share award made in 2000 under the 1997 Long-Term Incentive Plan. This award is comprised of units which will vest 25% on each December 31, beginning December 31, 2004. This award does not receive dividend equivalent units under the 1997 Long-Term Incentive Plan. See "-- Special Equity Agreement" and "-- 1997 Long-Term Incentive Plan". Prior to settlement of the restricted share units, dividends will be paid with respect to the restricted share units. The dollar amount shown is approximately equal to the number of shares earned multiplied by the closing price of Common Shares as reported by the New York Stock Exchange on the date of grant (\$22.25 on December 31, 2000). The total number of shares, and the value, of restricted common shares held by Mr. Brooksher on December 31, 2001 (based on the closing price of Common Shares as reported on the New York Stock Exchange on December 31, 2001 (\$21.51)) is 167,500 shares (\$3,602,925).
  
- (3) The 1997 Long-Term Incentive Plan provides that participants who are awarded options in 2001, 2000, and 1999 will also receive dividend equivalent units with respect to the options awarded. See "-- 1997 Long-Term Incentive Plan".
  
- (4) Represents restricted shares earned under the Performance Program (see "-- Performance-Based Long-Term Retention Awards") on December 31, 2000 as follows: Mr. Brooksher -- 42,000 shares, Mr. Lyons -- 25,000 shares, Mr. Rakowich -- 11,000 shares, Mr. Seiple -- 11,000 shares and Mr. Watson -- 10,000 shares; and on December 31, 2001 as follows: Mr. Brooksher -- 40,000 shares, Mr. Lyons -- 23,500 shares, Mr. Rakowich -- 9,750 shares, Mr. Seiple -- 9,750 shares, and Mr. Watson -- 9,750 shares. The restricted shares vest with respect to 100% of the shares on December 31, 2002 and December 31, 2003, respectively. Prior to vesting, the restricted shares will receive dividend equivalent units in lieu of a cash dividend. See "-- 1997 Long-Term Incentive Plan". The dollar amount shown is approximately equal to the number of shares earned multiplied by the closing price of Common Shares as reported by the New York Stock Exchange on the date of grant, \$22.25 on December 31, 2000 and \$21.51 on December 31, 2001, respectively. The total number of shares, and the

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values, of restricted common shares held by each Named Executive Officer as of December 31, 2001 (based on the closing price of Common Shares as reported on the New York Stock Exchange on December 31, 2001 (\$21.51)) is as follows: Mr. Brooksher -- 82,000 shares (\$1,763,820), Mr. Lyons -- 48,500 shares (\$1,043,235), Mr. Rakowich -- 20,750 shares (\$446,333). Mr. Seiple -- 20,750 shares (\$446,333), and Mr. Watson -- 19,750 shares (\$424,823).

- (5) Includes contributions made by ProLogis in 2001, 2000, and 1999 under its 401(k) Plan to Mr. Brooksher of \$5,100 in 2001, \$5,100 in 2000, and \$4,800 in 1999; Mr. Lyons of \$5,100 in 2001, \$5,100 in 2000, and \$4,800 in 1999; Mr. Rakowich of \$5,100 in 2001, \$5,100 in 2000, and \$4,800 in 1999; Mr. Seiple of \$5,100 in 2001, \$5,100 in 2000, and \$4,800 in 1999; Mr. Watson of

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\$5,100 in 2001, \$5,100 in 2000, and \$4,800 in 1999. Beginning in 1998, ProLogis has matched up to 50% of the first 6% of compensation contributed by the employee under the 401(k) Plan. Also includes the dollar value of insurance premiums paid by ProLogis with respect to term life insurance for the benefit of the Named Executive Officer as follows: Mr. Brooksher \$1,920 in 2001, \$225 in 2000 and \$270 in 1999; Mr. Lyons \$1,632 in 2001, \$225 in 2000 and \$270 in 1999; Mr. Rakowich \$1,142 in 2001, \$225 in 2000, and \$270 in 1999; Mr. Seiple \$1,142 in 2001, \$225 in 2000, and \$270 in 1999; Mr. Watson \$928 in 2001, \$179 in 2000, and \$222 in 1999. Includes the dollar value of insurance premiums paid by ProLogis with respect to life insurance for the benefit of the Named Executive Officer as follows: Mr. Brooksher \$54 in 2001, \$75 in 2000, and \$90 in 1999; Mr. Lyons \$54 in 2001, \$75 in 2000, and \$90 in 1999; Mr. Rakowich of \$54 in 2001, \$75 in 2000, and \$90 in 1999; Mr. Seiple of \$54 in 2001, \$75 in 2000, and \$90 in 1999; Mr. Watson of \$45 in 2001, \$60 in 2000, and \$74 in 1999. Also includes imputed interest income, if any, deemed incurred on loans from ProLogis having an interest rate lower than the rate mandated by the Internal Revenue Service. Mr. Brooksher received imputed interest payments of \$13,866 in 2001, \$11,245 in 2000, and \$10,583 in 1999. Mr. Lyons received imputed interest payments of \$13,866 in 2001, \$11,245 in 2000, and \$10,583 in 1999. Mr. Rakowich received imputed interest payments of \$6,933 in 2001, \$5,623 in 2000, and \$5,292 in 1999. Mr. Seiple received imputed interest payments of \$6,933 in 2001, \$5,623 in 2000, and \$5,292 in 1999. Mr. Watson received imputed interest payments of \$8,319 in 2001, \$6,747 in 2000, and \$6,350 in 1999.

- (6) Includes dividend payments made to Mr. Brooksher on his restricted share award (See "-- Special Equity Agreement") equal to the amount of ProLogis' quarterly dividend multiplied by the number of outstanding restricted share units on each applicable record date for the applicable dividend. The total amount received by Mr. Brooksher for 2001 was \$234,551.
- (7) Includes amounts paid as salary to offset additional tax charges resulting from Mr. Watson's residence in The Netherlands.

### Option Grants in 2001

The following table sets forth certain information with respect to individual grants of options during 2001 to each of the Named Executive Officers.

INDIVIDUAL OPTION GRANTS						
NAME	COMMON SHARES UNDERLYING OPTIONS GRANTED (#) (1)	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN 2001 (2)	EXERCISE OR BASE PRICE (\$/SHARE)	EXPIRATION DATE	GRANT DATE PRESENT	VALUE (\$) (3)
K. Dane Brooksher.....	168,483	9.35%	\$20.675	(4)		403,315
Irving F. Lyons, III.....	110,161	6.11%	\$20.675	(4)		263,703
Walter C. Rakowich.....	45,360	2.52%	\$20.675	(4)		108,583
John W. Seiple, Jr. ....	45,360	2.52%	\$20.675	(4)		108,583
Robert J. Watson.....	45,360	2.52%	\$20.675	(5)		108,583

- (1) All of the options granted to the Named Executive Officers in 2001 earn dividend equivalent units. See "1997 Long-Term Incentive Plan".

- (2) Percentages include options sold to preferred stock subsidiaries, Kingspark Holding S.A., ProLogis Logistics Services Incorporated and Frigoscandia S.A.
- (3) The amounts shown are based on the Black-Scholes option pricing model. The material assumptions incorporated in the Black-Scholes model in estimating the value of the options include the following: an expected option life of 6.25 years; a risk-free interest rate of 4.65%; an expected dividend yield of 6.19%; and expected volatility of 21.07%. The actual value, if any, an optionee will realize upon exercise of an option will depend on the excess of the market value of the Common Shares over the exercise price on the date the option is exercised. There can be no assurance that the value realized by an optionee will be at or near the value estimated by using the Black-Scholes model. The valuation and assumptions referenced in the foregoing do not include the valuation of dividend equivalent units.
- (4) The options vest 25% on the first anniversary of the date of grant and an additional 25% on each of the second, third, and fourth anniversaries of the date of grant. However, such options may be exercised earlier in the event of the optionee's retirement, disability or death, or upon termination of an optionee's employment due to a change of control (as defined in the 1997 Long-Term Incentive Plan) of ProLogis. Options expire on September 19, 2011.
- (5) The options vest 100% on the fourth anniversary of the date of grant. However, such options may be exercised earlier in the event of the optionee's retirement, disability or death, or upon termination of an optionee's employment due to a change of control (as defined in the 1997 Long-Term Incentive Plan) of ProLogis. Options expire on September 19, 2011.

Performance-Based Long-Term Retention Awards

In 1999, ProLogis instituted a Performance-Based Long-Term Retention Program (the "Performance Program") under the 1997 Long-Term Incentive Plan (the "1997 LTIP"). The Performance Program rewards the Named Executive Officers and certain other officers of ProLogis with restricted Common Shares if specified goals are met. In the opinion of the Compensation Committee, it is critical to the long-term success of ProLogis that its executives be rewarded for outstanding performance with long-term incentives that foster employee retention and have ascertainable value.

The following table summarizes each award to the Named Executive Officers of restricted shares that are subject to performance-based conditions, in addition to the lapse of time and continued employment with ProLogis.

NAME	AWARDS GRANTED IN 2001 FOR THE PERFORMANCE PERIOD BEGINNING JANUARY 1, 2002 AND ENDING DECEMBER 31, 2002	
	NUMBER OF SHARES, UNITS OR OTHER RIGHTS(1)	PERFORMANCE OR OTHER PERIOD UNTIL MATURATION OR PAYOUT
K. Dane Brooksher.....	62,877	(1)
Irving F. Lyons, III.....	41,112	(1)
Walter C. Rakowich.....	16,928	(1)
John W. Seiple, Jr. ....	16,928	(1)

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Robert J. Watson..... 16,928 (1)

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(1) Units awarded represent restricted Common Shares which will be issued to the executive if the performance criteria are met at the end of the performance period. A greater or lesser number of shares may be awarded at the discretion of the Compensation Committee to the extent the executive exceeds or fails to meet the applicable performance criteria. Once restricted Common Shares are issued, such shares will not vest until the second anniversary of the end of the performance period, subject to accelerated vesting upon a change in control (as defined in the 1997 LTIP) of ProLogis. Such awards will be forfeited by the executive if the executive leaves the employ of ProLogis prior to vesting. The performance criteria with respect to each Named Executive Officer is established by the Compensation Committee and is based on ProLogis' performance in relation to two weighted performance measures.

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The first measure, weighted 75%, consists of specified levels of funds from operations ("FFO") per share and return on invested capital attained by ProLogis during 2002. The second measure, weighted 25%, generally consists of various objective and subjective criteria applicable to the executive's area of responsibility.

Option Exercises in 2001 and Year-End Option Values

None of the Named Executive Officers exercised options for Common Shares or shares of Security Capital Common Stock in 2001. The following table sets forth certain information as to the year-end value of unexercised options owned by those executive officers.

PROLOGIS COMMON SHARES				
NAME	SECURITIES UNDERLYING UNEXERCISED OPTIONS AT YEAR-END (#)		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT YEAR-END (\$) (1)	
	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
K. Dane Brooksher.....	428,813	482,003	357,557	416,331
Irving F. Lyons, III...	347,644	326,452	246,248	267,944
Walter C. Rakowich.....	135,220	131,865	92,423	107,797
John W. Seiple, Jr. ...	135,220	131,865	92,423	107,797
Robert J. Watson.....	--	297,787	--	210,643

SHARES OF SECURITY CAPITAL CLASS A COMMON SHARES				
NAME	SECURITIES UNDERLYING UNEXERCISED OPTIONS AT YEAR-END (#)		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT YEAR-END (\$) (2)	
	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
K. Dane Brooksher.....	6,165	117	3,824,938	--

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Irving F. Lyons, III...	1,385	101	215,626	--
Walter C. Rakowich.....	1,212	116	346,649	43,854
John W. Seiple, Jr. ...	1,126	52	226,736	--
Robert J. Watson.....	3,011	98	1,736,602	34,999

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- (1) Based on the December 31, 2001, NYSE closing price of \$21.51 per Common Share.
  
- (2) Based on the December 31, 2001, NYSE closing price of \$1,266.70 per Class A Common Share.

### Employment Contracts, Termination of Employment and Change-in-Control Arrangements

ProLogis has no employment contracts with any Named Executive Officer and, except as described below, no plans or arrangements by which any such Named Executive Officer will be compensated as a result of his resignation or retirement or any other termination of his employment with ProLogis or in connection with a change in control of ProLogis, except that in the event a "Change in Control," as such term is defined in either the 1997 LTIP or the Outside Trustees Plan, occurs, options to purchase Common Shares granted under either of the plans become immediately exercisable and restrictions on purchased Common Shares lapse.

ProLogis has entered into agreements with 13 of its officers. The agreements provide that if a change in control (as described below) occurs and the officer is thereafter terminated, other than for cause, or as a result of the officer's death or disability, or if the officer resigns as the result of, among other matters, a material adverse change in the nature or scope of the officer's duties, authority or compensation and such termination or action is taken within a period of twenty-four months, then the officer will be entitled to receive a lump-sum payment, depending upon the officer's level of responsibility with ProLogis. A "change in control" is defined as the happening of any of the following:

- the consummation of a transaction (other than a transaction with an affiliate), approved by ProLogis' shareholders, relating to a merger, consolidation, sale or disposition of all or substantially all of ProLogis' assets or the adoption of a plan of liquidation, as a result of which 50% or more of the voting power of ProLogis is held by persons who were not ProLogis shareholders prior to the transaction;
  
- the beneficial ownership of 50% or more of the combined voting power of ProLogis is acquired by any person or entity other than Security Capital or any of its affiliates;
  
- at any time during any period of two consecutive years, individuals who at the beginning of such period were members of ProLogis' Board of Trustees cease for any reason to constitute at least a majority of the Board (unless the election, or the nomination for election by ProLogis' shareholders, of each new Trustee was approved by a vote of at least two-thirds of the Trustees

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still in office at the time of such election or nomination who were trustees at the beginning of such period); or

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- Security Capital or any of its affiliates, in a single transaction or in a related series of transactions, transfers all or portion of its interests in ProLogis to a person or entity that is not an affiliate of Security Capital.

For the two most senior Named Executive Officers, the severance payment would be equal to three times the sum of the officer's base salary and target bonus. For the other Named Executive Officers and Jeffrey H. Schwartz, the severance payment would be equal to two times the sum of the officer's base salary and target bonus and for the remaining seven officers, the severance payment would be equal to the sum of the officer's base salary and target bonus.

The following table sets forth the lump-sum amount that each of the Named Executive Officers, and each of the other officers of ProLogis as a group, would have been entitled to receive had a change in control occurred at December 31, 2001 and the Named Executive Officer been terminated as of that date:

NAME ----	AMOUNT -----
K. Dane Brooksher.....	\$ 5,400,000
Irving F. Lyons, III .....	3,150,000
Walter C. Rakowich.....	1,390,000
John W. Seiple, Jr. ....	1,390,000
Robert J. Watson.....	1,290,000
Other officers as a group (8 persons) (1).....	3,980,000
	-----
TOTAL.....	\$16,600,000
	=====

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(1) Includes the information for Mr. Schwartz based on his salary and target bonus as of March 18, 2002, the date on which his employment with ProLogis commenced.

In addition to the foregoing lump-sum payments, the officers would be entitled to continue to receive medical insurance and life insurance coverage for 36 months (in the case of Messrs. Brooksher and Lyons), 24 months (in the case of Messrs. Rakowich, Seiple, Watson and Schwartz) or 12 months (in the case of the other officers) after the date of termination.

Each officer will also receive an amount equal to the officer's pro-rated salary and target bonus for the year of termination and, if Messrs. Brooksher, Lyons, Rakowich, Seiple, Watson or Schwartz is subject to the federal excise tax on "excess parachute payments," he will receive a payment sufficient to make him whole for that tax.

Special Equity Agreement

In December 2000, ProLogis and Mr. Brooksher entered into a Special Equity Agreement. Pursuant to the agreement, the parties agreed that Mr. Brooksher would continue his employment with ProLogis through December 31, 2003. In connection with the agreement, ProLogis agreed that the expiration date of each existing option held by Mr. Brooksher under the 1997 LTIP shall be no later than the fifth anniversary of the first to occur of Mr. Brooksher's retirement, disability or death but in no event later than the tenth anniversary of the date on which the option was granted. ProLogis further agreed that the expiration

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date of each option granted in the future to Mr. Brooksher under the 1997 LTIP shall be no later than the fifth anniversary of the first to occur of Mr. Brooksher's retirement, disability, or death but in no event later than the tenth anniversary of the date on which the option was granted. Notwithstanding the foregoing, any dividend equivalent units granted with respect to options granted to or held by Mr. Brooksher will not be credited after the first anniversary of the first to occur of Mr. Brooksher's retirement, disability or death.

Pursuant to the Special Equity Agreement, ProLogis also agreed to grant Mr. Brooksher on December 31, 2000, 167,500 restricted share units under the 1997 LTIP. The restricted share units granted to

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Mr. Brooksher will vest in equal installments on December 31, 2004, 2005, 2006, and 2007, subject to earlier vesting upon a change in control (as defined in the 1997 LTIP). Prior to settlement of the restricted share units, dividends will be paid with respect to the restricted share units. The restricted share units will be settled in Common Shares.

### 1997 LONG-TERM INCENTIVE PLAN

#### General

The number of Common Shares which may be awarded under the 1997 LTIP may not exceed 14,600,000 Common Shares in the aggregate (190,000 of which are allocated to the 401(k) Plan) and no individual may be granted awards with respect to more than 500,000 Common Shares in any one-year period. At its 2002 annual meeting of shareholders, ProLogis intends to submit for shareholder approval, a proposal to increase by 8,000,000 the number of shares available under the 1997 LTIP. Common Shares issued under the 1997 LTIP may be authorized and unissued shares, or treasury shares. In the event of certain transactions affecting the type or number of outstanding shares, the number of shares subject to the 1997 LTIP, the number or type of shares subject to outstanding awards and the exercise price thereof will be appropriately adjusted. The 1997 LTIP authorizes the establishment of one or more option programs and share purchase programs and authorizes the award of share grants (any of which may be subject to restrictions). All employees of ProLogis or any of its affiliates are eligible to participate in the 1997 LTIP. The Compensation Committee administers the 1997 LTIP.

Subject to the terms of the 1997 LTIP, the Compensation Committee determines which employees shall be eligible to receive awards under the 1997 LTIP, and the amount, price, timing and other terms and conditions applicable to such awards. Non-employee trustees of ProLogis are not eligible to participate in the 1997 LTIP. Options awarded under the 1997 LTIP may be either incentive share options which are intended to satisfy the requirements of Section 422 of the Code or non-qualified share options which are not intended to satisfy Section 422 of the Code. Options become exercisable in accordance with the terms established by the Compensation Committee, which may include conditions relating to completion of a specified period of service or achievement of performance standards or such other criteria as the Compensation Committee deems appropriate.

Options expire on the date determined by the Compensation Committee which shall not be later than the earliest to occur of (i) the tenth anniversary of the grant date, (ii) the first anniversary of the participant's termination of employment by reason of death, disability or retirement, (iii) the three month anniversary of the participant's termination of employment for reasons other than retirement, death, disability or cause or (iv) on the participant's date of

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termination for cause. Shares transferred to a participant pursuant to the exercise of an option may be subject to such additional restrictions or limitations as the Compensation Committee may determine. The 1997 LTIP provides generally that participants who are awarded options will also receive dividend equivalent units with respect to the options. The dividend equivalent units are subject to the same vesting schedule as the options. Beginning on December 16, 2000, dividend equivalent units were payable when the underlying options are exercised or upon 100% vesting of the underlying option, unless the participant elected to defer receipt. Effective March 16, 2000, each participant will be credited with dividend equivalent units at the end of each calendar year in an amount equal to (i) the annual dividend for such calendar year, multiplied by (ii) the number of Common Shares underlying the Participant's outstanding options that were granted with dividend equivalent units and divided by (iii) the average Common Share price for the year. Each dividend equivalent unit also accumulates additional dividend equivalent units on an annual basis. All dividend equivalent units are paid in the form of Common Shares at the rate of one Common Share per dividend equivalent unit.

### Share Purchase Program

The 1997 LTIP provides that the Compensation Committee may allow participants to purchase shares, the purchase and distribution of which is subject to the satisfaction of conditions established by the

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Compensation Committee. The number of shares and the conditions will be established by the Compensation Committee at the time the award is made.

### Restricted Share Units

The Compensation Committee also may award restricted share units. Each restricted share unit awarded represents an interest in one Common Share as of the date of the award. Outstanding restricted share units are generally awarded dividend equivalent units at the end of each year. Effective March 16, 2000, each recipient will be credited with dividend equivalent units at the end of each calendar year in an amount equal to (i) the annual dividend for such calendar year, multiplied by (ii) the number of Common Shares underlying the recipient's outstanding award that were granted with dividend equivalent units and divided by (iii) the average Common Share price for the year. Each dividend equivalent unit also accumulates additional dividend equivalent units on an annual basis. All dividend equivalent units are paid in the form of Common Shares at the rate of one Common Share per dividend equivalent unit. Unless determined otherwise by the Compensation Committee, the restricted share units together with the applicable dividend equivalent units vest in equal portions on each of the first four anniversaries of the award of the restricted share units so long as the recipient remains an employee of ProLogis or one of its affiliates. See "Special Equity Agreement" for a discussion of restricted share units granted to Mr. Brooksher.

### Share Awards

The 1997 LTIP provides that the Compensation Committee may award participants shares, the distribution of which is subject to achievement of conditions established by the Compensation Committee, such as performance objectives or continued employment. The number of shares and the conditions shall be established by the Compensation Committee at the time the award is made, provided that any performance period shall be at least one year. The Compensation Committee may, at its discretion, award dividend equivalent units with share awards.



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### Non-Qualified Options

The Compensation Committee may grant non-qualified options to acquire Common Shares. The Named Executive Officers, certain other officers and employees of ProLogis have been granted options to purchase Common Shares at the average of the highest and lowest sales price of Common Shares on the date such options were granted. All options expire ten years after the date of grant. On October 15, 1998, the Compensation Committee approved a new vesting schedule of 25% on the first anniversary of the grant date and an additional 25% on each of the second, third, and fourth anniversaries of the date of grant, except the options granted to U.S. participants based in The Netherlands, which vest 100% on the fourth anniversary of the date of grant. The options expire ten years after the date of grant. The participants have no rights as shareholders with respect to the shares subject to his or her options until the option is exercised. No income will be recognized by a participant at the time the options or the dividend equivalent units are granted. The exercise of a non-qualified stock option is generally a taxable event that requires the participant to recognize, as ordinary income, the difference between the fair market value of the shares at the time of exercise and the exercise price. Receipt of a dividend equivalent unit by the participant is generally a taxable event that requires the participant to recognize, as ordinary income, the fair market value of the shares at the time of receipt. ProLogis ordinarily will be entitled to claim a federal income tax deduction on account of the exercise of a non-qualified option and payment of dividend equivalent units. The amount of the deduction is equal to the ordinary income recognized by a participant. ProLogis has adopted the provisions of Statement of Financial Accounting Standards No. 123 "Accounting for Stock Based Compensation." Under the provisions of this statement, ProLogis will continue to account for its share options under the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations.

### TRUSTEE COMPENSATION

ProLogis pays an annual retainer of \$25,000 to Trustees who were not officers of ProLogis or employees of Security Capital ("Outside Trustees"). These fees are paid to the Outside Trustees in Common Shares

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(quarterly on each dividend payment date) based on the then current market price of the Common Shares pursuant to the pricing of the ProLogis' Dividend Reinvestment and Share Purchase Plan (the "DRPP"). Outside Trustees also receive \$1,000 for each Board meeting attended, which is also paid in Common Shares. Members of the Investment Committee who are Outside Trustees receive an additional annual retainer of \$4,000 and members of the Audit, Compensation, and Governance Committees who are Outside Trustees receive an additional annual retainer of \$2,000, all of which retainers are paid in Common Shares. Unless payment is deferred at the option of the Outside Trustee, both the retainer and meeting fees payable to Outside Trustees are paid directly into the DRPP on behalf of the Outside Trustees as optional cash payments, and the Common Shares purchased remain in the DRPP. These Common Shares may not be sold or otherwise transferred so long as the Outside Trustee remains a Trustee. The Board may grant an individual Outside Trustee a waiver of the requirement that Outside Trustees' fees be used to purchase Common Shares or that such Common Shares be held so long as the Outside Trustee remains a Trustee.

Each Outside Trustee may defer the payment of fees from the date such fees were originally to be received for a minimum of two years or for so long as the Outside Trustee remains a Trustee. During the period of deferral, ProLogis credits the Outside Trustee with fees designated for payment and dividends which would have been paid on the Common Shares previously credited as fees. However, no payment is actually made, nor are any Common Shares or funds actually set

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aside until the deferral period concludes.

Outside Trustees are reimbursed for any out-of-town travel expenses incurred in connection with attendance at Board meetings.

### OUTSIDE TRUSTEES PLAN

During 2001, ProLogis made awards to its Outside Trustees under the ProLogis Share Option Plan for Outside Trustees and the ProLogis 2000 Share Option Plan for Outside Trustees (the "Outside Trustee Plans"). A total of 500,000 Common Shares are authorized for issuance under the Outside Trustee Plans. Effective in 1999, on the date of each annual meeting of shareholders of ProLogis each Outside Trustee will be granted an option to purchase 5,000 Common Shares at an exercise price equal to the closing price of the Common Shares on the New York Stock Exchange ("NYSE") on the date of grant. The options vest at the rate of 25% per year on each anniversary of the date of the award for the four succeeding years after the award. In the event of changes in the outstanding Common Shares, the administrator may make appropriate adjustments to the aggregate number of Common Shares available under the Outside Trustee Plans and the terms of the options for Common Shares subject to the Outside Trustee Plans. The Secretary of ProLogis administers the Outside Trustee Plans.

Also beginning in 1999, the Outside Trustees receive dividend equivalent units with respect to the options awarded. Beginning on March 16, 2000, each Outside Trustee was credited with dividend equivalent units at the end of each calendar year in an amount equal to (i) the annual dividend for such calendar year, multiplied by (ii) the number of Common Shares underlying the outstanding option and divided by (iii) the average share price for such calendar year. Each dividend equivalent unit accumulates additional dividend equivalent units. All dividend equivalent units are paid in Common Shares at a rate of one Common Share per dividend equivalent unit. The dividend equivalent units are subject to the same vesting schedule as the underlying options. Beginning on December 16, 2000, dividend equivalent units were payable when the underlying options are exercised or upon 100% vesting of the underlying option.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding ownership of Common Shares as of April 3, 2002, by (i) each person known to ProLogis to have been the beneficial owner of more than five percent of the outstanding Common Shares on such date, (ii) each Trustee, (iii) the Named Executive Officers and Jeffrey H. Schwartz, who was appointed President & Chief Operating Officer -- Asia on March 18, 2002, and (iv) all Trustees and executive officers as a group. Unless otherwise indicated in the footnotes, all of such interests are owned directly and the indicated person or entity has sole voting and dispositive power. The following table assumes that, for the purpose of calculating the number and percent of Common Shares beneficially owned by

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a person all options or other convertible or exchangeable securities held by that person which are exercisable within 60 days have been exercised, but that no options or convertible or exchangeable securities held by other persons have been exercised, converted or exchanged. Fractional Common Shares have been rounded to the nearest whole Common Share in the table below.

NAME AND ADDRESS OF BENEFICIAL OWNER	NUMBER OF COMMON SHARES BENEFICIALLY OWNED	PERCENT OF COMMON SHARES
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Security Capital Group Incorporated..... 125 Lincoln Avenue Santa Fe, New Mexico 87501	49,903,814 (1)	28.12%
Cohen & Steers Capital Management, Inc. .... 757 Third Avenue New York, New York 10017	12,096,020 (2)	6.81%
Stichting Pensioenfonds ABP..... Oude Lindestraat, Postbus 2889 6401 DL Heerlen The Netherlands	10,656,400 (3)	6.00%
C. Ronald Blankenship..... 125 Lincoln Avenue Santa Fe, New Mexico 87501	936	*
K. Dane Brooksher..... 14100 East 35th Place Aurora, Colorado 80011	688,502 (4)	*
Stephen L. Feinberg..... 4855 North Mesa, Suite 120 El Paso, Texas 79912	303,449 (5)	*
George L. Fotiades..... 645 Martinsville Road Basking Ridge, New Jersey 07920	5,000	
Donald P. Jacobs..... J.L. Kellogg Graduate School of Management Northwestern University 2001 Sheridan Road Evanston, Illinois 60208-2003	16,201 (6)	*
Irving F. Lyons, III..... 47775 Fremont Boulevard Fremont, California 94538	975,455 (7)	*
Walter C. Rakowich..... 14100 East 35th Place Aurora, Colorado 80011	228,146 (8)	*
Jeffrey H. Schwartz..... 207D Kelsey Lane Tampa, Florida 33619	398,961 (9)	*
John W. Seiple, Jr. .... 14100 East 35th Place Aurora, Colorado 80011	236,366 (10)	*
Kenneth N. Stensby..... 7112 Shannon Drive Edina, Minnesota 55439	37,329 (11)	*
J. Andre Teixeira..... Petrovski Boulevard 13, Office 10 113035 Moscow Russia 7-095-2000771	11,649 (12)	*

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NAME AND ADDRESS OF BENEFICIAL OWNER	NUMBER OF COMMON SHARES BENEFICIALLY OWNED	PERCENT OF COMMON SHARES
Robert J. Watson..... Capronilaan 25-27	66,663 (13)	*

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1119 NP Schiphol -- Rijk Amsterdam, The Netherlands		
Thomas G. Wattles.....	26,874 (14)	*
125 Lincoln Avenue Santa Fe, New Mexico 87501		
William D. Zollars.....	0	*
10990 Roe Avenue Overland Park, Kansas 66211		
All trustees and executive officers as a group (14 persons).....	2,995,531	1.69%

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\* Less than 1%

- (1) These Common Shares are owned of record by Security Capital Warehouse Distribution Business Trust, an indirect subsidiary of Security Capital.
  
- (2) Information regarding beneficial ownership of Common Shares by Cohen & Steers Capital Management, Inc., is included herein in reliance on an amendment to Schedule 13G, filed with the Securities and Exchange Commission ("SEC") on February 13, 2002. Cohen & Steers Capital Management, Inc. has sole power to vote or to direct the vote with respect to 10,448,820 of the shares reported and has sole power to dispose or to direct the disposition with respect to all of the shares reported. Cohen & Steers Capital Management, Inc. has represented that the shares reported were acquired in the ordinary course of business and were not acquired for the purpose of and do not have the effect of changing or influencing the control of ProLogis and were not acquired in connection with or as a participant in any transaction having such purpose or effect.
  
- (3) Information regarding beneficial ownership of Common Shares by Stichting Pensioenfonds ABP, is included herein in reliance on a Schedule 13D, filed with the Securities and Exchange Commission ("SEC") on April 4, 2002. Stichting Pensioenfonds ABP has sole power to vote or to direct the vote with respect to all of the share reported and has sole power to dispose or to direct the disposition with respect to all of the shares reported.
  
- (4) Includes 1,439 Common Shares held by Mr. Brooksher's wife of which Mr. Brooksher disclaims beneficial ownership. Includes 478,035 Common Shares and associated dividend equivalent units that are issuable upon exercise of options and 55,317 Common Shares and associated dividend equivalent units that are issuable upon the conversion of restricted share units (see "Executive Compensation -- 1997 Long-Term Incentive Plan") all of which were granted under the 1997 Long-Term Incentive Plan. Includes 1,259 Common Shares held through ProLogis' 401(k) Savings Plan and Trust (the "401(k) Plan") and 19,561 Common Shares held through ProLogis' Non-Qualified Savings Plan.
  
- (5) Dorsar Partners, L.P. beneficially owns 109,102 Common Shares, SWD Partners L.P. beneficially owns 12,820 Common Shares and Dorsar Investment Company beneficially owns 55,000 Common Shares. As a result of his position with Dorsar Partners, L.P., SWD Partners L.P., and Dorsar Investment Company, Mr. Feinberg may be deemed to share voting and dispositive power with respect to Common Shares owned by these entities. A trust of which Mr. Feinberg is beneficiary owns 16,000 of these Common Shares and another trust of which Mr. Feinberg is trustee and of which a relative of Mr. Feinberg is the beneficiary owns an additional 16,000 of these Common Shares. Includes 10,963 Common Shares and associated dividend equivalent units that are issuable upon the exercise of options granted under the Outside Trustees Plan. See "Executive Compensation -- Outside Trustees

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Plan".

- (6) Includes 300 Common Shares held in a trust for the benefit of Mr. Jacobs' children and 10,963 Common Shares and associated dividend equivalent units that are issuable upon the exercise of options granted under the Outside Trustees Plan.

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- (7) A trust of which Mr. Lyons is the trustee and of which Mr. Lyons and members of his family are beneficiaries own 8,039 of these Common Shares and 348 Common Shares are owned by Mr. Lyons' daughters. Includes 384,398 Common Shares and associated dividend equivalent units issuable upon the exercise of options and 46,098 Common Shares and associated dividend equivalent units that are issuable upon the conversion of restricted share units all of which were granted under the 1997 Long-Term Incentive Plan. A total of 437,688 Common Shares are issuable upon exchange of units in ProLogis Limited Partnership -- I. Mr. Lyons is a partner of certain limited partners of such partnership. By virtue of such position, Mr. Lyons may be deemed to beneficially own these Common Shares. Includes 1,121 Common Shares held through the 401(k) Plan.
- (8) Includes 549 Common Shares held in a family trust of which Mr. Rakowich is beneficiary and 504 Common Shares in a trust of which Mr. Rakowich is trustee as to which Mr. Rakowich disclaims beneficial ownership. Includes 872 Common Shares held by Mr. Rakowich's children, 146,529 Common Shares and associated dividend equivalent units issuable upon the exercise of options and 25,174 Common Shares and associated dividend equivalent units issuable upon the conversion of restricted share units all of which were granted under the 1997 Long-Term Incentive Plan. Includes 1,261 Common Shares held through the 401(k) Plan.
- (9) Includes 78,678 Common Shares issuable upon exchange of units in ProLogis Limited Partnership -- III and 49,587 Common Shares issuable upon exchange of units in ProLogis Limited Partnership -- IV. Mr. Schwartz is a partner of certain limited partners of such partnerships. By virtue of such position, Mr. Schwartz may be deemed to beneficially own these Common Shares. Includes 175,300 Common Shares and associated dividend equivalent units issuable upon the exercise of options and 36,878 Common Shares and associated dividend equivalent units that are issuable upon the conversion of restricted share units all of which were granted under the 1997 Long-Term Incentive Plan. Includes 767 Common Shares held through the 401(k) Plan.
- (10) Includes 959 Common Shares held by Mr. Seiple's children. Includes 146,529 Common Shares and associated dividend equivalent units issuable upon the exercise of options and 36,878 Common Shares and associated dividend units issuable upon the conversion of restricted share units all of which were granted under the 1997 Long-Term Incentive Plan. Includes 1,154 Common Shares held through the 401(k) Plan.
- (11) Includes 27,504 Common Shares that are issuable upon exercise of options granted under the Meridian Industrial Trust, Inc. ("Meridian") Employee and Director Incentive Stock Plan and 6,963 Common Shares and associated dividend equivalent units that are issuable upon the exercise of options granted under the Outside Trustees Plan.
- (12) Includes 6,963 Common Shares and associated dividend equivalent units that are issuable upon the exercise of options granted under the Outside Trustees Plan.

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- (13) Includes 866 Common Shares held in trust accounts for Mr. Watson's children, 1,150 Common Shares held by the estate of Mr. Watson's late father, and 433 Common Shares held by Mr. Watson's wife. Includes 1,270 Common Shares held through the 401(k) Plan.
- (14) Includes 8,040 Common Shares held by Mr. Wattles' IRA and 2,574 Common Shares held by Mr. Wattles' children.

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

#### AMENDED AND RESTATED INVESTOR AGREEMENT

ProLogis and Security Capital are parties to a Third Amended and Restated Investor Agreement, dated as of September 9, 1997 (the "Investor Agreement"). Pursuant to the Investor Agreement, Security Capital has the right, so long as it owns between 10% and 25% of the Common Shares, to nominate one person to the Board. So long as Security Capital owns 25% or more of the Common Shares, Security Capital will be entitled to nominate a proportionate number of persons to the Board subject to a maximum of three nominees if the size of the Board does not increase above the current size of ten Trustees. In addition, ProLogis is required to consult with Security Capital's nominees to the Board prior to taking any action with respect to the following:

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(i) finalization of the annual budget and substantial deviations therefrom; (ii) the acquisition or sale of assets in a single transaction or group of related transactions where the price exceeds \$25 million; (iii) any contract for investment, property management or leasing services; and (iv) any service contract providing for payments in excess of \$1.0 million. ProLogis has no obligation to follow the advice of Security Capital with respect to the foregoing matters.

Under the Investor Agreement, so long as it owns at least 25% of the Common Shares, Security Capital also has the right of prior approval with respect to the following matters: (i) the issuance of equity securities or securities convertible into equity securities (other than issuances in connection with option, dividend reinvestment and similar plans) for less than the fair market value of such securities; (ii) the issuance of any preferred shares which would result in the Fixed Charge Coverage Ratio (as defined therein) being less than 1.4 to 1.0; (iii) adopting any employee benefit plans under which Common Shares may be issued; and (iv) the compensation of senior officers of ProLogis; (v) the incurrence of additional indebtedness which would result in the Interest Expense Coverage Ratio (as defined therein) being less than 2.0 to 1.0.

#### ADMINISTRATIVE SERVICES AGREEMENT

ProLogis and a subsidiary of Security Capital entered into an administrative services agreement (the "ASA"), pursuant to which Security Capital provides ProLogis with certain administrative and other services with respect to certain aspects of ProLogis' business, as selected from time to time by ProLogis at its option. These services include, but are not limited to, payroll and human resources, cash management, accounts payable, specified information systems support, research and insurance services. These services are provided in exchange for a fee based on negotiated rates for each service provided. Total fees incurred under the ASA were \$0.8 million in 2001. ProLogis began transitioning these functions from Security Capital during 2000 and ProLogis has assumed substantially all of the functions previously provided by Security Capital. The ASA expired on December 31, 2000. ProLogis believes that the terms and conditions of the administrative services agreement are as favorable as those that could have been obtained from unaffiliated third

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parties.

### FINANCIAL ADVISORY FEES

Macquarie Capital Partners LLC (formerly Security Capital Markets Group Incorporated), an affiliate of Security Capital, has provided us with financial advisory and investment banking services. During 2001, financial advisory fees were paid to Macquarie Capital Partners in three separate transactions, in which Macquarie Capital Partners provided financial advisory and investment banking services in connection with the formation of three separate joint ventures and the raising of over \$555 million of third party equity and debt by ProLogis and by entities in which ProLogis has an ownership interest. Macquarie Capital Partners received fees of \$1,707,910, \$1,240,000 and \$942,085 in connection with the transactions. In March 2002, ProLogis paid financial advisory fees to Macquarie Capital Partners LLC for a transaction in which Macquarie Capital Partners provided financial advisory and investment banking services in connection with the formation of a joint venture in which ProLogis has an ownership interest. Macquarie Capital Partners LLC received a fees of \$1,210,676 in connection with the transaction.

### PARTNERSHIP AFFILIATIONS

As part of its acquisition program of industrial distribution facilities, ProLogis has consummated certain transactions pursuant to which it contributed cash, and third party partnerships contributed a portfolio of facilities, to ProLogis Limited Partnership -- I. Irving F. Lyons, III, Vice Chairman, Chief Investment Officer and Trustee of ProLogis, is a partner in ProLogis Limited Partnership -- I, holding an indirect 2.9% limited partnership interest (which could increase to 3.3% if the partnership meets certain distribution levels) valued at \$8,906,323 based on the December 31, 2001 closing price of Common Shares. Mr. Lyons also owns minority interests in a substantial amount of undeveloped industrial land near ProLogis' industrial distribution parks in the San Francisco Bay Area. ProLogis has purchased options and rights of first refusal with respect to all sales of land and build-to-suit opportunities involving this property. The ProLogis Limited Partnership -- I transaction and the prices for such options (which are fixed or determined pursuant to formulas) were negotiated at arm's length prior to Mr. Lyons' affiliation with ProLogis.

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Additionally, Jeffrey H. Schwartz, President and Chief Operating Officer -- Asia of ProLogis, is a partner in ProLogis Limited Partnership -- III and ProLogis Limited Partnership -- IV, holding an indirect 4.57% limited partnership interest in ProLogis Limited Partnership -- III valued at \$1,692,357 and an indirect 1.09% limited partnership interest in ProLogis Limited Partnership -- IV valued at \$1,066,612, based on the December 31, 2001 closing price of Common Shares. The transactions in which Mr. Schwartz acquired his ownership interests were negotiated at arm's length prior to Mr. Schwartz's affiliation with ProLogis.

### PREFERRED STOCK SUBSIDIARIES

ProLogis has invested in the non-voting preferred stock of certain entities that have ownership interests in companies that produce income that is not REIT qualifying income under the Code. The voting common stock of these companies was held by four entities in which ProLogis did not have an ownership interest. ProLogis' largest shareholder, Security Capital, had a non-controlling ownership interest in two of these entities. During 2000, certain amendments to the Internal Revenue Code of 1986, as amended (the "Code"), were passed that were to be effective in January 2001. The Code, as amended in 2001, would allow for ProLogis to have a voting ownership interest in these entities; however, many of the states in which ProLogis operates had not amended their income tax laws

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governing REITs to coincide with the amendments made to the Code. For ProLogis to continue to qualify as a REIT under applicable state income tax laws, the non-voting preferred stock ownership structure had to continue after the Code amendments took effect in January 2001.

In anticipation of the changes in the Code, ProLogis began negotiating purchase agreements with the owners of the voting common stock in three of the entities. Rather than postpone the completion of these purchases pending changes to the state income tax laws governing REITs, the purchase of the voting common stock of each entity was completed with the voting interest in these entities acquired by Mr. K. Dane Brooksher, ProLogis' chairman and chief executive officer. The transactions through which Mr. Brooksher became an owner in these entities are further discussed below. The purchase of the voting common stock of one of the entities, ProLogis Development Services, was not completed until October 2001. As the state income tax laws governing REITs had been amended at that time, ProLogis directly acquired the voting common stock of this entity. ProLogis is currently evaluating the most effective manner in which it holds its investment in these entities as a result of the changes to applicable state income tax laws.

On January 5, 2001, a newly formed limited liability company, Kingspark LLC, of which Mr. Brooksher, ProLogis' chairman, is the voting member and ProLogis is the non-voting member, acquired the ordinary shares of Kingspark Holding S.A. (an entity in which ProLogis owns all of the non-voting preferred stock) from Kingspark Holdings LLC (a limited liability company in which unrelated third parties owned 100% of the voting interests and Security Capital owned 100% of the non-voting interests) for approximately \$8.1 million. The entire purchase price of \$8.1 million was funded by ProLogis either directly or through loans to Kingspark LLC or Mr. Brooksher. The ProLogis loan to Kingspark LLC was in the principal amount of \$7.3 million, is due January 5, 2006 and bears interest at an annual rate of 8%. ProLogis made a direct capital contribution to Kingspark LLC in the amount of \$770,973. Mr. Brooksher's \$40,557 capital contribution to Kingspark LLC was loaned to Mr. Brooksher by ProLogis, which recourse loan is payable on January 5, 2006 and bears interest at an annual rate of 8%. ProLogis owns 95% of the membership interests (all non-voting) and Mr. Brooksher owns 5% of the membership interests (all voting) of Kingspark LLC and Mr. Brooksher is its managing member. Mr. Brooksher may transfer his membership interest, subject to certain conditions, including the approval of ProLogis. There are no provisions that give ProLogis the right to acquire Mr. Brooksher's membership interest. Mr. Brooksher will not receive any compensation in connection with being the managing member. His membership interest entitles him to dividends equal to 5% of the net cash flow of Kingspark LLC, as defined, if any. ProLogis structured the transaction in the manner described above to enable ProLogis to continue to qualify as a REIT under applicable state income tax laws.

As the state income tax laws governing REITs were eventually changed in 2001 such that ProLogis would be able to own 100% of this entity, ProLogis is in the process of evaluating the most effective manner to restructure its investment in this entity.

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Also on January 5, 2001, a newly formed limited liability company of which Mr. Brooksher is the voting member and ProLogis is the non-voting member, acquired the common shares of Frigoscandia S.A. and ProLogis Logistics Services Incorporated (both entities in which ProLogis owns all of the non-voting preferred stock) for an aggregate of approximately \$3.3 million. The common shares of Frigoscandia S.A. were owned by a limited liability company in which unrelated third parties owned 100% of the voting interests and Security Capital owned 100% of the non-voting interests. The common shares of ProLogis Logistics



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Services Incorporated were owned by a limited liability company in which unrelated third parties owned all of the membership interest. Mr. Brooksher contributed \$50,000 to the capital of the newly formed limited liability company. ProLogis loaned CSI/Frigo LLC \$2.9 million, which loan is due January 5, 2011 and bears interest at an annual rate of 8%. ProLogis also made a capital contribution to CSI/Frigo LLC in the amount of \$404,545. ProLogis owns 89% of the membership interests (all non-voting) and Mr. Brooksher owns 11% of the membership interests (all voting) of CSI/Frigo LLC. Mr. Brooksher is the managing member of CSI/ Frigo LLC. Additionally, ProLogis has a note agreement with CSI/Frigo LLC that allows ProLogis to participate in its earnings such that ProLogis will recognize 95% of the earnings of CSI/Frigo LLC. Mr. Brooksher may transfer his membership interest, subject to certain conditions, including the approval of ProLogis. There are no provisions that give ProLogis the right to acquire Mr. Brooksher's membership interest. Mr. Brooksher will not receive any compensation in connection with being the managing member. Mr. Brooksher's membership interest and the provisions of the participating note entitle him to dividends equal to 5% of the net cash flow of CSI/Frigo LLC, as defined, if any. ProLogis structured the transaction in the manner described above to enable ProLogis to continue to qualify as a REIT under applicable state income tax laws. As the state income tax laws governing REITs were eventually changed in 2001 such that ProLogis would be able to own 100% of this entity, ProLogis is in the process of evaluating the most effective manner to hold its investments in these entities given it's long-term objectives with respect to investments in this business segment and given that it does not control these entities.

As a result of the foregoing transactions, Mr. Brooksher has an effective 0.04% interest in the earnings of ProLogis Logistics Services Incorporated, an effective 0.25% interest in the earnings of Frigoscandia S.A. and an effective 0.25% interest in the earnings of Kingspark Holding S.A. Mr. Brooksher receives no compensation in connection with his interest in these companies.

### LEASING TRANSACTIONS

ProLogis leases space to Security Capital and certain of its affiliates on market terms that management believes are no less favorable to ProLogis than those that could be obtained with unaffiliated third parties.

ProLogis' rental income related to these leases were \$534,000, \$757,000, and \$756,000 for the years ended December 31, 2001, 2000, and 1999, respectively. As of December 31, 2001, 60,103 square feet were leased to related parties. The annualized rental revenue for these leases is \$472,000.

### LOANS TO EXECUTIVE OFFICERS

In 1997, ProLogis made the following loans to the Named Executive Officers and Jeffrey H. Schwartz for the purchase price of Common Shares pursuant to the share purchase program which loans remain outstanding (balances as of March 31, 2002): Mr. Brooksher, \$1,847,295; Mr. Lyons, \$1,847,295; Mr. Rakowich, \$923,647; Mr. Seiple, \$923,647, Mr. Watson, \$1,108,364 and Mr. Schwartz, \$1,108,364. Each loan is full recourse to the executive officer and is secured by the purchased Common Shares. The loans bear interest at the lower of ProLogis' annual dividend yield on Common Shares or 6.0% per annum, and have a ten-year term. The loans will become due and payable (i) immediately upon the sale of the purchased Common Shares or ProLogis' termination of the executive officer's employment for cause, (ii) 180 days after ProLogis' termination of the executive officer's employment following a change in control, (iii) 365 days after termination of the executive officer's employment by reason of death, disability or retirement or (iv) 90 days after termination of the executive officer's employment for any other reason.

In 2001, ProLogis entered into a loan with K. Dane Brooksher. The proceeds of the loan were used by Mr. Brooksher to repay a loan from Security Capital

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which was made by Security Capital while

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Mr. Brooksher was an employee of Security Capital. Under the terms of the promissory note, ProLogis lent Mr. Brooksher \$474,997.50, which amount was due on January 31, 2002. A payment of \$237,500 on the principal amount was paid to ProLogis in January 2001 from the proceeds of Mr. Brooksher's target bonus for 2000. The balance was repaid by Mr. Brooksher from the proceeds of Mr. Brooksher's target bonus for 2001 in January 2002. Interest on the unpaid principal amount outstanding accrues at a floating rate per annum equal to ProLogis' line of credit rate charged by Bank of America (LIBOR plus 75 basis points). Accrued interest is due and payable semi-annually during the term of the loan beginning on January 4, 2001 and thereafter on each July 4 and January 4 until payment in full.

In 2001, ProLogis entered into a loan with Robert J. Watson. The proceeds of the loan were used by Mr. Watson to repay a loan from Security Capital which was made by Security Capital while Mr. Watson was an employee of Security Capital. Under the terms of the promissory note, ProLogis lent Mr. Watson \$90,000, which amount is due on September 1, 2003. Interest on the unpaid principal amount outstanding accrues at a floating rate per annum equal to ProLogis' line of credit rate charged by Bank of America (LIBOR plus 75 basis points). Accrued interest is due and payable annually during the term of the loan beginning on January 31, 2001 and thereafter on each January 31 until payment in full.

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### PART IV

#### ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

The following documents are filed as a part of this report:

(a) Financial Statements and Schedules:

1. Financial Statements:

See Index to Consolidated Financial Statements and Schedule III on page 80 of this report, which is incorporated herein by reference.

2. Financial Statement Schedules:

Schedule III -- Real Estate and Accumulated Depreciation

All other schedules have been omitted since the required information is presented in the consolidated financial statements and the related notes or is not applicable.

3. Exhibits:

See Index to Exhibits on pages 148 to 153 of this report, which is incorporated herein by reference.

(b) Reports on Form 8-K: The following reports on Form 8-K were filed during the last quarter of the period covered by this report:

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DATE	ITEM REPORTED	FINANCIAL STATEMENTS
----	-----	-----

None

(c) Exhibits: The Exhibits required by Item 601 of Regulation S-K are listed in the Index to Exhibits on pages 148 to 153 of this report, which is incorporated herein by reference.

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### INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE III

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### REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Trustees and Shareholders of  
ProLogis Trust

We have audited the accompanying consolidated balance sheets of ProLogis Trust and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of earnings, shareholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Frigoscandia Holding AB and CS Integrated LLC accounted for under the equity method of accounting, in which the Trust has investments in and advances to amounting to \$416.6 million and \$397.7 million as of December 31, 2001 and 2000, respectively, and earnings (loss) from unconsolidated entities of \$(71.3) million, \$(12.0) million and \$6.3 million in 2001, 2000 and 1999, respectively. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these entities is based solely on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the 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. An audit includes examining, on a test basis,

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evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of ProLogis Trust and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

Chicago, Illinois

April 3, 2002

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### PROLOGIS TRUST

#### CONSOLIDATED BALANCE SHEETS (IN THOUSANDS, EXCEPT SHARE DATA)

#### ASSETS

	DECEMBER 31,	
	2001	2000
Real estate.....	\$4,588,193	\$4,689,492
Less accumulated depreciation.....	574,871	476,982
	-----	-----
	4,013,322	4,212,510
Investments in and advances to unconsolidated entities.....	1,310,735	1,453,148
Cash and cash equivalents.....	27,989	57,870
Accounts and notes receivable.....	23,829	34,989
Other assets.....	228,066	187,817
	-----	-----
Total assets.....	\$5,603,941	\$5,946,334
	=====	=====

#### LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities:		
Lines of credit.....	\$ 375,875	\$ 439,822
Senior unsecured debt.....	1,670,359	1,699,989
Mortgage notes and other secured debt.....	532,106	537,925
Accounts payable and accrued expenses.....	133,242	106,097
Construction payable.....	19,805	40,925
Distributions and dividends payable.....	63,169	57,739
Other liabilities.....	87,747	89,836
	-----	-----
Total liabilities.....	2,882,303	2,972,333
	-----	-----
Minority interest.....	45,639	46,630
Shareholders' equity:		
Series A Preferred Shares; \$0.01 par value; 5,400,000		

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shares issued and outstanding at December 31, 2000; stated liquidation preference of \$25.00 per share.....	--	135,000
Series B Convertible Preferred Shares; \$0.01 par value; 6,256,100 shares issued and outstanding at December 31, 2000; stated liquidation preference of \$25.00 per share.....	--	156,403
Series C Preferred Shares; \$0.01 par value; 2,000,000 shares issued and outstanding at December 31, 2001 and 2000; stated liquidation preference of \$50.00 per share.....	100,000	100,000
Series D Preferred Shares; \$0.01 par value; 10,000,000 shares issued and outstanding at December 31, 2001 and 2000; stated liquidation preference of \$25.00 per share.....	250,000	250,000
Series E Preferred Shares; \$0.01 par value; 2,000,000 shares issued and outstanding at December 31, 2001 and 2000; stated liquidation preference of \$25.00 per share.....	50,000	50,000
Common shares of beneficial interest; \$0.01 par value; 175,888,391 shares issued and outstanding at December 31, 2001 and 165,287,358 shares issued and outstanding at December 31, 2000.....	1,759	1,653
Additional paid-in capital.....	2,958,613	2,740,136
Employee share purchase notes.....	(14,810)	(18,556)
Accumulated other comprehensive income.....	(63,780)	(33,768)
Distributions in excess of net earnings.....	(605,783)	(453,497)
	-----	-----
Total shareholders' equity.....	2,675,999	2,927,371
	-----	-----
Total liabilities and shareholders' equity.....	\$5,603,941	\$5,946,334
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

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PROLOGIS TRUST

CONSOLIDATED STATEMENTS OF EARNINGS  
YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	2001	2000	1999
	-----	-----	-----
Income:			
Rental income.....	\$465,777	\$480,088	\$491,826
Other real estate income.....	104,436	78,103	46,678
Income (loss) from unconsolidated entities.....	(51,222)	78,063	22,519
Interest income.....	4,134	7,267	6,369
	-----	-----	-----
Total income.....	523,125	643,521	567,392
	-----	-----	-----
Expenses:			
Rental expenses, net of recoveries of \$95,813 in 2001, \$91,706 in 2000 and \$87,907 in 1999 and including amounts paid to affiliate of \$89 in 2001, \$1,188 in			

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2000 and \$1,314 in 1999.....	28,700	27,177	33,501
General and administrative, including amounts paid to affiliate of \$681 in 2001, \$958 in 2000 and \$1,582 in 1999.....	50,274	44,954	38,284
Depreciation and amortization.....	143,465	151,483	152,447
Interest.....	163,629	172,191	170,746
Other.....	4,014	5,909	5,865
	-----	-----	-----
Total expenses.....	390,082	401,714	400,843
	-----	-----	-----
Earnings before minority interest.....	133,043	241,807	166,549
Minority interest share in earnings.....	6,461	5,586	4,979
	-----	-----	-----
Earnings before gain on disposition of real estate and foreign currency exchange losses.....	126,582	236,221	161,570
Gain on disposition of real estate, net.....	10,008	1,314	38,994
Foreign currency exchange losses, net.....	(3,721)	(17,927)	(16,818)
	-----	-----	-----
Earnings before income taxes.....	132,869	219,608	183,746
Income taxes:			
Current income tax expense.....	2,467	900	1,472
Deferred income tax expense.....	2,258	4,230	--
	-----	-----	-----
Total income taxes.....	4,725	5,130	1,472
	-----	-----	-----
Earnings before cumulative effect of accounting change.....	128,144	214,478	182,274
Cumulative effect of accounting change.....	--	--	1,440
	-----	-----	-----
Net earnings.....	128,144	214,478	180,834
Less preferred share dividends.....	37,309	56,763	56,835
	-----	-----	-----
Net earnings attributable to Common Shares.....	\$ 90,835	\$157,715	\$123,999
	=====	=====	=====
Weighted average Common Shares outstanding -- Basic.....	172,755	163,651	152,412
	=====	=====	=====
Weighted average Common Shares outstanding -- Diluted.....	175,197	164,401	152,739
	=====	=====	=====
Basic per share net earnings attributable to Common Shares:			
Earnings before cumulative effect of accounting change....	\$ 0.53	\$ 0.96	\$ 0.82
Cumulative effect of accounting change.....	--	--	(0.01)
	-----	-----	-----
Net earnings attributable to Common Shares.....	\$ 0.53	\$ 0.96	\$ 0.81
	=====	=====	=====
Diluted per share net earnings attributable to Common Shares:			
Earnings before cumulative effect of accounting change....	\$ 0.52	\$ 0.96	\$ 0.82
Cumulative effect of accounting change.....	--	--	(0.01)
	-----	-----	-----
Net earnings attributable to Common Shares.....	\$ 0.52	\$ 0.96	\$ 0.81
	=====	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

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YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999  
(IN THOUSANDS)

	2001	2000	1999
	-----	-----	-----
Common Shares -- Number of shares at beginning of year.....	165,287	161,825	123,41
Issuance of Common Shares under Common Share plans.....	3,502	1,642	34
Repurchase of Common Shares.....	(778)	--	-
Conversion of limited partnership units.....	25	238	1
Redemption or conversion of Series B Preferred Shares.....	7,785	980	66
Issuance of Common Shares in merger transaction.....	--	--	37,38
Issuance of Common Shares in acquisition of unconsolidated entity.....	67	602	-
	-----	-----	-----
Common Shares -- Number of shares at end of year.....	175,888	165,287	161,82
	=====	=====	=====
Common Shares (par value) at beginning of year.....	\$ 1,652.9	\$ 1,618.3	\$ 1,234.
Issuance of Common Shares under Common Share plans.....	35.0	16.4	3.
Repurchase of Common Shares.....	(7.8)	--	-
Conversion of limited partnership units.....	0.2	2.4	0.
Redemption or conversion of Series B Preferred Shares.....	77.9	9.8	6.
Issuance of Common Shares in merger transaction.....	--	--	373.
Issuance of Common Shares in acquisition of unconsolidated entity.....	0.7	6.0	-
	-----	-----	-----
Common Shares (par value) at end of year.....	\$ 1,758.9	\$ 1,652.9	\$ 1,618.
	=====	=====	=====
Preferred Shares at beginning of year.....	\$ 691,403	\$ 710,518	\$ 673,44
Redemption or conversion of Series B Preferred Shares.....	(156,403)	(19,115)	(12,92
Redemption of Series A Preferred Shares.....	(135,000)	--	-
Issuance of Series E Preferred Shares in merger transaction.....	--	--	50,00
	-----	-----	-----
Preferred Shares at end of year.....	\$ 400,000	\$ 691,403	\$ 710,51
	=====	=====	=====
Additional paid-in capital at beginning of year.....	\$2,740,136	\$2,663,350	\$1,907,23
Issuance of Common Shares under Common Share plans.....	70,850	30,251	6,32
Repurchase of Common Shares.....	(15,992)	--	-
Conversion of limited partnership units.....	216	8,167	20
Redemption or conversion of Series B Preferred Shares.....	151,742	19,105	12,91
Issuance of Common Shares in merger transaction.....	--	--	733,30
Issuance of Common Shares in acquisition of unconsolidated entity.....	1,452	11,872	-
Sale of stock options to unconsolidated entities.....	1,091	2,153	1,22
Stock-based compensation costs.....	9,118	5,238	2,13
	-----	-----	-----
Additional paid-in capital at end of year.....	\$2,958,613	\$2,740,136	\$2,663,35
	=====	=====	=====
Employee share purchase notes at beginning of year.....	\$ (18,556)	\$ (22,906)	\$ (25,24
Principal payments on employee share purchase notes.....	3,746	4,350	2,34
	-----	-----	-----
Employee share purchase notes at end of year.....	\$ (14,810)	\$ (18,556)	\$ (22,90
	=====	=====	=====
Accumulated other comprehensive income at beginning of year.....	\$ (33,768)	\$ (9,765)	\$ 2
Foreign currency translation adjustments.....	(30,012)	(24,003)	(9,78
	-----	-----	-----
Accumulated other comprehensive income at end of year.....	\$ (63,780)	\$ (33,768)	\$ (9,76
	=====	=====	=====

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Distributions in excess of net earnings at beginning of year.....	\$ (453,497)	\$ (389,079)	\$ (300,31)
Net earnings.....	128,144	214,478	180,83
Preferred Share dividends.....	(37,309)	(56,763)	(56,83)
Common Share distributions paid.....	(180,681)	(165,123)	(158,55)
Common Share distributions accrued.....	(62,440)	(57,010)	(54,21)
	-----	-----	-----
Distributions in excess of net earnings at end of year.....	\$ (605,783)	\$ (453,497)	\$ (389,07)
	=====	=====	=====
Total shareholders' equity at end of year.....	\$2,675,999	\$2,927,371	\$2,953,73
	=====	=====	=====
Comprehensive income:			
Net earnings.....	\$ 128,144	\$ 214,478	\$ 180,83
Preferred Share dividends.....	(37,309)	(56,763)	(56,83)
Foreign currency translation adjustments.....	(30,012)	(24,003)	(9,78)
	-----	-----	-----
Comprehensive income.....	\$ 60,823	\$ 133,712	\$ 114,21
	=====	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

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PROLOGIS TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999  
(IN THOUSANDS)

	2001	2000	1999
	-----	-----	-----
Operating activities:			
Net earnings.....	\$ 128,144	\$ 214,478	\$ 180,
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Minority interest share in earnings.....	6,461	5,586	4,
Depreciation and amortization.....	143,465	151,483	152,
Gain on disposition of real estate.....	(10,008)	(1,314)	(38,
Straight-lined rents.....	(6,215)	(6,716)	(9,
Amortization of deferred loan costs.....	5,233	4,597	4,
Stock-based compensation.....	7,194	3,811	1,
(Income) loss from unconsolidated entities.....	68,129	(64,239)	(20,
Deferred income tax expense.....	2,258	4,230	
Foreign currency exchange (gains) losses, net.....	(4,780)	20,956	11,
Interest rate hedge expense.....	--	--	
Cumulative effect of accounting change.....	--	--	1,
Increase in accounts receivable and other assets.....	(45,200)	(43,123)	(37,
Increase in accounts payable, accrued expenses and other liabilities.....	52,179	35,409	20,
	-----	-----	-----
Net cash provided by operating activities.....	346,860	325,158	271,
	-----	-----	-----
Investing activities:			
Real estate investments.....	(789,488)	(631,968)	(459,
Tenant improvements and lease commissions on previously leased space.....	(21,672)	(19,623)	(19,



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Recurring capital expenditures.....	(29,081)	(23,895)	(28,
Proceeds from dispositions of real estate.....	855,993	489,020	564,
Net (advances to) amounts received from unconsolidated entities.....	72,677	(188,750)	(141,
Proceeds from repayment of note receivable.....	11,591	11,671	
Adjustments to cash balances resulting from mergers and contributions.....		(17,968)	48,
	-----	-----	-----
Net cash provided by (used in) investing activities.....	100,020	(381,513)	(34,
	-----	-----	-----
Financing activities:			
Net proceeds from Common Share plans.....	71,229	30,734	6,
Repurchase of Common Shares, net of costs.....	(16,000)	--	
Redemption of Series A Preferred Shares.....	(135,000)	--	
Redemption of Series B Convertible Preferred Shares.....	(4,583)	--	
Proceeds from financing transactions.....	--	--	966,
Debt issuance and other transaction costs incurred.....	(1,815)	(4,598)	(58,
Distributions paid on Common Shares (includes \$11,132 paid in 1999 in merger transaction).....	(237,691)	(219,333)	(208,
Distributions paid to minority interest holders.....	(7,116)	(7,123)	(7,
Dividends paid on preferred shares (includes \$729 paid in 1999 in merger transaction).....	(37,309)	(56,763)	(56,
Principal payments on senior unsecured debt.....	(30,000)	(30,000)	(12,
Principal payments received on employee share purchase notes.....	3,746	4,350	2,
Payments on the purchase of derivative financial instruments.....	(2,931)	(1,371)	(27,
Proceeds from settlement of derivative financial instruments.....	106	2,179	
Proceeds from lines of credit and short-term borrowings...	642,188	1,075,473	1,939,
Payments on lines of credit and short-term borrowings....	(706,135)	(734,351)	(2,335,
Payments in merger transaction.....	--	--	(395,
Regularly scheduled principal payments on secured debt....	(7,906)	(7,100)	(6,
Principal payments on secured debt at maturity and prepayments.....	(7,544)	(7,210)	(35,
	-----	-----	-----
Net cash provided by (used in) financing activities.....	(476,761)	44,887	(230,
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents.....	(29,881)	(11,468)	6,
Cash and cash equivalents, beginning of year.....	57,870	69,338	63,
	-----	-----	-----
Cash and cash equivalents, end of year.....	\$ 27,989	\$ 57,870	\$ 69,
	=====	=====	=====

See Note 12 for information on non-cash investing and financing activities.

The accompanying notes are an integral part of these consolidated financial statements.

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ProLogis Trust (collectively with its consolidated subsidiaries and partnerships "ProLogis") is a publicly held real estate investment trust ("REIT") that owns, operates and develops industrial distribution facilities in North America (United States and Mexico), Europe and Asia (Japan). The ProLogis Operating System(R), comprised of the Market Services Group, the Global Services Group, the Global Development Group and the ProLogis Solutions Group, utilizes ProLogis' international network of distribution facilities to meet its customers' distribution space needs globally. ProLogis' business consists of three reportable business segments: property operations, corporate distribution facilities services business ("CDFs business") and temperature-controlled distribution operations. See Note 10.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### Principles of Financial Presentation

The accounts of ProLogis, its wholly owned subsidiaries and its majority owned and controlled subsidiaries and partnerships are consolidated in the accompanying financial statements. All material intercompany transactions, including transactions with unconsolidated entities, have been eliminated.

ProLogis Development Services Incorporated ("ProLogis Development Services") is a subsidiary of ProLogis that operates in the CDFs business segment. See Note 10. ProLogis owned only the non-voting preferred stock of ProLogis Development Services, representing a 95% interest until October 2001 when ProLogis also acquired the voting common stock. ProLogis has advanced mortgage loans to fund ProLogis Development Services' acquisition, development and construction activities since its inception. A charitable trust owned the voting common stock of ProLogis Development Services prior to October 2001 but had no substantive role in the decision-making process regarding the operations of ProLogis Development Services. Accordingly, ProLogis consolidated ProLogis Development Services in its financial statements. In October 2001, ProLogis acquired the voting common stock from the charitable trust for \$1.3 million. As of December 31, 2001, ProLogis owned 100% of ProLogis Development Services and continues to consolidate ProLogis Development Services in its financial statements. ProLogis Development Services is not a qualified REIT subsidiary under the Internal Revenue Code of 1986, as amended (the "Code"). Accordingly, provisions for federal and state income taxes are recognized, as appropriate.

The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain amounts included in the consolidated financial statements for prior years have been reclassified to conform to the 2001 financial statement presentation.

#### REIT Organization Status

In January 1993, ProLogis was formed as a Maryland REIT and has elected to be taxed as a REIT under the Code.

REITs are not generally required to pay federal income taxes if minimum distribution, income, asset and shareholder tests are met. During 2001, 2000 and 1999, ProLogis was in compliance with the REIT requirements. Thus, no federal income tax provision has been reflected in the accompanying consolidated financial statements for ProLogis and its wholly owned subsidiaries which are qualified REIT subsidiaries. ProLogis recognizes income taxes in accordance with Statement of Financial Accounting Standards

PROLOGIS TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

("SFAS") No. 109, "Accounting for Income Taxes" for its subsidiaries that are not qualified REIT subsidiaries. Additionally, the foreign countries that ProLogis operates in do not recognize REITs under their respective tax laws. Accordingly, ProLogis has recognized foreign country income taxes, as applicable.

Long-Lived Assets

Real estate is carried at cost, which is not in excess of estimated fair market value. Costs directly associated with the successful acquisition, renovation or development of real estate are capitalized. Direct costs associated with unsuccessful acquisitions are expensed at the time the pursuit is abandoned. Renovations and improvements to real estate assets are capitalized. Repairs and maintenance costs are expensed as incurred to the extent they are not acquisition-related renovation costs identified during ProLogis' pre-acquisition due diligence.

General and administrative costs incurred for pre-acquisition and development activities (including land acquisitions), renovation and leasing activities that are incremental and identifiable to a specific activity are capitalized to the specific real estate assets. ProLogis capitalizes interest costs incurred during the land development and construction periods of qualifying projects. Costs capitalized related to leasing activities are included with other assets.

Depreciation of real estate assets is computed over the estimated useful lives of depreciable property on a straight-line basis: seven years for capital improvements, 10 years for tenant improvements, 30 years for acquired facilities and 40 years for facilities developed by ProLogis. Capitalized lease costs are amortized over the lease term. ProLogis' average lease term is between six and seven years.

ProLogis acquired certain real estate through the formation of partnerships wherein ProLogis, the general partner, contributed cash and the limited partners contributed real estate in exchange for partnership units which are ultimately exchangeable for ProLogis' common shares of beneficial interest, ("Common Shares"). In consolidating the partnerships' assets, real estate cost includes the estimated fair value attributable to the limited partners' interests as of the acquisition dates. See Note 6.

ProLogis' investments in certain entities are accounted for under the equity method. Accordingly, these investments are recognized at ProLogis' cost as adjusted for ProLogis' proportionate share of the earnings or losses of the companies, distributions received and other basis adjustments, as appropriate. ProLogis' proportionate share of the earnings or losses of these companies is recognized in income. See Note 4.

ProLogis' management periodically reviews long-lived assets (primarily real estate and investments in unconsolidated entities) that it owns for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable in accordance with the provisions of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." In management's opinion, long-lived assets and certain identifiable intangibles, primarily real estate assets and investments in unconsolidated entities, are not carried at amounts in excess of their fair

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values. Long-lived assets and certain identifiable intangibles, primarily real estate and investments in unconsolidated entities, to be disposed of, if any, are reported at the lower of their carrying amount or fair value less cost to sell. In 2001, ProLogis' share of the aggregate impairment adjustments recognized by its unconsolidated entities was \$131.2 million. See Note 4.

Recently issued accounting pronouncements that address long-lived assets are:

- SFAS No. 142, "Goodwill and Other Intangible Assets" -- provides that goodwill is no longer subject to amortization over its estimated useful life. Rather, goodwill will be subject to at least an annual assessment for impairment by applying a fair-value-based-test (the impairment guidance in existing rules for equity method goodwill will continue to apply). SFAS No. 142 also changes the rules for

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### PROLOGIS TRUST

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

recognition of acquired intangible assets other than goodwill but continues to require that intangible assets be amortized over their useful lives.

- SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" -- establishes a single accounting model for long-lived assets to be disposed of by sale and provides implementation guidance with respect to accounting for impairment of long-lived assets. SFAS No. 144 requires that discontinued operations be measured on the same basis as other long-lived assets (the lower of the carrying amount or fair value less cost to sell) rather than at the net realizable value as previously required. Additionally, future operating losses of discontinued operations are no longer recognized before they occur.

SFAS Nos. 142 and 144 are effective for ProLogis' fiscal year ending December 31, 2002. Management is still evaluating the effects these standards will have, if any, on ProLogis' consolidated financial position, results of operations or financial statement disclosures. For the years ended December 31, 2001, 2000 and 1999, ProLogis recognized amortization expense related to recognized goodwill of \$0.1 million, \$2.1 million and \$0.5 million, respectively, as a component of "Depreciation and amortization" in its Consolidated Statements of Earnings. For the years ended December 31, 2001, 2000 and 1999, ProLogis' share of the goodwill amortization of its unconsolidated entities recognized under the equity method was \$10.0 million, \$10.1 million and \$9.8 million, respectively. These amounts are included as a component of "Income (loss) from unconsolidated entities" in ProLogis' Consolidated Statements of Earnings.

#### Cash and Cash Equivalents

ProLogis considers all cash on hand, demand deposits with financial institutions and short-term, highly liquid investments with original maturities of three months or less to be cash equivalents.

#### Minority Interest

ProLogis acquired a controlling interest in five partnerships that owned real estate (the "Partnerships"), which are consolidated in ProLogis' financial statements. The Partnerships are ProLogis Limited Partnership - I, ProLogis Limited Partnership - II, ProLogis Limited Partnership - III, ProLogis Limited

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Partnership - IV and Meridian Realty Partners Limited Partnership. The acquisition of the controlling interest resulted in a step-up to fair value of the real estate owned by the Partnerships. Therefore, the minority interest in the Partnerships has been stated at each holders' respective share of the fair value of the real estate at the date of acquisitions, as adjusted for subsequent earnings, contributions and distributions. Common Shares issued upon exchange of the limited partner interests are accounted for at the carrying value of the minority interest surrendered.

### Costs of Raising Capital

Costs incurred in connection with the issuance of shares are deducted from shareholders' equity. Costs incurred in connection with the incurrence or renewal of debt are capitalized, included with other assets, and amortized over the term of the related loan or the renewal term.

### Financial Instruments

ProLogis adopted SFAS No. 133, "Accounting for Derivative Instruments and for Hedging Activities," as amended, on January 1, 2001. SFAS No. 133 provides comprehensive guidelines for the recognition and measurement of derivatives and hedging activities and, specifically, requires all derivatives to be recorded on the balance sheet at fair value as an asset or liability, with an offset to accumulated other comprehensive income or income.

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## PROLOGIS TRUST

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

In the normal course of business, ProLogis uses certain derivative financial instruments for the purpose of foreign currency exchange rate and interest rate risk management. To qualify for hedge accounting, the derivative instruments used for risk management purposes must effectively reduce the risk exposure that they are designed to hedge. For instruments associated with the hedge of anticipated transactions, hedge effectiveness criteria also require that the occurrence of the underlying transactions be probable. Instruments meeting these hedging criteria are formally designated as hedges at the inception of the contract. Those risk management instruments not meeting these criteria are accounted for at fair value with changes in fair value recognized immediately in net income.

In assessing the fair value of its financial instruments, both derivative and non-derivative, ProLogis uses a variety of methods and assumptions that are based on market conditions and risks existing at each balance sheet date. Primarily, ProLogis uses quoted market prices or quotes from brokers or dealers for the same or similar instruments. These values represent a general approximation of possible value and may never actually be realized.

ProLogis' financial instruments, including derivative instruments are further discussed in Note 16.

### Foreign Operations

The U.S. dollar is the functional currency for ProLogis' consolidated and unconsolidated entities operating in the United States and Mexico. The functional currency for ProLogis' consolidated and unconsolidated entities operating outside North America is the local currency of the country in which the entity is located (euro for members of the European Union, krona for Sweden, pound sterling for the United Kingdom, zloty for Poland and yen for Japan).

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ProLogis' consolidated subsidiaries whose functional currency is not the U.S. dollar translate their financial statements into U.S. dollars. Assets and liabilities are translated at the exchange rate in effect as of the financial statement date. Income statement accounts are translated using the average exchange rate for the period. Income statement accounts that represent significant, nonrecurring transactions are translated at the rate in effect as of the date of the transaction. Gains and losses resulting from the translation are included in accumulated other comprehensive income as a separate component of shareholders' equity. ProLogis translates its share of the income of its unconsolidated entities whose functional currency is not the U.S. dollar at the average exchange rate for the period. ProLogis and its foreign entities have certain transactions denominated in currencies other than their functional currency. In these instances, nonmonetary assets and liabilities are reflected at the historical exchange rate, monetary assets and liabilities are remeasured at the exchange rate in effect at the end of the period, and income statement accounts are remeasured at the average exchange rate for the period. Gains and losses from remeasurement are included in ProLogis' results of operations. In addition, gains or losses are recorded in the income statement when a transaction with a third party, denominated in a currency other than the functional currency, is settled and the functional currency cash flows realized are more or less than expected based upon the exchange rate in effect when the transaction was initiated.

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### PROLOGIS TRUST

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The net foreign currency exchange gains and losses recognized in ProLogis' results of operations were as follows for the periods indicated (in thousands of U.S. dollars):

	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
Losses from the remeasurement and settlement of third party and intercompany debt, net.....	\$(2,509)	\$(18,762)	\$(16,549)
Mark to market gains (losses) on foreign currency put option contracts(1).....	1,122	(854)	(47)
Gains (losses) from the settlement of foreign currency put option contracts, net(1).....	(2,149)	1,481	(45)
Other gains (losses), net.....	(185)	208	(177)
Total.....	<u>\$(3,721)</u>	<u>\$(17,927)</u>	<u>\$(16,818)</u>

(1) ProLogis entered into foreign currency put option contracts related to its operations in Europe for 2001, 2000 and 1999. These put option contracts do not qualify for hedge accounting treatment; therefore, ProLogis marks these contracts to market as of the end of the applicable accounting period. Upon settlement, the mark to market adjustments are reversed and the total realized gain or loss is recognized. See Note 16.

Revenue Recognition

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ProLogis leases its operating facilities under operating leases and recognizes the total minimum lease payments provided for under the leases on a straight-line basis over the lease term. A provision for possible loss is made when collection of receivables is considered doubtful.

Gains or losses on the disposition of real estate are recorded when the recognition criteria set forth under SFAS No. 66, "Accounting for Sales of Real Estate" have been met, generally at the time title is transferred and ProLogis has no future involvement with the asset sold. When ProLogis sells assets to entities in which it has an ownership interest, ProLogis does not recognize the portion of any gain resulting from the sale to the extent of its ownership interest in the entity acquiring the assets. Further, under certain circumstances, ProLogis defers portions of the gains on sales of assets to the extent that a portion of the sales proceeds consists of non-monetary consideration. ProLogis adjusts its share of the earnings recognized under the equity method from these entities to reflect depreciation expense based on its lower basis with respect to the assets that were acquired from ProLogis. Gains and losses resulting from the disposition of assets in the CDFS business segment are recognized as "Other real estate income" in ProLogis' Consolidated Statements of Earnings. See Note 10.

### Rental Expenses

Rental expenses primarily includes the cost of on-site and property management personnel, utilities, repairs and maintenance, property insurance and real estate taxes. Under the terms of the respective leases, some or all of ProLogis' rental expenses are recovered from its tenants. Amounts recovered from tenants reduce the rental expenses recognized.

### Stock-Based Compensation

ProLogis adopted SFAS No. 123, "Accounting for Stock-Based Compensation," which allows ProLogis to continue to account for its various stock-based compensation plans using Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Under APB No. 25, if the exercise price of the stock options issued equals or exceeds the market price of the

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## PROLOGIS TRUST

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

underlying stock on the date of grant, no compensation expense is recognized. Under SFAS, No. 123, the fair value of the stock options issued is recognized as compensation expense. ProLogis generally issues stock options to employees and members of its Board of Trustees (the "Board") with an exercise price equal to the average of the high and low market prices on the day the options are issued. Therefore, no compensation expense is recognized. Generally, any changes to the terms of options or other instruments awarded will result in the use of variable accounting under SFAS No. 123 and the recognition of compensation expense. Certain pro forma earnings per share disclosures required by SFAS No. 123 are presented in Note 13.

### Cost of Start-Up Activities

Statement of Position ("SOP") 98-5 "Reporting on the Costs of Start-Up Activities," which requires that costs associated with organization, pre-opening, and start-up activities be expensed as incurred was adopted by ProLogis on January 1, 1999. Through December 31, 1998, ProLogis capitalized

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costs associated with start-up activities and amortized such costs over an appropriate period, generally five years. ProLogis expensed all unamortized organization and start-up costs, approximating \$1.4 million, as a cumulative effect of an accounting change as of January 1, 1999. Subsequent to that date, such costs incurred have been expensed.

### 3. REAL ESTATE

#### Real Estate Investments

Real estate investments directly owned by ProLogis consisting of income producing industrial distribution facilities, facilities under development and land held for future development, at cost, are summarized as follows (in thousands):

	DECEMBER 31,	
	2001	2000
Operating facilities:		
Improved land.....	\$ 645,343 (1)	\$ 648,950 (1)
Buildings and improvements.....	3,536,638 (1)	3,619,543 (1)
	-----	-----
	4,181,981	4,268,493
	-----	-----
Facilities under development (including cost of land)....	131,545 (2) (3)	186,020 (2)
Land held for development.....	200,737 (4)	187,405 (4)
Capitalized preacquisition costs.....	73,930 (5)	47,574 (5)
	-----	-----
Total real estate.....	4,588,193	4,689,492
Less accumulated depreciation.....	574,871	476,982
	-----	-----
Net real estate.....	\$4,013,322	\$4,212,510
	=====	=====

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- (1) As of December 31, 2001 and December 31, 2000, ProLogis had 1,208 and 1,244 operating facilities, respectively, consisting of 123,356,000 and 126,275,000 square feet, respectively.
  - (2) Facilities under development consist of 16 buildings aggregating 5,357,000 square feet as of December 31, 2001 and 41 buildings aggregating 8,711,000 square feet as of December 31, 2000.
  - (3) In addition to the December 31, 2001 construction payable of \$19.8 million, ProLogis had unfunded commitments on its contracts for facilities under construction totaling \$132.2 million.
  - (4) Land held for future development consisted of 1,976 acres as of December 31, 2001 and 2,047 acres as of December 31, 2000.
  - (5) Capitalized preacquisition costs include \$65.0 million and \$32.5 million of funds on deposit with title companies as of December 31, 2001 and December 31, 2000, respectively.



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## PROLOGIS TRUST

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

ProLogis' operating facilities, facilities under development and land held for future development are located in North America (the United States and Mexico), eight countries in Europe and in Japan. No individual market represents more than 10% of ProLogis' real estate assets.

#### Operating Lease Agreements

ProLogis leases its facilities to customers under agreements, which are classified as operating leases. As of December 31, 2001, minimum lease payments on leases with lease periods greater than one year for space in ProLogis' directly owned facilities during each of the years in the five-year period ending December 31, 2006 and thereafter are as follows (in thousands):

2002.....	\$	400,344
2003.....		321,303
2004.....		236,003
2005.....		166,751
2006.....		106,130
2007 and thereafter.....		205,714
		-----
		\$1,436,245
		=====

ProLogis' largest customer (based on rental income) in its directly owned facilities accounted for 0.82% of ProLogis' rental income (on an annualized basis) for the year ended December 31, 2001. The annualized base rent for ProLogis' 25 largest customers (based on rental income) accounted for 13.2% of ProLogis' rental income (on an annualized basis) for the year ended December 31, 2001.

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## PROLOGIS TRUST

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

#### 4. UNCONSOLIDATED ENTITIES:

##### Investments In and Advances To Unconsolidated Entities

Investments in and advances to unconsolidated entities are as follows (in thousands):

	DECEMBER 31,	
	2001	2000
Temperature-controlled distribution companies:		
CSI/Frigo LLC (1).....	\$ (2,492)	\$ --
ProLogis Logistics (2).....	174,295	231,053
Frigoscandia S.A. (3).....	186,168	191,981
	-----	-----

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	357,971	423,034
	-----	-----
Distribution real estate entities:		
ProLogis California(4).....	118,846	132,243
ProLogis North American Properties Fund I(5).....	45,331	10,369
ProLogis North American Properties Fund II(6).....	8,210	13,408
ProLogis North American Properties Fund III(7).....	6,273	--
ProLogis North American Properties Fund IV(8).....	4,747	--
ProLogis European Properties Fund(9).....	263,114	147,938
ProLogis European Properties S.a.r.l.(9).....	--	84,767
	-----	-----
	446,521	388,725
	-----	-----
CDFS business:		
Kingspark LLC.....	9,937	--
Kingspark S. A.(10).....	490,074	570,582
	-----	-----
	500,011	570,582
	-----	-----
Insight(11).....	2,479	2,470
ProLogis Equipment Services(12).....	1,680	450
GoProLogis(13).....	2,073	56,315
ProLogis PhatPipe(14).....	--	11,572
	-----	-----
Total.....	\$1,310,735	\$1,453,148
	=====	=====

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(1) CSI/Frigo LLC, a limited liability company, owns 100% of the voting common stock of both ProLogis Logistics Services Incorporated ("ProLogis Logistics") and Frigoscandia Holding S. A. ("Frigoscandia S.A."). ProLogis directly owns all of the non-voting preferred stock of both ProLogis Logistics and Frigoscandia S.A. representing a 95% interest in the earnings of these entities. ProLogis owns 89% of the membership interests (all non-voting) of CSI/Frigo LLC and K. Dane Brooksher, ProLogis' chairman and chief executive officer, owns the remaining 11% of the membership interests (all voting) and is the managing member. ProLogis has a note agreement with CSI/Frigo LLC that allows ProLogis to participate in its earnings such that ProLogis recognizes 95% of the earnings of CSI/Frigo LLC. Mr. Brooksher may transfer his membership interest, subject to certain conditions, including the approval of ProLogis. There are no provisions that give ProLogis the right to acquire Mr. Brooksher's membership interests. Mr. Brooksher does not receive compensation in connection with being the managing member. Mr. Brooksher invested \$50,000 in CSI/Frigo LLC. Mr. Brooksher's membership interest and the terms of the participating note entitle him to receive dividends equal to 5% of the net cash flow, as defined, if any. ProLogis' interests in CSI/Frigo LLC, ProLogis Logistics Services and Frigoscandia S.A. do not result in ProLogis having ownership of or control of the voting common stock or voting membership interests of these entities; therefore, they are not consolidated in ProLogis' financial statements. See Note 15.

Prior to January 5, 2001, the common stock of ProLogis Logistics was owned by unrelated third parties and the common stock of Frigoscandia S.A. was owned by a limited liability company in which unrelated parties owned 100%

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of the voting interests and Security Capital Group Incorporated ("Security Capital"), ProLogis' largest shareholder, owned 100% of the non-voting interests. On January 5, 2001, the common stock of both ProLogis Logistics and Frigoscandia S.A. was acquired by CSI/Frigo LLC for an aggregate purchase price of \$3.3 million.

- (2) ProLogis Logistics owns 100% of CS Integrated LLC ("CSI"), a temperature-controlled distribution company operating in the United States. As of December 31, 2001, CSI owned or operated facilities aggregating 178.4 million cubic feet (including 35.5 million cubic feet of dry distribution space located in its facilities). In January 2002, negotiations commenced for the sale of substantially all of the operating assets of CSI and, accordingly, these assets were classified as assets held for sale by CSI in January 2002. Through its investment in ProLogis Logistics, ProLogis' share of the write-downs and other impairment charges recorded by ProLogis Logistics was \$53.3 million. This amount reflects ProLogis' share of a charge of \$32.0 million from the write-down of operating assets recorded by CSI under SFAS No. 121 and ProLogis' share of charges totalling \$21.3 million from the impairment of ProLogis Logistics' investment in CSI recorded by ProLogis Logistics under SFAS No. 121 in 2001. As a result of these charges, the carrying value of ProLogis' investment in ProLogis Logistics as of December 31, 2001 is reported at the lower of cost or estimated fair value.
- (3) Frigoscandia S.A., through a wholly owned subsidiary, owns 100% of Frigoscandia Holding AB ("Frigoscandia"), which owns temperature-controlled distribution companies operating in nine countries in Europe. As of December 31, 2001, these companies owned or operated facilities aggregating 154.4 million cubic feet. During 2001, Frigoscandia disposed of substantially all of the operating assets in Germany and all of the operating assets in the Czech Republic (aggregating 27.0 million cubic feet) for a net loss of \$4.4 million. As of December 31, 2001, negotiations were ongoing to sell 46.6 million cubic feet of Frigoscandia's operating assets. These assets, located in five countries, were classified by Frigoscandia as assets held for sale as of December 31, 2001. Through its investment in Frigoscandia S.A., ProLogis' share of the write-downs and other impairment charges recorded by Frigoscandia S.A. was \$35.1 million reflecting ProLogis' share of a \$31.2 million charge from the write-down of operating assets that Frigoscandia held for sale and other impairment charges recorded by Frigoscandia under SFAS No. 121 and ProLogis' share of a charge of \$3.9 million from the impairment of Frigoscandia S.A.'s investment in Frigoscandia recorded by Frigoscandia S.A. under SFAS No. 121 in 2001. As a result of these charges, the carrying value of ProLogis' investment in Frigoscandia S.A. as of December 31, 2001 is reported at the lower of cost or estimated fair value.
- (4) Represents ProLogis' investment in the membership interests of ProLogis California I LLC ("ProLogis California"), a limited liability company that began operations on August 26, 1999, including acquisition costs, as adjusted for ProLogis' cumulative share of the earnings or losses of ProLogis California, distributions from ProLogis California and for the portion of the gain resulting from the disposition of ProLogis' properties to ProLogis California that does not qualify for income recognition by ProLogis due to its continuing ownership in ProLogis California. ProLogis California's members are ProLogis and New York State Common Retirement Fund. ProLogis California owns 79 operating facilities aggregating 13.1 million square feet, all located in the Los Angeles/Orange County market. ProLogis has had a 50% ownership interest in this entity since its inception.
- (5) Represents ProLogis' and ProLogis Development Services' investment in the membership interests of ProLogis North American Properties Fund I LLC, a

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limited liability company that began operations on June 30, 2000, including acquisition costs, as adjusted for ProLogis' and ProLogis Development Services' cumulative share of the earnings or losses of ProLogis North American Properties Fund I, distributions from ProLogis North American Properties Fund I and the portion of the gain resulting from the disposition of ProLogis' and ProLogis Development Services' facilities to ProLogis North

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### PROLOGIS TRUST

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

American Properties Fund I that does not qualify for income recognition by ProLogis or ProLogis Development Services due to their continuing ownership in ProLogis North American Properties Fund I. ProLogis North American Properties Fund I's members are ProLogis, ProLogis Development Services and the State Teachers Retirement Board of Ohio. As of December 31, 2001, ProLogis North American Properties Fund I owns 36 operating facilities aggregating 9.0 million square feet in 16 United States markets (including three operating facilities contributed to ProLogis North American Properties Fund I for an additional equity interest of \$34.1 million in January 2001). The combined ownership interests of ProLogis and ProLogis Development Services in this entity was 20% from its inception until January 15, 2001 and has been 41.3% after that date.

- (6) This entity was originally formed on June 30, 2000 as a limited liability company whose members were ProLogis and Principal Financial Group. This entity owned three operating facilities, all acquired from ProLogis, aggregating 440,000 square feet. On March 27, 2001, First Islamic Investment Bank E.C. acquired the membership interest held by Principal Financial Group and, under the name ProLogis First US Properties LP ("ProLogis North American Properties Fund II"), acquired 24 additional operating facilities aggregating 4.0 million square feet from ProLogis and ProLogis Development Services. This acquisition brought the total portfolio to 27 operating facilities aggregating 4.5 million square feet in 13 United States markets, also the balances as of December 31, 2001. The investment represents ProLogis' and ProLogis Development Services' investment in the membership interests of ProLogis North American Properties Fund II, including acquisition costs, as adjusted for ProLogis' and ProLogis Development Services' share of the cumulative earnings or losses of ProLogis North American Properties Fund II, distributions from ProLogis North American Properties Fund II and the portion of the gain resulting from the disposition of ProLogis' and ProLogis Development Services' facilities to ProLogis North American Properties Fund II that does not qualify for income recognition by ProLogis or ProLogis Development Services due to their continuing ownership in ProLogis North American Properties Fund II. ProLogis and ProLogis Development Services have had a combined 20% ownership interest in this entity since its inception.
- (7) ProLogis Second US Properties LP ("ProLogis North American Properties Fund III") was formed on June 15, 2001 as a limited liability company whose members are ProLogis and ProLogis Development Services and First Islamic Investment Bank E.C. In June 2001, this entity acquired 34 operating facilities aggregating 4.4 million square feet in 15 United States markets from ProLogis and ProLogis Development Services, also the balances as of December 31, 2001. Investment represents ProLogis' and ProLogis Development Services' investment in the membership interests of ProLogis North American Properties Fund III, including acquisition costs, as adjusted for ProLogis' and ProLogis Development Services' share of the cumulative earnings or losses of ProLogis North American Properties Fund III, distributions from

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ProLogis North American Properties Fund III and the portion of the gain resulting from the disposition of ProLogis' and ProLogis Development Services' facilities to ProLogis North American Properties Fund III that does not qualify for income recognition by ProLogis or ProLogis Development Services due to their continuing ownership in ProLogis North American Properties Fund III. ProLogis and ProLogis Development Services have had a combined 20% ownership interest in this entity since its inception.

- (8) ProLogis Third US Properties LP ("ProLogis North American Properties Fund IV") was formed on September 21, 2001 as a limited liability company whose members are ProLogis and First Islamic Investment Bank E.C. In September 2001, this entity acquired 17 operating facilities aggregating 3.5 million square feet in 10 United States markets from ProLogis, also the balances as of December 31, 2001. Investment represents ProLogis' investment in the membership interests of ProLogis North American Properties Fund IV, including acquisition costs, as adjusted for ProLogis' share of the cumulative net earnings or losses of ProLogis North American Properties Fund IV, distributions from ProLogis North American Properties Fund IV and the portion of the gain resulting from the disposition

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### PROLOGIS TRUST

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

of ProLogis' facilities to ProLogis North American Properties Fund IV that does not qualify for income recognition by ProLogis due to its continuing ownership in ProLogis North American Properties Fund IV. ProLogis has had a 20% ownership interest in this entity since its inception.

- (9) Represents ProLogis' investment in the common units of ProLogis European Properties Fund which began operations on September 23, 1999, including acquisition costs, as adjusted for ProLogis' share of the cumulative earnings or losses of ProLogis European Properties Fund, distributions from ProLogis European Properties Fund, the portion of the gain resulting from the disposition of ProLogis' facilities to ProLogis European Properties Fund that does not qualify for income recognition by ProLogis due to its continuing ownership in ProLogis European Properties Fund and cumulative translation account adjustments, as appropriate. As of December 31, 2001, ProLogis European Properties Fund owns 141 operating facilities aggregating 23.1 million square feet in 24 European markets, including facilities owned by ProLogis European Properties S.a.r.l. ProLogis European Properties S.a.r.l. was previously 100% owned by ProLogis. In 2000 and 2001, ProLogis contributed 50.1% and 49.9%, respectively, of the common stock of ProLogis European Properties S.a.r.l. to ProLogis European Properties Fund for an additional equity interest. ProLogis European Properties Fund owned 100% of ProLogis European Properties S.a.r.l. as of December 31, 2001. As of December 31, 2001 and 2000, ProLogis owned 35.4% and 34.4%, respectively, of ProLogis European Properties Fund.
- (10) ProLogis owns all of the non-voting preferred stock of Kingspark S.A., representing a 95% interest in its earnings. Kingspark LLC, a limited liability company, owns all of the voting common stock of Kingspark S.A. ProLogis owns 95% of the membership interests (all non-voting) of Kingspark LLC and K. Dane Brooksher, ProLogis' chairman and chief executive officer, owns the remaining 5% of the membership interests (all voting) and is the managing member. Mr. Brooksher may transfer his membership interests subject to certain conditions, including the approval of ProLogis. There are no provisions that give ProLogis the right to acquire Mr. Brooksher's membership interest. Mr. Brooksher does not receive compensation in connection with being the managing member. Mr. Brooksher invested \$40,557

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in Kingspark LLC which was loaned to him by ProLogis. The recourse loan is payable on January 5, 2006 and bears interest at an annual rate of 8.0%. Mr. Brooksher's membership interests entitle him to receive dividends equal to 5% of the net cash flow of Kingspark LLC, as defined, if any. Neither ProLogis' ownership interests in Kingspark LLC and Kingspark S.A., nor its loan to Mr. Brooksher, result in ProLogis having ownership of or control of the voting common stock or voting membership interests of these entities; therefore, they are not consolidated in ProLogis' financial statements. See Note 15.

Prior to January 5, 2001, the common stock of Kingspark S.A. was owned by a limited liability company in which unrelated third parties owned 100% of the voting interests and Security Capital, ProLogis' largest shareholder, owned 100% of the non-voting interests. On January 5, 2001, the common stock of Kingspark S.A. was acquired by Kingspark LLC for an aggregate purchase price of \$8.1 million.

- (11) Represents ProLogis Development Services' equity investment in the common stock of Insight, Inc. ("Insight"), a privately owned logistics optimization consulting company, as adjusted for ProLogis Development Services' cumulative share of Insight's earnings or losses. ProLogis Development Services had a 33.3% ownership interest in Insight as of December 31, 2001 and 2000.
- (12) Investment represents ProLogis Development Services' (through a wholly owned subsidiary) investment in the membership interests of ProLogis Equipment Services LLC, a limited liability company whose other member is a subsidiary of Dana Commercial Credit Corporation, as adjusted for ProLogis Development Services' cumulative share of ProLogis Equipment Services' earnings or losses. ProLogis Equipment Services began operations on April 26, 2000 for the purpose of acquiring, leasing and selling material handling equipment and providing asset management services for such equipment. ProLogis Development Services has had a 50% ownership interest in ProLogis Equipment Services since its inception.

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### PROLOGIS TRUST

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

- (13) ProLogis owns 100% of the non-voting preferred stock (\$25.0 million of cash invested and \$30.4 million of preferred stock received under a license fee agreement) of GoProLogis Incorporated ("GoProLogis"), that has invested \$25.0 million in the non-cumulative preferred stock of Vizional Technologies, Inc. (formerly GoWarehouse.com, Inc.) ("Vizional Technologies"), a provider of integrated global logistics network technology services. GoProLogis also received \$30.4 million of non-cumulative preferred stock of Vizional Technologies under a license agreement for the non-exclusive use of the ProLogis Operating System(R) over a five-year period. This investment was made on July 21, 2000. The income related to the license agreement was deferred at the inception of the agreement in 2000 and was being recognized over the five-year term of the agreement. As of December 31, 2000, ProLogis' net investment in GoProLogis was \$28.6 million (\$55.4 million of non-cumulative preferred stock and \$0.9 million of additional costs offset by \$27.7 million of deferred income). During 2001, ProLogis recognized its share of deferred license fee income increasing its net investment by \$3.0 million to \$31.6 million before recognizing its share of an impairment adjustment (\$29.5 million) in the fourth quarter of 2001. This impairment adjustment reduces GoProLogis' investment in the non-cumulative preferred stock of Vizional Technologies to its estimated fair value of \$2.1 million. GoProLogis never

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received any dividends from its investment in Vizional Technologies since the investment was made in 2000. ProLogis' investment in the non-voting preferred stock of GoProLogis represents a 98% interest in the earnings of GoProLogis. The voting interest in GoProLogis, representing a 2% interest in the earnings, is held by K. Dane Brooksher, ProLogis' chairman and chief executive officer, and entitles him to receive dividends equal to 2% of the net cash flow of GoProLogis, as defined, if any. Mr. Brooksher contributed a \$1.1 million recourse promissory note to GoProLogis in exchange for his interest in the entity, which note is payable on July 18, 2005 and bears interest at an annual rate of 8.0%. Mr. Brooksher is not restricted from transferring his ownership interest in GoProLogis but ProLogis does have an option to acquire Mr. Brooksher's ownership interest at a price equal to the principal amount plus accrued interest under the promissory note. See Note 15.

- (14) ProLogis owns 100% of the non-voting preferred stock (\$6.0 million of cash invested and \$6.0 million of preferred stock received under a license agreement) of ProLogis Broadband (1) Incorporated ("ProLogis PhatPipe"), that has invested \$6.0 million in the non-cumulative preferred stock of PhatPipe, Inc. ("PhatPipe"), a real estate technology company. ProLogis PhatPipe also received \$6.0 million of non-cumulative preferred stock of PhatPipe and a receivable of \$2.0 million, both under a license agreement for the non-exclusive use of the ProLogis Operating System(R) over a three-year period. This investment was made on September 20, 2000. The income related to the license agreement was deferred at the inception of the agreement in 2000 and was being recognized over the three-year term of the agreement. As of December 31, 2000, ProLogis' net equity investment in ProLogis PhatPipe was \$4.3 million (\$7.0 million of non-cumulative preferred stock owned at that time, a \$4.5 million receivable and \$42,000 of additional costs offset by \$7.3 million of deferred income). During 2001, ProLogis acquired an additional \$2.5 million of non-cumulative preferred stock for cash, received \$2.5 million of its original receivable in additional non-cumulative preferred stock and recognized \$0.7 million of deferred license fee income increasing its net investment by \$3.0 million to \$7.5 million before recognizing its share of an impairment adjustment recorded by ProLogis PhatPipe related to its investment in PhatPipe in the second quarter of 2001. This impairment adjustment reflects a write-down of ProLogis PhatPipe's entire \$7.5 million net investment in PhatPipe. ProLogis PhatPipe has not received any dividends from its preferred stock investment in PhatPipe since the investment was made in 2000. ProLogis' investment in the non-voting preferred stock of ProLogis PhatPipe represents a 98% interest in the earnings of ProLogis PhatPipe. ProLogis recognized its share of the impairment charge in June 2001. The voting interest in ProLogis PhatPipe, representing a 2% interest in the earnings, is held by K. Dane Brooksher, ProLogis' chairman and chief executive officer, and entitles him to receive dividends equal to 2% of the net cash flow of ProLogis PhatPipe, as defined, if any. Mr. Brooksher contributed \$122,449 of recourse promissory notes to ProLogis PhatPipe in exchange for his interest in the entity. A promissory note with

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

the principal amount of \$71,429 is due September 20, 2005 and a promissory note with the principal amount of \$51,020 is due January 4, 2006. Both notes bear interest at an annual rate of 8.0%. Mr. Brooksher is not restricted from transferring his interest in ProLogis PhatPipe but ProLogis does have an option to acquire Mr. Brookshers' interest at a price equal to the aggregate principal amount of the promissory notes plus accrued

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interest under the promissory notes. See Note 15.

### Income (Loss) from Unconsolidated Entities

ProLogis recognized income (loss) from its investments in unconsolidated entities as follows (in thousands):

	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
<b>Temperature-controlled distribution companies:</b>			
CSI/Frigo LLC(1).....	\$ (5,975)	\$ --	\$ --
ProLogis Logistics(2).....	(56,405)	11,950	10,791
Frigoscandia S.A.(2).....	(49,088)	(20,298)	(4,364)
	-----	-----	-----
	(111,468)	(8,348)	6,427
	-----	-----	-----
<b>Distribution real estate entities:</b>			
ProLogis California(3).....	13,147	13,178	3,917
ProLogis North American Properties Fund I(4).....	4,648	1,806	--
ProLogis North American Properties Fund II(5).....	2,328	612	--
ProLogis North American Properties Fund III(6).....	1,178	--	--
ProLogis North American Properties Fund IV(7).....	598	--	--
ProLogis European Properties Fund(8).....	15,798	15,648	820
ProLogis European Properties S.a.r.l.(9).....	205	8,041	--
	-----	-----	-----
	37,902	39,285	4,737
	-----	-----	-----
Kingspark S.A.(10).....	55,839	43,795	23,855
Insight.....	9	27	(77)
ProLogis Equipment Services.....	(209)	(130)	--
GoProLogis(11).....	(26,506)	2,693	--
ProLogis PhatPipe(11).....	(6,789)	741	--
ProLogis Garonor(12).....	--	--	(12,423)
	-----	-----	-----
	\$ (51,222)	\$ 78,063	\$ 22,519
	=====	=====	=====

(1) CSI/Frigo LLC recognizes its share of the income or losses of ProLogis Logistics and Frigoscandia S. A. under the equity method. Amounts represent ProLogis' share of the income or losses of CSI/Frigo LLC for the periods presented and interest income on outstanding notes.

(2) Represents ProLogis' direct share of the income or losses of ProLogis Logistics and Frigoscandia S.A. recognized under the equity method based on its ownership of the non-voting preferred stock of each entity and interest income on outstanding notes. During 2001, ProLogis Logistics recognized a charge of \$53.3 million and Frigoscandia S.A. recognized a charge of \$35.1 million, both related to the write-down of the operating assets of their operating companies and other impairment charges related to their investments in these companies. In 2001, also includes an aggregate charge of \$5.7 million representing the write-off of certain technology investments of the operating companies.



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#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

- (3) Income includes management, leasing and development fees of \$3,093,000, \$2,655,000 and \$930,000 for 2001, 2000 and 1999, respectively. ProLogis has had a 50% ownership interest in ProLogis California since its inception.
- (4) ProLogis North American Properties Fund I was formed on June 30, 2000. Income includes property and asset management and other fees of \$2,192,000 and \$668,000 for 2001 and 2000, respectively. ProLogis and ProLogis Development Services had a combined 20% ownership interest in ProLogis North American Properties Fund I from its inception on June 30, 2000 to January 14, 2001, and a combined 41.3% ownership interest from January 15, 2001 to December 31, 2001.
- (5) ProLogis North American Properties Fund II was originally formed on June 30, 2000. Income includes property and asset management and other fees of \$1,603,000 and \$52,000 for 2001 and 2000, respectively. ProLogis (together with ProLogis Development Services since March 27, 2001) has had a 20% ownership interest in ProLogis North American Properties Fund II since its inception.
- (6) ProLogis North American Properties Fund III was formed on June 15, 2001. Income includes property and asset management and other fees of \$1,010,000 for 2001. ProLogis and ProLogis Development Services have had a combined 20% ownership interest in ProLogis North American Properties Fund III since its inception.
- (7) ProLogis North American Properties Fund IV was formed on September 21, 2001. Income includes property and asset management and other fees of \$315,000 for 2001. ProLogis has had a 20% ownership interest in ProLogis North American Properties Fund IV since its inception.
- (8) Income includes property and asset management fees of \$8,285,000, \$5,272,000 and \$269,000 for 2001, 2000 and 1999, respectively. ProLogis recognizes its share of the earnings or loss of ProLogis European Properties Fund based on its average ownership interest during the period. ProLogis' ownership interest in ProLogis European Properties Fund was 35.4% and 34.4% as of December 31, 2001 and 2000, respectively.
- (9) Represents income from ProLogis' investment in 49.9% of the common stock of ProLogis European Properties S.a.r.l. in 2000 for the period from January 7, 2000 to December 31, 2000 and in 2001 for the period from January 1, 2001 to January 6, 2001. As of January 7, 2001, ProLogis European Properties S.a.r.l. was 100% owned by ProLogis European Properties Fund.
- (10) ProLogis acquired Kingspark S.A. on August 14, 1998. ProLogis' share of Kingspark S.A.'s earnings or loss includes net gains from the disposition of facilities developed by Kingspark S.A. to ProLogis European Properties Fund of \$23.0 million in 2001, \$4.3 million in 2000 and \$4.5 million in 1999. These gains are net of \$12.8 million in 2001, \$2.5 million in 2000 and \$1.1 million in 1999 that did not qualify for income recognition by Kingspark S.A. due to ProLogis' continuing ownership in ProLogis European Properties Fund.
- (11) Represents ProLogis' share of the earnings of each company. Loss for each company includes the write-down of their respective preferred stock investments in Vizional Technologies (\$29.5 million) and PhatPipe (\$7.5 million) offset by license fees earned for the non-exclusive use of the ProLogis Operating System(R) under licensing agreements entered into in

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2000. GoProLogis and ProLogis PhatPipe ceased recognizing income under the agreements with PhatPipe and Vizional Technologies in the first and second quarters of 2001, respectively.

- (12) On December 29, 1998, ProLogis invested in Garonor Holdings S.A. ("Garonor Holdings") by acquiring 100% of its non-voting preferred stock. Garonor Holdings, a Luxembourg company, owned Garonor S.A. ("ProLogis Garonor"), a real estate operating company in France. Security Capital owned 100% of the voting common stock of Garonor Holdings. On June 29, 1999, ProLogis acquired the common stock of Garonor Holdings from Security Capital, resulting in ProLogis owning all of the outstanding common and preferred stock of Garonor Holdings. Accordingly, as of that date the accounts of Garonor Holdings were consolidated in ProLogis' financial statements along with ProLogis' other

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### PROLOGIS TRUST

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

majority owned and controlled subsidiaries and partnerships. The results of operations of Garonor Holdings for the period from December 29, 1998 through June 29, 1999 are reflected by ProLogis under the equity method. ProLogis Garonor was transferred to ProLogis European Properties S.a.r.l. prior to ProLogis contributing 50.1% of the common stock of ProLogis European Properties S.a.r.l. to ProLogis European Properties Fund on January 7, 2000 for an additional equity interest. On January 7, 2001, ProLogis contributed the remaining 49.9% of the common stock of ProLogis European Properties S.a.r.l. to ProLogis European Properties Fund for an additional equity interest.

#### Temperature-Controlled Distribution Companies

ProLogis' total investment in its temperature-controlled distribution companies as of December 31, 2001 consisted of (in millions of U.S. dollars):

	CSI/FRIGO LLC (1)	PROLOGIS LOGISTICS (2)	FRIGOSCAN S.A. (3)
	-----	-----	-----
Equity interest.....	\$ 0.4	\$ 231.9	\$ 22.
ProLogis' share of the earnings of the entity.....	(6.2)	(68.5)	(124.
	-----	-----	-----
Subtotal.....	(5.8)	163.4	(101.
Other (including acquisition costs), net.....	0.1	--	(2.
	-----	-----	-----
Subtotal.....	(5.7)	163.4	(103.
Notes and other receivables.....	3.2	10.9 (4)	290.
	-----	-----	-----
Total.....	\$ (2.5)	\$ 174.3	\$ 186.
	=====	=====	=====

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- (1) ProLogis owns 89% of the membership interests (all non-voting) and Mr. Brooksher owns 11% of the membership interests (all voting) of CSI/Frigo LLC. Additionally, ProLogis has a note agreement with CSI/Frigo LLC that allows ProLogis to participate in its earnings such that ProLogis recognizes

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95% of the earnings of CSI/Frigo LLC. ProLogis does not have control of ProLogis Logistics or Frigoscandia S.A., therefore, ProLogis accounts for its investments in this entity under the equity method.

- (2) ProLogis directly owns all of the non-voting preferred stock of ProLogis Logistics, representing a 99.23% interest in the earnings of ProLogis Logistics. ProLogis Logistics owns 100% of CSI, a temperature-controlled distribution company operating in the United States. The common stock of ProLogis Logistics was owned by an unrelated party until January 5, 2001, when it was purchased by CSI/Frigo LLC.

In January 2001, ProLogis Logistics borrowed \$125.0 million under ProLogis' \$500.0 million credit agreement as a designated subsidiary borrower. See Note 5. The proceeds from this borrowing were used to repay \$125.0 million of the outstanding notes and accrued interest due to ProLogis in January 2001. The remaining amounts due to ProLogis were converted to preferred stock on January 5, 2001. As of December 31, 2001, ProLogis Logistics had \$31.5 million of borrowings outstanding under ProLogis' credit agreement. Additionally, ProLogis Logistics had \$90.0 million of direct borrowings outstanding under a credit agreement as of December 31, 2001 that are guaranteed by ProLogis.

- (3) ProLogis directly owns all of the non-voting stock of Frigoscandia S.A., representing a 95% interest in the earnings of Frigoscandia S.A., a Luxembourg company that owns, through wholly owned subsidiaries, temperature-controlled distribution companies operating in nine countries in Europe. The voting common stock of Frigoscandia S.A. was owned by a limited liability company in which Security Capital owned 100% of the non-voting interests and unrelated third parties owned 100% of the voting interests until January 5, 2001 when it was acquired by CSI/Frigo LLC.

Frigoscandia S.A., through its wholly owned subsidiary, Frigo S.a.r.l., has a credit agreement with Bank of America N.A. ("Bank of America") as agent for a bank group, under which borrowings of

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### PROLOGIS TRUST

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

102.5 million euros (the currency equivalent of approximately \$90.4 million as of December 31, 2001) were outstanding as of December 31, 2001. All of the borrowings outstanding have been guaranteed by ProLogis. The credit agreement expires on June 28, 2002.

- (4) Represents other receivables only.
- (5) In addition to other receivables (primarily interest on notes receivable) the balance includes:
- 776.6 million Swedish krona (the currency equivalent of approximately \$72.5 million as of December 31, 2001) unsecured note from Frigoscandia; interest at 5.0% per annum; due on demand;
  - 12.8 million euro (the currency equivalent of approximately \$11.3 million as of December 31, 2001) unsecured note from Frigoscandia; interest at 5.0% per annum; due on demand;
  - \$115.5 million unsecured note from Frigoscandia S.A.; interest at 5.0% per annum; \$80.0 million due July 15, 2008 with the remainder due on demand; and

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- 57.3 million euro (the currency equivalent of approximately \$50.5 million as of December 31, 2001) unsecured note from Frigo S.a.r.l.; interest at 5% per annum; due on demand.

### Distribution Real Estate Entities

ProLogis' total investment in its distribution real estate entities as of December 31, 2001 consisted of (in millions of U.S. dollars):

	PROLOGIS CALIFORNIA	PROLOGIS NORTH AMERICAN PROPERTIES FUND I	PROLOGIS NORTH AMERICAN PROPERTIES FUND II	PROLOGIS NORTH AMERICAN PROPERTIES FUND III	PROLOGIS NORTH AMERICAN PROPERTIES FUND
	-----	-----	-----	-----	-----
Equity interest.....	\$161.1	\$54.4	\$14.3	\$12.1	\$8
Distributions.....	(38.0)	(5.4)	(1.6)	(1.1)	(0
ProLogis' share of the earnings of the entity, excluding fees earned.....	22.0	2.7	0.4	0.1	0
Subtotal.....	145.1	51.7	13.1	11.1	8
Adjustments to carrying value(2).....	(27.8)	(9.5)	(6.5)	(5.9)	(4
Other, net(3).....	1.5	2.0	1.3	1.0	0
Subtotal.....	118.8	44.2	7.9	6.2	4
Other receivables.....	--	1.1	0.3	0.1	0
Total.....	\$118.8	\$45.3	\$ 8.2	\$ 6.3	\$4
	=====	=====	=====	=====	=====

(1) Third parties (21 institutional investors) have invested 604.3 million euros (the currency equivalent of approximately \$532.9 million as of December 31, 2001) in ProLogis European Properties Fund and have committed to fund an additional 456.0 million euros (the currency equivalent of approximately \$402.1 million as of December 31, 2001) through September 2002. ProLogis has also entered into a subscription agreement to make additional capital contributions of 58.9 million euros (the currency equivalent of approximately \$51.9 million as of December 31, 2001) through September 2002.

(2) Reflects the reduction in carrying value for amount of net gain on the disposition of facilities to each entity that does not qualify for current income recognition by ProLogis due to ProLogis' continuing ownership in each entity.

(3) Includes acquisition costs for all entities in addition to ProLogis' share of the cumulative translation adjustments of ProLogis European Properties Fund.

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On August 14, 1998, Kingspark S.A., a Luxembourg company, acquired an industrial distribution facility development company operating in the United Kingdom, Kingspark Group Holdings Limited ("ProLogis Kingspark"). ProLogis had the following investments in Kingspark S.A. and Kingspark LLC accounted under the equity method as of December 31, 2001:

- Investment in all of the non-voting preferred stock of Kingspark S.A. and in the non-voting membership interests of Kingspark LLC. Kingspark LLC owns the voting common stock of Kingspark S.A. These combined investments entitle ProLogis to recognize 99.75% of the combined earnings of these entities.
- 59.0 million pound sterling (the currency equivalent of approximately \$85.3 million as of December 31, 2001) outstanding on an unsecured revolving loan facility from ProLogis to Kingspark S.A.; interest at 6.0% per annum; due on demand;
- \$108.8 million unsecured note from Kingspark S.A.; interest at 5.0% per annum; due on demand; and
- 153.2 million pound sterling (the currency equivalent of approximately \$221.3 million as of December 31, 2001) mortgage note from Kingspark S.A.; secured by land parcels; interest at 6.0% per annum; due on demand.

As of December 31, 2001, Kingspark S.A. had 1.6 million square feet of operating facilities at an investment of \$140.5 million and 2.4 million square feet of facilities under development with a total budgeted cost of \$262.2 million. Additionally, as of December 31, 2001, Kingspark S.A. owned 185 acres of land and controlled 1,595 acres of land through purchase options, letters of intent or contingent contracts. The land owned and controlled by Kingspark S.A. has the capacity for the future development of approximately 25.9 million square feet of facilities.

ProLogis Kingspark has a line of credit agreement with a bank in the United Kingdom. The line of credit agreement provides for borrowings of up to 25.0 million pounds sterling (the currency equivalent of approximately \$36.1 million as of December 31, 2001) and has been guaranteed by ProLogis. As of December 31, 2001, no borrowings were outstanding on the line of credit. However, as of December 31, 2001, ProLogis Kingspark had the currency equivalent of approximately \$5.5 million of letters of credit outstanding that reduce the amount of available borrowings on the line of credit.

### Summarized Financial Information

Summarized financial information for ProLogis' unconsolidated entities as of December 31, 2001 is presented below (in millions of U.S. dollars). The information presented is for the entire entity.

	PROLOGIS LOGISTICS (1)	FRIGOSCANDIA S.A. (1)	PROLOGIS CALIFORNIA (2)	PROLOGIS NORTH AMERICAN PROPERTIES FUND I (3)	PROLOGIS NORTH AMERICAN PROPERTIES FUND II (4)
	-----	-----	-----	-----	-----
Total assets.....	\$328.9	\$ 401.7	\$591.1	\$360.6	\$235.3
Total					
liabilities(7) (8)...	\$165.5	\$ 515.0	\$301.0	\$238.7	\$169.0
Minority interest.....	\$ --	\$ 0.2	\$ --	\$ --	\$ --
Equity(9).....	\$163.4	\$(113.5)	\$290.1	\$121.9	\$ 66.3

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Revenues.....	\$314.1	\$ 369.1	\$ 67.0	\$ 42.3	\$ 21.7
Net earnings					
(loss) (10).....	\$ (56.2)	\$ (57.5)	\$ 18.8	\$ 5.7	\$ 1.9

	PROLOGIS EUROPEAN PROPERTIES FUND (6)	KINGSPARK S.A. (1)
	-----	-----
Total assets.....	\$1,477.3	\$550.4
Total		
liabilities(7) (8)...	\$ 676.5	\$467.8
Minority interest.....	\$ --	\$ --
Equity(9).....	\$ 800.8	\$ 82.6
Revenues.....	\$ 87.2	\$ 62.9
Net earnings		
(loss) (10).....	\$ 23.8	\$ 41.1

(1) ProLogis had an ownership interest in excess of 99% in each entity as of December 31, 2001.

(2) ProLogis had a 50% ownership interest in this entity as of December 31, 2001.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

(3) ProLogis and ProLogis Development Services had a combined 41.3% ownership interest in this entity as of December 31, 2001.

(4) ProLogis and ProLogis Development Services had a combined 20% ownership interest in each entity as of December 31, 2001.

(5) ProLogis had a 20% ownership interest in this entity as of December 31, 2001.

(6) ProLogis had a 35.4% ownership interest in this entity as of December 31, 2001. Includes the ProLogis European Properties S.a.r.l. which is wholly owned by ProLogis European Properties Fund as of December 31, 2001.

(7) Includes amounts due to ProLogis of \$10.9 million from ProLogis Logistics, \$290.0 million from Frigoscandia S.A., \$1.1 million from ProLogis North American Properties Fund I, \$0.3 million for ProLogis North American Properties Fund II, \$0.1 million from ProLogis North American Properties Fund III, \$0.1 million from ProLogis North American Properties Fund IV, \$6.4 million from ProLogis European Properties Fund and \$433.7 million due from Kingspark S.A.

(8) Includes loans due to third parties of \$124.1 million for ProLogis Logistics (\$121.5 million guaranteed by ProLogis), \$97.2 million for Frigoscandia S.A. (\$90.4 million guaranteed by ProLogis), \$293.1 million for ProLogis California, \$232.6 million for ProLogis North American Properties Fund I, \$165.0 million for ProLogis North American Properties

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Fund II, \$150.0 million for ProLogis North American Properties Fund III, \$103.0 million for ProLogis North American Properties Fund IV and \$598.2 million for ProLogis European Properties Fund.

- (9) ProLogis has entered into a subscription agreement to make additional capital contributions of 58.9 million euros (the currency equivalent of approximately \$51.9 million as of December 31, 2001) through September 2002.
- (10) ProLogis' share of the net earnings (loss) of the respective entities and interest income on notes and mortgage notes due to ProLogis are recognized in the Consolidated Statements of Earnings as "Income (loss) from unconsolidated entities." The net earnings (loss) of each entity includes interest expense on amounts due to ProLogis, as applicable. Includes net foreign currency exchange losses of \$3.5 million for Frigoscandia S.A. and net foreign currency gains of \$1.9 million and \$4.6 million for ProLogis European Properties Fund and Kingspark S.A., respectively.

### 5. BORROWINGS:

#### Lines of Credit

ProLogis has a credit agreement with Bank of America, Commerzbank AG and JP Morgan Chase Bank, formerly Chase Manhattan Bank, as agents for a 12 member bank group that provides for a \$500.0 million revolving line of credit. ProLogis Logistics may also borrow under the credit agreement with such borrowings guaranteed by ProLogis. ProLogis' borrowings under the agreement generally bear interest at the London Interbank Offering Rate ("LIBOR") plus an applicable margin. The margin is based upon ProLogis' current senior debt ratings. ProLogis' borrowings in 2001 were primarily at the 30-day LIBOR rate plus 0.75%. Borrowings outstanding as of December 31, 2001 were at a weighted average interest rate of 2.68%. Additionally, the credit agreement provides for a facility fee of 0.15% per annum. The credit agreement matures on June 6, 2003 and may be extended for an additional year at ProLogis' option. As of December 31, 2001, ProLogis had \$172.0 million of borrowings outstanding on the line of credit (all of which were borrowed directly by ProLogis Development Services Incorporated, a consolidated entity of ProLogis) and ProLogis was in compliance with all covenants contained in the credit agreement. Also, as of December 31, 2001, ProLogis Logistics had borrowed \$31.5 million under the credit agreement.

ProLogis has a \$60.0 million discretionary line of credit with Bank of America that matures on June 6, 2002. In addition to borrowing in U.S. dollars, ProLogis may borrow in euros, pound sterling or Japanese yen.

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PROLOGIS TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

As of December 31, 2001, ProLogis' borrowing ability under the discretionary line of credit was reduced by \$6.3 million, the amount of ProLogis' outstanding letters of credit issued by Bank of America. By agreement between ProLogis and Bank of America, the rate of interest on and the maturity date of each advance are determined at the time of each advance. There were no borrowings outstanding on the discretionary line of credit as of December 31, 2001.

ProLogis has a credit agreement with ABN AMRO Bank N.V. as agent, that provides for a 325.0 million euro revolving line of credit (the currency equivalent of approximately \$286.6 million as of December 31, 2001) through a group of 18 banks. ProLogis' borrowings under the agreement (which can be denominated in euro or pound sterling) generally bear interest at the rate of

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the Banking Federation of the European Union ("EURIBOR") plus 0.75% or Sterling LIBOR plus 0.75%. Borrowings outstanding as of December 31, 2001 were at a weighted average interest rate of 4.24%. Additionally, the credit agreement provides for an unused commitment fee of 0.375% per annum. The credit agreement matures on December 17, 2003. As of December 31, 2001, the currency equivalent of approximately \$156.4 million of borrowings were outstanding on the line of credit and ProLogis was in compliance with all covenants contained in the credit agreement.

ProLogis has a credit agreement with Sumitomo Mitsui Banking Corporation as agent, that provides for a 24.5 billion yen revolving line of credit (the currency equivalent of \$187.6 million as of December 31, 2001) through a group of 11 banks. ProLogis' borrowings under the agreement generally bear interest at the Tokyo Interbank Offering Rate ("TIBOR") plus 1.00%. Borrowings outstanding as of December 31, 2001 were at a weighted average interest rate of 1.09%. Additionally, the credit agreement provides for an unused commitment fee of 0.25% per annum. The credit agreement matures on September 13, 2004 and may be extended for an additional year at ProLogis' option. As of December 31, 2001, the currency equivalent of approximately \$47.5 million of borrowings were outstanding on the line of credit and ProLogis was in compliance with all covenants contained in the agreement.

A summary of ProLogis' unsecured lines of credit borrowings is as follows (in thousands of U.S. dollars):

	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
Weighted average daily interest rate(1).....	4.95%	6.33%	6.13%
Borrowings outstanding as of December 31(1).....	\$ 375,875	\$439,822	\$ 98,700
Weighted average daily borrowings(1).....	\$ 314,582	\$251,528	\$232,821
Maximum borrowings outstanding at any month			
end(1).....	\$ 429,402	\$439,822	\$440,100
Total borrowing capacity on all lines of credit as			
of December 31(2).....	\$1,002,651	\$832,317	\$902,340

(1) Excludes \$31.5 million of direct borrowings by ProLogis Logistics in 2001. See Note 4.

(2) Total borrowing capacity as of December 31, 2001 has been reduced by \$31.5 million of outstanding borrowings of ProLogis Logistics. See Note 4.

### Senior Unsecured Notes

ProLogis has issued senior unsecured notes that bear interest at fixed rates to be paid on a semi-annual basis (the "Notes"). The Notes outstanding as of December 31, 2001 are summarized as follows (in thousands):



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DATE OF ISSUANCE	PAR VALUE	COUPON RATE	MATURITY DATE	PRINCIPAL BALANCE (1)	PRINCIPAL PAYMENT REQUIREMENT
May 17, 1996.....	\$ 12,500	7.250%	05/15/02	\$ 12,498	(2)
October 9, 1998.....	125,000	7.000%	10/01/03	125,000	(2)
April 26, 1999.....	250,000	6.700%	04/15/04	249,791	(2)
July 20, 1998.....	250,000	7.050%	07/15/06	249,689	(2)
November 20, 1997.....	135,000	7.250%	11/20/07	134,215	(2)
April 26, 1999.....	250,000	7.100%	04/15/08	249,949	(2)
May 17, 1996.....	100,000	7.950%	05/15/08	99,905	(3)
March 2, 1995.....	150,000	8.720%	03/01/09	150,000	(4)
May 16, 1995.....	75,000	7.875%	05/15/09	74,829	(5)
November 20, 1997.....	25,000	7.300%	11/20/09	24,804	(2)
February 4, 1997.....	100,000	7.810%	02/01/15	100,000	(6)
March 2, 1995.....	50,000	9.340%	03/01/15	50,000	(7)
May 17, 1996.....	50,000	8.650%	05/15/16	49,881	(8)
July 11, 1997.....	100,000	7.625%	07/01/17	99,798	(2)
	-----			-----	
	\$1,672,500			\$1,670,359	
	=====			=====	

-----

- (1) Amounts are net of applicable unamortized original issue discount.
- (2) Principal due at maturity.
- (3) Annual principal payments of \$25.0 million from May 15, 2005 to May 15, 2008.
- (4) Annual principal payments of \$18.75 million from March 1, 2002 to March 1, 2009.
- (5) Annual principal payments of \$9.375 million from May 15, 2002 to May 15, 2009.
- (6) Annual principal payments ranging from \$10.0 million to \$20.0 million from February 1, 2010 to February 1, 2015.
- (7) Annual principal payments ranging from \$5.0 million to \$12.5 million from March 1, 2010 to March 1, 2015.
- (8) Annual principal payments ranging from \$5.0 million to \$12.5 million from May 15, 2010 to May 15, 2016.

The Notes rank equally with all other unsecured and unsubordinated indebtedness of ProLogis outstanding from time to time. The Notes are redeemable at any time at ProLogis' option. Such redemption and other terms are governed by the provisions of an indenture agreement or, with respect to the \$160.0 million of Notes issued on November 20, 1997, note purchase agreements. Under the terms of the indenture agreement and the note purchase agreements, ProLogis must meet certain financial covenants. ProLogis was in compliance with all such covenants as of December 31, 2001.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

### Secured Debt

Secured debt as of December 31, 2001 consisted of the following (in thousands):

DESCRIPTION	INTEREST RATE (1)	MATURITY DATE	PERIODIC PAYMENT DATE	PRINCIPAL BALANCE	BALLOON PAYMENT DUE AT MATURITY
-----	-----	-----	-----	-----	-----
Mortgage notes:					
Prudential Insurance(3).....	8.59%	04/01/03	(2)	\$ 24,580	\$ 23,505
Sullivan 75 Distribution Center					
#1.....	9.96	04/01/04	(2)	1,739	1,663
Charter American Mortgage(3).....	8.75	08/01/04	(2)	6,651	5,818
West One Business Center #3.....	9.00	09/01/04	(2)	4,144	3,847
Raines Distribution Center.....	9.50	01/01/05	(2)	2,941	1,128
Prudential Insurance(3) (4).....	6.85	04/01/05	(5)	51,923	48,850
Consulate Distribution Center					
#300(4).....	6.97	02/01/06	(2)	3,575	3,585
Plano Distribution Center #7(4)...	7.02	04/15/06	(2)	3,623	3,015
Interchange Distribution Ctr. #8 &					
#9.....	8.14	06/01/06	(2)	7,124	6,651
Connecticut General Life					
Insurance(3).....	7.08	03/01/07	(2)	145,458	134,431
Vista Del Sol Industrial Center #1					
& 2.....	9.68	08/01/07	(6)	2,777	--
State Farm Insurance(3) (4).....	7.10	11/01/08	(2)	15,158	13,065
Placid Street Distribution Center					
#1(4).....	7.18	12/01/09	(2)	7,426	6,529
Earth City Industrial Center #4...	8.50	07/01/10	(6)	1,886	--
GMAC Commercial Mortgage(3).....	7.75	10/01/10	(6)	6,758	--
Executive Park Distribution Center					
#3.....	8.19	03/01/11	(6)	929	--
Cameron Business Center #1(4)....	7.23	07/01/11	(2)	5,912	4,526
Platte Valley Industrial Center					
#9.....	8.10	04/01/17	(6)	3,061	--
Platte Valley Industrial Center					
#4.....	10.10	11/01/21	(6)	1,978	--
Morgan Guaranty Trust(3).....	7.58	04/01/24	(7)	200,000	127,187
				-----	
				\$497,643	
				=====	
Assessment bonds:					
City of Fremont.....	7.00%	03/01/11	(6)	\$ 8,145	--
Various(8).....	(8)	(8)	(6)	1,185	--
City of Tracy.....	7.20	09/01/24	(6)	2,577	--
				-----	
				\$ 11,907	
				=====	
Securitized debt:					
Tranche A.....	7.74%	02/01/04	(2)	\$ 14,925	\$ 13,405
Tranche B.....	9.94	02/01/04	(2)	7,631	7,215
				-----	
				\$ 22,556	
				=====	
Total secured debt.....				\$532,106	

PROLOGIS TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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- (1) The weighted average interest rates for mortgage notes, assessment bonds and securitized debt were 7.46%, 7.13% and 8.48%, respectively as of December 31, 2001. The total weighted average interest rate for ProLogis' secured borrowings is 7.50%.
  - (2) Monthly amortization with a balloon payment due at maturity.
  - (3) Secured by various distribution facilities.
  - (4) Mortgage note was assumed by ProLogis in connection with the 1999 merger transaction. See Note 11. Under purchase accounting, the mortgage note was recorded at its fair value. Accordingly, a premium or discount was recognized, as applicable. Balloon payments due at maturity are not adjusted for recorded premiums or discounts.
  - (5) Carrying value includes premium. Terms are interest only with stated principal amount of \$48.9 million due at maturity.
  - (6) Fully amortizing.
  - (7) Monthly interest only payments through May 2005, monthly principal and interest payments from June 2005 to April 2024 with a balloon payment due at maturity.
  - (8) Includes ten issues of assessment bonds with four municipalities. Interest rates range from 5.50% per annum to 8.75% per annum. Maturity dates range from August 2004 to March 2021.

Mortgage notes, assessment bonds and securitized debt are secured by real estate with an aggregate undepreciated cost of \$934.3 million, \$234.1 million and \$61.4 million, respectively, as of December 31, 2001.

Long-Term Debt Maturities

Approximate principal payments due on senior unsecured notes and secured debt (mortgage notes, assessment bonds and securitized debt) during each of the years in the five-year period ending December 31, 2006 and thereafter are as follows (in thousands):

2002.....	\$ 49,252
2003.....	185,214
2004.....	316,554
2005.....	111,579
2006.....	319,995
2007 and thereafter.....	1,222,012
	-----
Total principal due.....	2,204,606
Less: Original issue discount.....	(2,141)
	-----

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Total carrying value..... \$2,202,465  
=====

### Interest Expense

For 2001, 2000 and 1999, interest expense was \$163.6 million, \$172.2 million and \$170.7 million, respectively, which is net of capitalized interest of \$24.3 million, \$18.5 million and \$16.0 million, respectively. Amortization of deferred loan costs included in interest expense was \$5.2 million, \$4.6 million and \$4.4 million for 2001, 2000 and 1999, respectively. The total interest paid in cash on all outstanding debt was \$183.3 million, \$178.4 million and \$169.8 million during 2001, 2000 and 1999, respectively.

### 6. MINORITY INTEREST:

Of the total minority interest as of December 31, 2001, \$45.6 million represents the limited partners' interests in the Partnerships controlled by ProLogis. With respect to each of the Partnerships either ProLogis or a subsidiary of ProLogis is the sole general partner with all management powers over the business and

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### PROLOGIS TRUST

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

affairs of the Partnership. The limited partners of each Partnership generally do not have the right to participate in or exercise management control over the business and affairs of the Partnership. With respect to each partnership the general partner may not, without the written consent of all of the limited partners, take any action that would prevent such Partnership from conducting its business, possess the property of the partnership, admit an additional partner or subject a limited partner to the liability of a general partner.

As of December 31, 2001, ProLogis or a consolidated subsidiary of ProLogis is the controlling general partner in the Partnerships. In each of the Partnerships, the limited partners are entitled to exchange partnership units for Common Shares. Additionally, the limited partners are entitled to receive preferential cumulative quarterly distributions per unit equal to the quarterly distributions in respect of Common Shares. The Partnerships as of December 31, 2001 are as follows:

ENTITY	FORMATION DATE	INVESTMENT IN REAL ESTATE (IN MILLIONS)	PROLOGIS' OWNERSHIP	LIMITED PARTNERSHIP UNITS OUTSTANDING
ProLogis Limited Partnership-I.....	1993	\$213.1 (1)	68.65%	4,520,532 (2)
ProLogis Limited Partnership-II.....	1994	\$ 60.1	97.82%	90,213 (2)
ProLogis Limited Partnership-III....	1994	\$ 35.9	79.63%	350,964 (2)
ProLogis Limited Partnership-IV(3).....	1994	\$106.1	98.49%	68,612 (2)
Meridian Realty Partners Limited Partnership.....	(4)	\$ 10.4	87.00%	29,712 (5)

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- (1) These facilities cannot be sold, prior to the occurrence of certain events, without the consent of the limited partners thereto, other than in tax-deferred exchanges.
- (2) Each unit is convertible into one Common Share.
- (3) ProLogis Limited Partnership-IV was formed through a cash contribution from a wholly owned subsidiary of ProLogis, ProLogis-IV, Inc. and the contribution of distribution facilities from the limited partner. ProLogis Limited Partnership-IV and ProLogis-IV, Inc. are legal entities separate and distinct from ProLogis, its affiliates and each other, and each has separate assets, liabilities, business functions and operations. The sole assets of ProLogis-IV, Inc. are its general partner advances to and its interest in ProLogis Limited Partnership-IV. As of December 31, 2001, ProLogis Limited Partnership-IV had outstanding borrowings from ProLogis-IV, Inc., of \$0.3 million and ProLogis-IV, Inc. had outstanding borrowings from ProLogis and its affiliates of \$0.3 million.
- (4) Acquired in 1999 merger transaction. See Note 11.
- (5) Each unit is convertible into 1.1 Common Shares, plus \$2.00.

### 7. SHAREHOLDERS' EQUITY:

#### Shares Authorized

As of December 31, 2001, 275,000,000 shares were authorized. The Board may increase the number of authorized shares and may classify or reclassify any unissued shares of ProLogis stock from time to time by setting or changing the preferences, conversion or other rights, voting powers, restrictions, limitations as of distributions, qualifications and terms or conditions of redemption of such shares.

#### Common Shares

ProLogis had 175,888,391 and 165,287,358 Common Shares outstanding as of December 31, 2001 and 2000. Common Shares have a par value of \$0.01 per share.

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### PROLOGIS TRUST

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

ProLogis' holders of Common Shares may acquire additional Common Shares by automatically reinvesting distributions under the 1999 Dividend Reinvestment and Share Purchase Plan (the "1999 Common Share Plan"). Holders of Common Shares who do not participate in the 1999 Common Share Plan continue to receive distributions as declared. The 1999 Common Share Plan also allows both holders of Common Shares and persons who are not holders of Common Shares to purchase a limited number of additional Common Shares by making optional cash payments, without payment of any brokerage commission or service charge. Common Shares are acquired pursuant to the 1999 Common Share Plan at a price equal to 98% of the market price of such Common Shares. During 2001, ProLogis generated net proceeds of \$67.1 million from the issuance of 3,261,000 Common Shares under the 1999 Common Share Plan.

In January 2001, ProLogis announced a Common Share repurchase program under which it may repurchase up to \$100.0 million of its Common Shares. The Common Shares have been and, to the extent these repurchases continue, they will be repurchased in the open market and in privately negotiated transactions, depending on market prices and other conditions. During 2001, 778,400 Common

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Shares were purchased under this program at a total cost of \$16.0 million.

ProLogis' employees participate in various long-term compensation plans as discussed in Note 13. Compensation under these plans is generally in the form of Common Shares. In 2001, ProLogis issued 241,000 Common Shares under these plans generating net proceeds of \$3.8 million. Also in 2001, 25,000 Common Shares were issued upon conversion of limited partnership units. See Note 6.

In May 2001, ProLogis' shareholders approved the establishment of the ProLogis Trust Employee Share Purchase Plan (the "Employee Share Plan"). Under the terms of the Employee Share Plan, employees of ProLogis and its participating entities may purchase Common Shares, through payroll deductions only, at a discounted price of 85% of the fair market value of such Common Shares. Subject to certain provisions, the aggregate number of Common Shares which may be issued under the Plan may not exceed 5,000,000. ProLogis began issuing Common Shares under the Employee Share Plan in January 2002.

### Preferred Shares

As of December 31, 2001, ProLogis had three series of cumulative redeemable preferred shares of beneficial interest outstanding ("Series C Preferred Shares", "Series D Preferred Shares" and "Series E Preferred Shares"). Holders of each series of preferred shares have, subject to certain conditions, limited voting rights. The holders of the preferred shares are entitled to receive cumulative preferential dividends based upon each series' respective liquidation preference. Such dividends are payable quarterly in arrears on the last day of March, June, September and December for Series C Preferred Shares and Series D Preferred Shares and are payable quarterly in arrears on the last day of January, April, July and October for Series E Preferred Shares, when, and if, declared by the Board, out of funds legally available for payment of dividends. After the respective redemption dates, each series can be redeemed at ProLogis' option for a cash redemption price which (other than the portion consisting of accrued and unpaid dividends) is payable solely out of the cumulative sales proceeds of other capital shares of ProLogis, which may include shares of other series of preferred shares. With respect to payment of dividends, each series of preferred shares ranks on parity with ProLogis' other series of preferred shares.

ProLogis redeemed all of its outstanding Series B cumulative convertible redeemable preferred shares of beneficial interest ("Series B Convertible Preferred Shares") as of March 20, 2001. Prior to the call for redemption, 163,827 Series B Convertible Preferred Shares were converted into 210,026 Common Shares. Subsequent to the call for redemption, 5,908,971 Series B Convertible Preferred Shares were converted into 7,575,301 Common Shares. The remaining 183,302 Series B Convertible Preferred Shares outstanding on March 20, 2001 were redeemed at a price of \$25.00 per share, plus \$0.442 in accrued and unpaid dividends. The aggregate redemption cost (including accrued dividends) of the Series B Convertible Preferred Shares was \$4.7 million.

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### PROLOGIS TRUST

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

ProLogis redeemed all 5,400,000 of its outstanding Series A cumulative preferred shares of beneficial interest ("Series A Preferred Shares") as of May 8, 2001 at the price of \$25.00 per share, plus \$0.2481 in accrued and unpaid dividends. The aggregate redemption cost (including accrued dividends) of the Series A Preferred Shares was \$136.3 million.

ProLogis' preferred shares as of December 31, 2001 are summarized as follows:

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	NUMBER OF SHARES OUTSTANDING	STATED LIQUIDATION PREFERENCE	DIVIDEND RATE	DIVIDEND EQUIVALENT BASED ON LIQUIDATION PREFERENCE	OPTIONAL REDEMPTION DATE
	-----	-----	-----	-----	-----
Series C Preferred Shares.....	2,000,000	\$50.00	8.54%	\$4.27 per share	11/13/26
Series D Preferred Shares.....	10,000,000	\$25.00	7.92%	\$1.98 per share	04/13/03
Series E Preferred Shares.....	2,000,000	\$25.00	8.75%	\$2.19 per share	06/30/03

Shelf Registration

ProLogis has a shelf registration statement on file with the Securities and Exchange Commission that allows ProLogis to issue securities in the form of debt securities, preferred shares, Common Shares, rights to purchase Common Shares and preferred share purchase rights on an as-needed basis. These \$608.0 million of shelf-registered securities are available for issuance, subject to ProLogis' ability to effect an offering on satisfactory terms.

Ownership Restrictions and Significant Shareholder

For ProLogis to qualify as a REIT under the Code, not more than 50% in value of its outstanding shares of stock may be owned by five or fewer individuals at any time during the last half of ProLogis' taxable year. Therefore, ProLogis' Declaration of Trust restricts beneficial ownership (or ownership generally attributed to a person under the REIT tax rules) of ProLogis' outstanding shares by a single person, or persons acting as a group, to 9.8% of ProLogis' outstanding shares. This provision assists ProLogis in protecting and preserving its REIT status and protects the interest of shareholders in takeover transactions by preventing the acquisition of a substantial block of shares.

Shares owned by a person or group of persons in excess of these limits are subject to redemption by ProLogis. The provision does not apply where a majority of the Board, in its sole and absolute discretion, waives such limit after determining that the status of ProLogis as a REIT for federal income tax purposes will not be jeopardized or the disqualification of ProLogis as a REIT is advantageous to the shareholders.

Security Capital, ProLogis' largest shareholder with 28.4% of ProLogis' outstanding Common Shares as of December 31, 2001, is exempt from the ownership restrictions described above. For tax purposes, Security Capital's ownership is attributed to its shareholders. In December 2001, Security Capital announced that it had entered into a definitive agreement for General Electric Capital Corporation ("GE Capital") to acquire the outstanding shares of Security Capital Class B common stock for a price of \$26.00 per share. The merger agreement, if approved by the shareholders of Security Capital and GE Capital, will give GE Capital the option of combining the ProLogis Common Shares owned by Security Capital with cash to acquire the Security Capital Class B stock outstanding. GE Capital has announced that it intends to retain ownership of 9.8% of the Common Shares outstanding but has reserved the right to distribute more, or less, of the Common Shares owned by Security Capital to Security Capital's shareholders in the merger.

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## PROLOGIS TRUST

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

#### Shareholder Purchase Rights

On December 7, 1993, the Board declared a dividend of one preferred share purchase right ("Right") for each outstanding Common Share to be distributed to all holders of record of the Common Shares on December 31, 1993. Each Right entitles the registered holder to purchase one-hundredth of a Participating Preferred Share for an exercise price of \$40.00 per one-hundredth of a Participating Preferred Share, subject to adjustment as provided in the Rights Agreement. The Rights will generally be exercisable only if a person or group (other than certain affiliates of ProLogis) acquires 20% or more of the Common Shares or announces a tender offer for 25% or more of the Common Shares. Under certain circumstances, upon a shareholder acquisition of 20% or more of the Common Shares (other than certain affiliates of ProLogis), each Right will entitle the holder to purchase, at the Right's then-current exercise price, a number of Common Shares having a market value of twice the Right's exercise price. The acquisition of ProLogis pursuant to certain mergers or other business transactions will entitle each holder of a Right to purchase, at the Right's then-current exercise price, a number of the acquiring company's common shares having a market value at that time equal to twice the Right's exercise price. The Rights held by certain 20% shareholders will not be exercisable. The Rights will expire on December 7, 2003, unless the expiration date of the Rights is extended, and the Rights are subject to redemption at a price of \$0.01 per Right under certain circumstances.

#### 8. DISTRIBUTIONS AND DIVIDENDS:

##### Common Share Distributions

ProLogis' annual distribution per Common Share for 2001, 2000 and 1999 and the taxability of cash distributions paid on Common Shares for Federal income tax purposes (estimated taxability for 2001) are as follows:

	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
	-----	-----	-----
Per Common Share:			
Ordinary income.....	\$1.09	\$1.19	\$0.84
Capital gains.....	0.19	0.15	0.35
Return of capital.....	0.10	--	0.11
	-----	-----	-----
Total.....	\$1.38	\$1.34	\$1.30

The distribution level for 2002 was set at \$1.42 per Common Share by the Board on December 14, 2001. Also on that date, ProLogis declared a distribution of \$0.355 per Common Share payable on February 28, 2002 to holders of Common Shares on February 14, 2002.

##### Preferred Share Dividends

Annual dividends per preferred share were as follows:



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	YEAR ENDED DECEMBER 31,		
	2001 (1)	2000 (2)	1999 (3)
Series A Preferred Shares.....	\$0.84 (4)	\$2.35	\$2.35
Series B Convertible Preferred Shares.....	0.44 (4)	1.75	1.75
Series C Preferred Shares.....	4.27	4.27	4.27
Series D Preferred Shares.....	1.98	1.98	1.98
Series E Preferred Shares.....	2.19	2.19	1.64 (5)

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PROLOGIS TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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- (1) For federal income tax purpose \$0.71 of the Series A dividend, \$0.38 of the Series B dividend, \$3.63 of Series C dividend, \$1.68 of the Series D dividend and \$1.86 of the Series E dividend are treated as ordinary income to the holders. The remaining portion of each dividend represents capital gains.
- (2) For federal income tax purposes \$2.08 of the Series A dividend, \$1.55 of the Series B dividend, \$3.78 of the Series C dividend, \$1.75 of the Series D dividend and \$1.94 of the Series E dividend are treated as ordinary income to the holders. The remaining portion of each dividend represents capital gains.
- (3) For federal income tax purposes \$1.65 of the Series A dividend, \$1.23 of the Series B dividend, \$3.00 of the Series C dividend, \$1.39 of the Series D dividend and \$1.15 of the Series E dividend are treated as ordinary income to the holders. The remaining portion of each dividend represents capital gains.
- (4) The Series A Preferred Shares were redeemed as of May 8, 2001 and the Series B Convertible Preferred Shares were redeemed as of March 20, 2001.
- (5) For the period from date of issuance to December 31, 1999.

Pursuant to the terms of its preferred shares, ProLogis is restricted from declaring or paying any distribution with respect to the Common Shares unless all cumulative dividends with respect to the preferred shares have been paid and sufficient funds have been set aside for dividends that have been declared for the then-current dividend period with respect to the preferred shares.

ProLogis' tax return for the year ended December 31, 2001 has not been filed. The taxability information for 2001 is based upon the best available data. ProLogis' tax returns for prior years have not been examined by the Internal Revenue Service. Consequently, the taxability of distributions is subject to change.

9. EARNINGS PER COMMON SHARE:

A reconciliation of the denominator used to calculate basic net earnings per Common Share to the denominator used to calculate diluted net earnings per Common Share for the years indicated (in thousands, except per share amounts) is

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as follows:

	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
Net earnings attributable to Common Shares.....	\$ 90,835	\$157,715	\$123,999
Series B Convertible Preferred Share dividends.....	81	--	--
Adjusted net earnings attributable to Common Shares.....	\$ 90,916	\$157,715	\$123,999
Weighted average Common Shares outstanding -- Basic.....	172,755	163,651	152,412
Weighted average conversion of Series B Convertible Preferred Shares.....	1,544	--	--
Incremental weighted average effect of common share equivalents and contingently issuable Common Shares (see Note 13).....	898	750	327
Adjusted weighted average Common Shares outstanding-- Diluted.....	175,197	164,401	152,739
Basic per share net earnings attributable to Common Shares.....	\$ 0.53	\$ 0.96	\$ 0.81
Diluted per share net earnings attributable to Common Shares.....	\$ 0.52	\$ 0.96	\$ 0.81

For the year ended December 31, 1999, basic and diluted per share net earnings attributable to Common Shares before the cumulative effect of accounting change were \$0.82. The following convertible securities are

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

not included in the calculation of diluted per share net earnings attributable to Common Shares as the effect, on an as-converted basis, is antidilutive (in thousands):

	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
Series B Convertible Preferred Shares.....	--	8,417	9,221
Limited partnership units.....	5,087	5,348	5,461

10. BUSINESS SEGMENTS:

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ProLogis has three reportable business segments:

- Property operations represents the long-term ownership (either directly or through investments in unconsolidated entities), management and leasing of industrial distribution facilities in the United States, Mexico and Europe. Each operating facility is considered to be an individual operating segment having similar economic characteristics that are combined within the reportable segment based upon geographic location. See Note 4.
- CDFS business represents the development of industrial distribution facilities by ProLogis and Kingspark S.A. (which is not consolidated in ProLogis' financial statements) in the United States, Mexico, Europe and Japan that are often sold to third parties or contributed to entities in which ProLogis maintains an ownership interest and acts as manager. Additionally, in the United States, Mexico and Europe, ProLogis and Kingspark S.A. earn fees for development activities on behalf of customers and realizes profits from the sale of land parcels when their development plans no longer include these parcels. The activities in this segment are considered to be individual operating segments having similar economic characteristics that are combined within the reportable segment based upon geographic location.
- Temperature-controlled distribution operations represents the operation of a temperature-controlled distribution and logistics network through investments in unconsolidated entities in the United States (ProLogis Logistics) and Europe (Frigoscandia S.A.). The operations of these entities are considered to be one operating segment. See Note 4.

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#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Reconciliations of the three reportable segments': (i) income from external customers to ProLogis' total income; (ii) net operating income from external customers to ProLogis' earnings before minority interest (ProLogis' chief operating decision makers rely primarily on net operating income and related measures to make decisions about allocating resources and assessing segment performance); and (iii) assets to ProLogis' total assets are as follows (in thousands):

	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
	-----	-----	-----
Income:			
Property operations:			
United States(1).....	\$ 463,673	\$ 476,098	\$ 457,592
Mexico.....	19,370	15,504	10,503
Europe(2).....	20,636	27,771	16,045
	-----	-----	-----
Total property operations segment.....	503,679	519,373	484,140
	-----	-----	-----
CDFS business:			
United States(3).....	71,979	58,812	28,861
Mexico.....	(10)	1,517	--

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Europe (4) (5).....	88,306	61,569	41,672
	-----	-----	-----
Total CDFS business segment.....	160,275	121,898	70,533
	-----	-----	-----
Temperature-controlled distribution operations:			
United States(6).....	(58,496)	11,950	10,791
Europe(7).....	(52,972)	(20,298)	(4,364)
	-----	-----	-----
Total temperature-controlled distribution operations segment.....	(111,468)	(8,348)	6,427
	-----	-----	-----
Reconciling items:			
Income (loss) from unconsolidated entities...	(33,495)	3,331	(77)
Interest income.....	4,134	7,267	6,369
	-----	-----	-----
Total reconciling items.....	(29,361)	10,598	6,292
	-----	-----	-----
Total income.....	\$ 523,125	\$ 643,521	\$ 567,392
	=====	=====	=====
Net operating income:			
Property operations:			
United States(1).....	\$ 435,804	\$ 448,074	\$ 424,633
Mexico.....	19,546	15,093	10,569
Europe(2).....	19,629	29,029	15,437
	-----	-----	-----
Total property operations segment.....	474,979	492,196	450,639
	-----	-----	-----
CDFS business:			
United States(3).....	68,163	54,051	24,265
Mexico.....	(73)	1,472	(30)
Europe(4) (5).....	88,203	61,511	41,378
	-----	-----	-----
Total CDFS business segment.....	156,293	117,034	65,613
	-----	-----	-----
Temperature-controlled distribution operations:			
United States(6).....	(58,496)	11,950	10,791
Europe(7).....	(52,972)	(20,298)	(4,364)
	-----	-----	-----
Total temperature-controlled distribution operations segment.....	(111,468)	(8,348)	6,427
	-----	-----	-----

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PROLOGIS TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
	-----	-----	-----
Reconciling items:			
Income (loss) from unconsolidated entities...	(33,495)	3,331	(77)
Interest income.....	4,134	7,267	6,369
General and administrative expense.....	(50,274)	(44,954)	(38,284)
Depreciation and amortization.....	(143,465)	(151,483)	(152,447)
Interest expense.....	(163,629)	(172,191)	(170,746)

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Other expense.....	(32)	(1,045)	(945)
	-----	-----	-----
Total reconciling items.....	(386,761)	(359,075)	(356,130)
	-----	-----	-----
Earnings before minority interest.....	\$ 133,043	\$ 241,807	\$ 166,549
	=====	=====	=====

	DECEMBER 31,		
	2001	2000	1999
	-----	-----	-----
<b>Assets:</b>			
<b>Property operations:</b>			
United States(8).....	\$3,754,960	\$3,887,601	\$4,017,702
Mexico.....	149,225	113,538	178,253
Europe(8).....	316,025	308,457	387,362
	-----	-----	-----
Total property operations segment.....	4,220,210	4,309,596	4,583,317
	-----	-----	-----
<b>CDFS business:</b>			
United States.....	189,752	304,697	210,088
Mexico.....	17,390	26,288	13,249
Europe(8).....	672,843	637,207	432,455
Japan.....	43,030	--	--
	-----	-----	-----
Total CDFS business segment.....	923,015	968,192	655,792
	-----	-----	-----
<b>Temperature controlled distribution operations:</b>			
United States(8).....	174,244	231,053	192,607
Europe(8).....	183,727	191,981	214,008
	-----	-----	-----
Total temperature controlled distribution operations segment.....	357,971	423,034	406,615
	-----	-----	-----
<b>Reconciling items:</b>			
Investments in and advances to unconsolidated entities.....	6,232	70,807	2,442
Cash.....	27,989	57,870	69,338
Accounts and notes receivable.....	1,879	43,040	31,084
Other assets.....	66,645	73,795	99,452
	-----	-----	-----
Total reconciling items.....	102,745	245,512	202,316
	-----	-----	-----
Total assets.....	\$5,603,941	\$5,946,334	\$5,848,040
	=====	=====	=====

(1) In addition to the operations of ProLogis that are reported on a consolidated basis, includes amounts recognized under the equity method related to ProLogis' investment in unconsolidated distribution real estate entities. See Note 4 for summarized financial information of these unconsolidated entities.

(2) In addition to the operations of ProLogis that are reported on a consolidated basis, includes amounts recognized under the equity method related to ProLogis' investment in unconsolidated distribution real estate

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entities (including net foreign currency exchange gains of \$0.8 million, \$4.7 million and

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### PROLOGIS TRUST

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

\$0.3 million in 2001, 2000 and 1999, respectively). In 1999, also includes ProLogis' investment in Garonor Holdings (including a \$13.0 million net foreign currency exchange loss). See Note 4 for summarized financial information of these unconsolidated entities.

- (3) In 2001 and 2000, includes \$56.2 million and \$29.4 million, respectively, of net gains recognized by ProLogis related to the disposition of facilities to unconsolidated distribution real estate entities.
- (4) Includes amounts recognized under the equity method related to ProLogis' investment in Kingspark S.A. (including \$4.6 million of net foreign currency losses in 2001, \$0.3 million of net foreign currency exchange gains in 2000, and \$1.5 million of net foreign exchange losses in 1999). See Note 4.
- (5) Includes \$29.5 million, \$13.7 million and \$17.3 million of net gains recognized by ProLogis related to the disposition of facilities to ProLogis European Properties Fund in 2001, 2000 and 1999, respectively. In addition, includes \$23.0 million, \$4.3 million and \$4.5 million of net gains recognized under the equity method related to the disposition of facilities to ProLogis European Properties Fund by Kingspark S.A. in 2001, 2000 and 1999. See Note 4.
- (6) Represents amounts recognized under the equity method related to ProLogis' investments in ProLogis Logistics in 2001, 2000 and 1999 and in CSI/Frigo LLC in 2001. CSI/Frigo LLC recognizes income under the equity method based on its common stock investment in ProLogis Logistics. See Note 4 for summarized financial information of these entities.
- (7) Represents amounts recognized under the equity method related to ProLogis' investments in Frigoscandia S.A. in 2001, 2000 and 1999 (including \$3.5 million, \$0.8 million and \$1.3 million of net foreign exchange losses in 2001, 2000 and 1999, respectively) and CSI/Frigo LLC in 2001. CSI/Frigo LLC recognizes income under the equity method based on its common stock investment in Frigoscandia S.A. See Note 4 for summarized financial information of these entities.
- (8) Amounts include investments in unconsolidated entities accounted for under the equity method. See Note 4 for summarized financial information of these unconsolidated entities.

#### 11. MERGER TRANSACTION

On March 30, 1999, Meridian Industrial Trust, Inc. ("Meridian"), a publicly traded REIT that owned industrial distribution facilities in the United States, was merged with and into ProLogis. In accordance with the terms of the Agreement and Plan of Merger dated November 16, 1998, as amended (the "Merger Agreement"), the approximately 33.8 million outstanding shares of Meridian common stock were exchanged (on a 1.1 for one basis) into approximately 37.2 million ProLogis Common Shares. In addition, the holders of Meridian common stock received \$2.00 in cash per outstanding share, approximately \$67.6 million in total. The holders of Meridian's Series D cumulative redeemable preferred stock received a new series of ProLogis cumulative redeemable preferred shares, Series E preferred shares, on a one for one basis. The Series E preferred shares have an 8.75%

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annual dividend rate (\$2.1875 per share) and an aggregate liquidation value of \$50.0 million. The total purchase price of Meridian was approximately \$1.54 billion, which included the assumption of the outstanding debt and liabilities of Meridian as of March 30, 1999 and the issuance of approximately 1.0 million stock options, each to acquire 1.1 ProLogis Common Shares and \$2.00 in cash. The assets acquired from Meridian included approximately \$1.42 billion of real estate assets, an interest in a temperature-controlled distribution operations company of \$28.7 million and cash and other assets aggregating \$72.3 million. ProLogis retired \$328.4 million of short-term debt of Meridian. The transaction was structured as a tax-free merger and was accounted for under the purchase method.

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### PROLOGIS TRUST

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following summarized pro forma unaudited information represents the combined historical operating results of ProLogis and Meridian for the year ended December 31, 1999, with the appropriate purchase accounting adjustments, assuming the merger with Meridian had occurred on January 1, 1999. The pro forma financial information presented is not necessarily indicative of what ProLogis' actual operating results would have been had ProLogis and Meridian constituted a single entity during the same period (in thousands, except per share amounts):

Rental income.....	\$525,340
Earnings before minority interest.....	\$170,681
Earnings attributable to Common Shares before cumulative effect of accounting change.....	\$136,461
Net earnings attributable to Common Shares.....	\$135,021
Weighted average Common Shares outstanding:	
Basic.....	160,705
Diluted.....	161,044
Basic per share net earnings attributable to Common Shares before cumulative effect of accounting change.....	\$ 0.85
Cumulative effect of accounting change.....	(0.01)
	-----
Basic per share net earnings attributable to Common Shares.....	\$ 0.84
	=====
Diluted per share net earnings attributable to Common Shares before cumulative effect of accounting change.....	\$ 0.85
Cumulative effect of accounting change.....	(0.01)
	-----
Diluted per share net earnings attributable to Common Shares.....	\$ 0.84
	=====

#### 12. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash investing and financing activities for the years ended December 31, 2001, 2000 and 1999 are as follows:

- ProLogis received \$92.6 million, \$44.4 million and \$171.6 million of the proceeds from the disposition of facilities to unconsolidated distribution real estate entities in the form of an equity interest in these entities during 2001, 2000 and 1999, respectively.

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- ProLogis received \$2.3 million, \$7.7 million and \$5.2 million of the proceeds from its disposition of facilities to third parties in the form of notes receivable in 2001, 2000 and 1999, respectively.
- In connection with the acquisition of a facility and the incurrence of assessment bonds, ProLogis assumed \$10.3 million of secured debt in 2001.
- In connection with the original agreement for the acquisition of the Kingspark S.A., ProLogis issued 67,000 Common Shares valued at \$1.5 million and 602,000 Common Shares valued at \$11.9 million in 2001 and 2000, respectively.
- Series B Convertible Preferred Shares aggregating \$151.8 million, \$19.1 million and \$12.9 million were converted into Common Shares in 2001, 2000 and 1999, respectively.
- Net foreign currency translation adjustments of \$(30.0) million, \$(24.0) million and \$(9.8) million were recognized in 2001, 2000 and 1999, respectively.

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### PROLOGIS TRUST

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

- Limited partnership units aggregating \$0.2 million, \$8.2 million (total minority interest of \$13.9 million less \$5.7 million representing amounts due to ProLogis by the holder of the units) and \$0.2 million were converted into Common Shares in 2001, 2000 and 1999, respectively.
- ProLogis received \$13.2 million of the proceeds from the disposition of facilities to North American Properties Fund II in the form of notes receivable from this entity during 2000. The note was repaid in 2001.
- In 2001, ProLogis contributed its 49.9% of the common stock of ProLogis European Properties S.a.r.l. to ProLogis European Properties Fund for an additional equity interest in ProLogis European Properties Fund of \$83.0 million. In 2000, in connection with ProLogis' initial contribution of 50.1% of the common stock of ProLogis European Properties S.a.r.l. to ProLogis European Properties Fund, ProLogis received an equity interest in ProLogis European Properties Fund of approximately \$78.0 million. ProLogis European Properties S.a.r.l. had total assets of \$403.9 million and total liabilities of \$248.1 million. ProLogis recognized its investment in the remaining 49.9% of the common stock under the equity method from January 7, 2000 through January 6, 2001. See Note 4.
- In connection with the 1999 merger transaction discussed in Note 11, ProLogis issued approximately 37.2 million Common Shares and 2.0 million Series E Preferred Shares, assumed approximately 1.0 million stock options and assumed outstanding debt and liabilities of Meridian for an aggregate purchase price of approximately \$1.54 billion in exchange for the assets of Meridian (including cash balances acquired of \$49.0 million).

#### 13. LONG-TERM COMPENSATION

##### Long-Term Incentive Plan and Share Option Plan for Outside Trustees

ProLogis has a long-term incentive plan (the "Incentive Plan"), which includes an employee share purchase plan, a share option plan, a restricted share unit plan and a performance share plan. No more than 14,600,000 Common



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Shares in the aggregate may be awarded under the Incentive Plan and no individual may be granted awards with respect to more than 500,000 Common Shares in any one-year period. The Incentive Plan has a 10-year term. Additionally, ProLogis has 500,000 Common Shares authorized for issuance under its Share Option Plan for Outside Trustees (the "Outside Trustees Plan"). As of December 31, 2001, 2,556,000 Common Shares remain to be issued under the Incentive Plan and 372,000 Common Shares remain to be issued under the Outside Trustees Plan.

### Employee Share Purchase Plan

Under the employee share purchase plan certain employees of ProLogis purchased 1,356,834 Common Shares on September 8, 1997 at a price of \$21.21875 per share. ProLogis financed 95% of the total purchase price through ten-year, recourse notes to the participants aggregating \$27.3 million. The loans, which have been recognized as a deduction from shareholders' equity, bear interest at the lower of ProLogis' annual dividend yield on Common Shares or 6% per annum. The loans are secured by the Common Shares purchased. For each Common Share purchased, participants were granted two options to purchase Common Shares at a price of \$21.21875. As of December 31, 2001, there were 770,000 Common Shares securing the employee share purchase notes. The outstanding notes receivable at December 31, 2001 of \$14,810,000 include \$13,397,000 due from officers of ProLogis.

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### PROLOGIS TRUST

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

#### Share Options

ProLogis has granted share options under the Incentive Plan and the Outside Trustees Plan. Share options outstanding as of December 31, 2001 are as follows:

	NUMBER OF OPTIONS	EXERCISE PRICE (1)	EXPIRATION DATE	WEIGHTED AVERAGE REMAINING LIFE
	-----	-----	-----	-----
Outside Trustees Plan(2).....	98,000	\$19.75-\$25.00	2002-2011	6.0 years
Employee share purchase plan(3).....	1,794,754	\$21.21875	2007	5.7 years
Share option plan(2) (3):				
1997 awards.....	221,811	\$21.21875-\$23.96875	2007	5.7 years
1998 awards.....	1,147,556	\$20.9375-\$224.625	2008	6.8 years
1999 awards.....	1,153,041	\$17.1875-\$19.71875	2009	7.7 years
2000 awards.....	1,186,194	\$20.0625-\$24.25	2010	8.6 years
2001 awards.....	1,570,167	\$20.675-\$22.02	2011	9.7 years
Meridian options(4).....	309,346	\$16.375-\$23.9375	2004	2.2 years
Options sold to unconsolidated entities(2).....	1,609,991	\$18.625-\$24.5625	2008-2011	7.9 years
	-----			
Total.....	9,090,860			
	=====			

-----  
(1) Exercise price is equal to the average of the high and low market prices on

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the date of grant.

- (2) The holders of options awarded before 2001 are awarded dividend equivalent units ("DEUs") each year of the plan, except for holders of 24,000 options issued under the Outside Trustees Plan prior to 1999 which do not earn DEUs. The holders of options awarded after 2000 earn DEUs only through the vesting period of the underlying stock option.
- (3) Graded vesting at various rates over periods from one to 10 years, subject to certain conditions.
- (4) Options are fully exercisable. ProLogis share options issued to holders of Meridian options are exercisable into 1.1 Common Shares, plus \$2.00. See Note 11.

The weighted average fair value of the share options issued under the Incentive Plan to ProLogis' employees, issued under the Outside Trustees Plan and sold to unconsolidated entities during 2001 was \$2.38 per option (excluding the value of the DEUs to be earned). The activity with respect to ProLogis' share options for the years ended December 31, 2001, 2000 and 1999 is presented below.

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS EXERCISABLE
	-----	-----	-----
Balance at December 31, 1998.....	4,863,210	\$21.19	2,757,559
Granted/Sold.....	2,066,133	20.41	899,551
Issued in 1999 merger transaction (Note 11).....	1,025,850	20.13	1,025,850
Exercised.....	(4,000)	15.50	(4,000)
Forfeited.....	(487,985)	21.02	--
	-----	-----	-----
Balance at December 31, 1999.....	7,463,208	20.37	4,678,960
Granted/Sold.....	1,702,028	23.94	483,163
Exercised.....	(744,171)	19.80	(744,171)
Forfeited.....	(700,459)	20.55	--
	-----	-----	-----

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS EXERCISABLE
	-----	-----	-----
Balance at December 31, 2000.....	7,720,606	21.11	4,417,952
Granted/Sold.....	1,832,538	20.69	10,000
Exercised.....	(237,229)	22.35	(237,229)
Forfeited.....	(225,055)	21.44	--
	-----	-----	-----

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Balance at December 31, 2001.....	9,090,860	21.04	4,190,723
	=====	=====	=====

ProLogis did not recognize compensation expense in 2001, 2000 or 1999 related to share options granted as the exercise price of all options granted was equal to the average of the high and low market prices on the date of grant. Had compensation expense for these plans been determined using an option valuation model as provided in SFAS No. 123, ProLogis' net earnings attributable to Common Shares and net earnings per Common Share would change as follows:

	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
Net earnings attributable to Common Shares:			
As reported.....	\$90,835	\$157,715	\$123,999
Pro forma.....	86,808	154,857	121,767
Basic and diluted per share net earnings attributable to Common Shares:			
As reported -- basic.....	\$ 0.53	\$ 0.96	\$ 0.81
As reported -- diluted.....	0.52	0.96	0.81
Pro forma -- basic.....	0.50	0.95	0.80
Pro forma -- diluted.....	0.49	0.94	0.80

Since share options vest over several years and additional grants are likely to be made in future years, the pro forma compensation cost may not be representative of compensation cost to be expected in future years.

The pro forma amounts above were calculated using the Black-Scholes model and the following assumptions:

	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
Risk-free interest rate.....	4.65%	4.99%	6.58%
Forecasted dividend yield.....	6.19%	5.65%	6.10%
Volatility.....	21.07%	22.28%	23.01%
Weighted average option life.....	6.25 years	6.25 years	6.25 years

Restricted Share Units

Restricted share units ("RSUs") in the form of Common Shares are awarded at a rate of one Common Share per RSU from time to time to employees of ProLogis. The RSUs are valued on the award date based upon the market price of the Common Shares on that date. ProLogis recognizes the value of the RSUs awarded over the applicable vesting period as compensation expense. As of December 31, 2001, there were 587,500 RSUs outstanding at a total value of \$12.6 million. As of December 31, 2001, 243,125 of the

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

outstanding RSUs are vested at a total value of \$6.2 million, which has been expensed. The remaining RSUs will vest as follows:

	NUMBER OF UNITS	RELATED EXPENSES
	-----	-----
		(IN THOUSANDS)
2002.....	116,875	\$1,991
2003.....	46,300	619
2004.....	41,875	885
2005.....	55,575	1,158
2006.....	41,875	885
2007.....	41,875	885
	-----	-----
Total.....	344,375	\$6,423
	=====	=====

#### Performance Share Plan

Under the performance share plan, certain employees are awarded performance share awards ("PSAs") in the form of Common Shares if certain performance criteria is met. Employees who have earned PSAs must be employed by ProLogis for two years after the award is made to receive any of the underlying Common Shares. The PSAs carry no voting rights during this two-year waiting period but do earn DEUs, which are awarded at the end of the two-year waiting period.

As of December 31, 2001, there were 341,733 PSAs outstanding at a total value of \$7.5 million, of which \$2.0 million has been expensed. The two-year waiting period on 171,975 PSAs (\$3.8 million) expires on December 31, 2002 while the two-year waiting period on all of the remaining PSAs expires on December 31, 2003.

#### Dividend Equivalent Units

DEUs in the form of Common Shares are awarded at a rate of one Common Share per DEU on December 31st of each year that the underlying share options, RSUs or PSAs that earn DEUs are outstanding. The DEUs vest to the same extent the underlying award vests. The DEUs are valued on the award date (December 31st) based upon the market price of the Common Shares on that date and ProLogis recognizes that value as compensation expense over the underlying vesting period of the underlying award. Of the total RSUs outstanding, 167,500 RSUs do not earn DEUs but rather earn dividends at ProLogis' current Common Share distribution rate. As of December 31, 2001, there were 724,381 DEUs outstanding, of which 418,910 were vested. The DEUs outstanding have a total value of \$15.5 million, of which \$8.5 million has been expensed as of December 31, 2001. The remaining DEUS will vest as follows:

	NUMBER OF UNITS	RELATED EXPENSES
	-----	-----
		(IN THOUSANDS)
2002.....	181,094	\$4,366

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2003.....	84,370	1,763
2004.....	33,300	720
2005.....	6,707	144
	-----	-----
Total.....	305,471	\$6,993
	=====	=====

401(k) Savings Plan and Trust

ProLogis has a 401(k) Savings Plan and Trust ("401(k) Plan"), that provides for matching employer contributions in Common Shares of 50 cents for every dollar contributed by an employee, up to 6% of the

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

employees' annual compensation (within the statutory compensation limit). A total of 190,000 Common Shares have been authorized for issuance under the 401(k) Plan. The vesting of contributed Common Shares is based on the employees' years of service, with 20% vesting each year of service, over a five-year period. Through December 31, 2001, no Common Shares have been issued under the 401(k) Plan as all matching contributions have been made with Common Shares purchased in the public market.

Nonqualified Savings Plan

ProLogis has a Nonqualified Savings Plan to provide benefits for certain employees. The purpose of this plan is to allow highly compensated employees the opportunity to defer the receipt and income taxation of a certain portion of their compensation in excess of the amount permitted under the 401(k) Plan. ProLogis will match the lesser of (a) 50% of the sum of deferrals under both the 401(k) Plan and this plan, and (b) 3% of total compensation up to certain levels. The matching account will vest in the same manner as the 401(k) Plan.

14. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED):

Selected quarterly financial data (in thousands, except for per share amounts) for 2001 and 2000 is as follows:

	THREE MONTHS ENDED,				TOTAL
	MARCH 31,	JUNE 30,	SEPTEMBER 30,	DECEMBER 31,	
	-----	-----	-----	-----	-----
2001:					
Rental income.....	\$119,244	\$117,147	\$115,947	\$113,439	\$465,777
	=====	=====	=====	=====	=====
Earnings (loss) before minority interest.....	\$ 57,845	\$ 58,979	\$ 61,304	\$(45,085)	\$133,043
Minority interest share in earnings.....	1,376	1,458	1,470	2,157	6,461
Gain (loss) on disposition of real estate, net.....	(1,198)	(1,427)	3,488	9,145	10,008
Foreign currency exchange gains (losses), net.....	2,657	1,652	(6,545)	(1,485)	(3,721)
Total income taxes.....	2,489	3,675	(313)	(1,126)	4,725

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Net earnings (loss).....	55,439	54,071	57,090	(38,456)	128,144
Less preferred share dividends.....	11,432	9,519	8,179	8,179	37,309
Net earnings (loss) attributable to Common Shares.....	\$ 44,007	\$ 44,552	\$ 48,911	\$ (46,635)	\$ 90,835
Basic per share net earnings (loss) attributable to Common Shares.....	\$ 0.26	\$ 0.26	\$ 0.28	\$ (0.27)	\$ 0.53
Diluted per share net earnings (loss) attributable to Common Shares.....	\$ 0.25	\$ 0.26	\$ 0.28	\$ (0.27)	\$ 0.52

ProLogis' Quarterly Reports on Form 10-Q for the periods ended March 31, 2001, June 30, 2001 and September 30, 2001 originally filed on May 10, 2001, August 10, 2001 and November 13, 2001, respectively, included the financial position and results of operations of ProLogis' subsidiary, Kingspark S.A., in its unaudited consolidated condensed financial statements on a consolidated basis. Until January 5, 2001, ProLogis owned only the non-voting preferred stock of Kingspark S.A. and reported its investment in Kingspark S.A. under the equity method. On that date, ProLogis acquired 95% of the membership interest (all non-voting) in Kingspark LLC, which acquired the voting common stock of Kingspark S.A. After the

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PROLOGIS TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

change in the ownership structure, ProLogis believed it had control of Kingspark S.A. and began consolidating it in its financial statements along with its other majority-owned and controlled subsidiaries and partnerships. After reconsideration of the facts underlying its ownership position, ProLogis determined it did not have control of Kingspark S.A., as it held no voting interest, and therefore, consolidation was deemed inappropriate. Therefore, ProLogis has amended its unaudited consolidated condensed financial statements for each of the three quarterly periods in 2001 to reflect its investment in Kingspark S.A. under the equity method, consistent with its reporting of this investment prior to January 5, 2001. Further, ProLogis has amended its unaudited consolidated condensed financial statements for each of the three quarterly periods in 2001 to reflect its investments in GoProLogis and ProLogis PhatPipe, whose sole purpose is to hold preferred stock in technology companies, under the equity method. ProLogis began consolidating these entities in 2001, but as with Kingspark S.A., subsequently determined that its ownership interest did not give it control. These changes in reporting had no effect on ProLogis' originally reported shareholders equity, net earnings attributable to Common Shares, net earnings attributable to common shares per share or comprehensive income for any of the three quarterly periods in 2001.

THREE MONTHS ENDED,

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	MARCH 31, -----	JUNE 30, -----	SEPTEMBER 30, -----	DECEMBER 31, -----	TOTAL -----
2000:					
Rental income.....	\$120,809	\$119,696	\$121,519	\$118,064	\$480,088
	=====	=====	=====	=====	=====
Earnings before minority interest.....	\$ 62,526	\$ 52,612	\$ 67,194	\$ 59,475	\$241,807
Minority interest share in earnings.....	1,654	1,435	1,228	1,269	5,586
Gain (loss) on disposition of real estate, net.....	5,108	(4,801)	702	305	1,314
Foreign currency exchange gains (losses), net.....	(6,520)	(11,929)	(1,929)	2,451	(17,927)
Total income taxes.....	117	708	2,000	2,305	5,130
	-----	-----	-----	-----	-----
Net earnings.....	59,343	33,739	62,739	58,657	214,478
Less preferred share dividends.....	14,405	14,150	14,120	14,088	56,763
	-----	-----	-----	-----	-----
Net earnings attributable to Common Shares.....	\$ 44,938	\$ 19,589	\$ 48,619	\$ 44,569	\$157,715
	=====	=====	=====	=====	=====
Basic per share net earnings attributable to Common Shares.....	\$ 0.28	\$ 0.12	\$ 0.30	\$ 0.27	\$ 0.96
	=====	=====	=====	=====	=====
Diluted per share net earnings attributable to Common Shares.....	\$ 0.28	\$ 0.12	\$ 0.29	\$ 0.27	\$ 0.96
	=====	=====	=====	=====	=====

15. RELATED PARTY TRANSACTIONS:

Transactions with Security Capital

ProLogis leases distribution space to Security Capital, its largest shareholder, and certain of its affiliates on market terms that management believes are no less favorable to ProLogis than those that could be obtained with unaffiliated third parties. ProLogis' base rental income related to these leases were \$534,000, \$757,000 and \$756,000 for the years ended December 31, 2001, 2000 and 1999, respectively. As of December 31, 2001, 60,103 square feet were leased to related parties with annualized base rental revenues for these leases of \$472,000.

Previously, ProLogis and Security Capital, its largest shareholder, were parties to an administrative services agreement (the "ASA") under which Security Capital provided ProLogis with certain administrative and other services as determined by ProLogis. Substantially all of the services originally provided under the ASA have been transferred to ProLogis. ProLogis' fees under the ASA were \$0.8 million, \$2.5 million and

\$3.5 million for 2001, 2000 and 1999, respectively. Of these fees, \$0.05 million, \$0.4 million and \$0.6 million were capitalized in 2001, 2000 and 1999, respectively. ProLogis recognized the ASA fees related to property management

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activities as a component of rental expenses.

ProLogis paid other fees to Security Capital, its largest shareholder, or its affiliates as follows:

- \$2.8 million related to capital raised in ProLogis North American Properties Funds II, III and IV in 2001 (an additional \$1.1 million was directly paid by ProLogis North American Properties Funds II, III and IV). See Note 4.
- \$0.1 million related to capital raised in ProLogis California in 2000. See Note 4.
- \$15.6 million related to capital raised in ProLogis California and ProLogis European Properties Fund and in connection with the 1999 merger transaction. See Notes 4 and 11.

Transactions with Chairman and Chief Executive Officer

Investments

ProLogis has invested in the non-voting preferred stock of certain entities that have ownership interests in companies that produce income that is not REIT qualifying income (i.e., rental income and mortgage interest income) under the Code. Therefore, the voting common stock of these companies was held by third parties including entities in which Security Capital, ProLogis' largest shareholder, held non-voting interests. The Code, as amended in 2001, allows for ProLogis to have a voting ownership interest in these entities. ProLogis began negotiations to acquire the voting ownership interests in these entities in 2000. Before the acquisitions were completed it was determined that the state income tax laws governing REITs were not all going to be changed to coincide with the amendments to the Code. Therefore, K. Dane Brooksher, ProLogis' chairman and chief executive officer, acquired the voting ownership interests in Frigoscandia S.A., ProLogis Logistics and Kingspark S.A. from the third parties and Security Capital.

Mr. Brooksher's voting ownership interests in the entities in which ProLogis has only non-voting ownership interests are:

- Kingspark LLC, a limited liability company formed on January 5, 2001, acquired the voting common stock interest of Kingspark S.A. (an entity in which ProLogis owns all of the non-voting preferred stock) for \$8.1 million. ProLogis funded the entire purchase price either directly or through loans to Kingspark LLC or Mr. Brooksher. The ProLogis loan to Kingspark LLC is in the principal amount of \$7.3 million, is due January 5, 2006 and bears interest at an annual rate of 8.0%. ProLogis made a direct capital contribution to Kingspark LLC in the amount of \$770,973. Mr. Brooksher's \$40,557 capital contribution to Kingspark LLC was loaned to him by ProLogis, which recourse loan is payable on January 5, 2006 and bears interest at an annual rate of 8.0%. Mr. Brooksher's membership interest entitles him to receive dividends equal to 5% of the net cash flow of Kingspark LLC, as defined, if any. Mr. Brooksher is the managing member and he may transfer his membership interests, subject to certain conditions, including the approval of ProLogis. There are no provisions that give ProLogis the right to acquire Mr. Brooksher's membership interests. Mr. Brooksher does not receive compensation in connection with being the managing member. See Note 4.
- CSI/Frigo LLC, a limited liability company formed on January 5, 2001, acquired the voting common stock interests of Frigoscandia S.A. and ProLogis Logistics (both entities in which ProLogis owns all of the non-voting preferred stock) for an aggregate of approximately \$3.3



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million. ProLogis loaned CSI/ Frigo LLC \$2.9 million, which loan is due January 5, 2011 and bears interest at an annual rate of 8%. ProLogis also made a capital contribution to CSI/Frigo LLC in the amount of \$404,545 and Mr. Brooksher made a \$50,000 capital contribution to CSI/Frigo LLC. Mr. Brooksher's membership interests (after considering the terms of the participating note from CSI/Frigo LLC to ProLogis)

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### PROLOGIS TRUST

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

entitles him to receive dividends equal to 5% of the net cash flow of CSI/Frigo LLC, as defined, if any. Mr. Brooksher is the managing member and he may transfer his membership interests, subject to certain conditions, including the approval of ProLogis. There are no provisions that give ProLogis the right to acquire Mr. Brooksher's membership interests. Mr. Brooksher does not receive compensation in connection with being the managing member.

As a result of the foregoing transactions, Mr. Brooksher has an effective 0.04% interest in the earnings of ProLogis Logistics, an effective 0.25% interest in the earnings of Frigoscandia S.A. and an effective 0.25% interest in the earnings of Kingspark S.A. See Note 4.

In 2000, ProLogis invested in GoProLogis and ProLogis PhatPipe, whose income is not REIT qualifying income under the Code (amendments to the Code and state income tax laws governing REITs were not in effect at this time). These investments were structured whereby ProLogis would have only a non-voting preferred stock ownership interest. To complete the transactions, Mr. Brooksher acquired the voting ownership interest in each entity as noted below.

- GoProLogis owns preferred stock in Vizional Technologies. Mr. Brooksher owns all of the voting common stock of GoProLogis, representing a 2% interest in the earnings of GoProLogis and he is entitled to receive dividends equal to 2% of the net cash flow of GoProLogis, as defined, if any. ProLogis owns all of the non-voting preferred stock of GoProLogis, representing a 98% interest in the earnings of GoProLogis and ProLogis is entitled to receive dividends equal to the remaining 98% of net cash flow, as defined, if any. Mr. Brooksher contributed a \$1.1 million recourse promissory note to GoProLogis in exchange for his interest in the entity, which note is payable on July 18, 2005 and bears interest at an annual rate of 8.0%. Mr. Brooksher is not restricted from transferring his ownership interest in GoProLogis and ProLogis has the right to acquire Mr. Brooksher's ownership interest beginning in 2001 for a price equal to the outstanding principal amount of the promissory note plus accrued and unpaid interest. See Note 4.
- ProLogis PhatPipe owns preferred stock in PhatPipe. Mr. Brooksher owns all of the voting common stock of ProLogis PhatPipe, representing a 2% interest in the earnings of ProLogis PhatPipe and he is entitled to receive dividends equal to 2% of the net cash flow of ProLogis PhatPipe, as defined, if any. ProLogis owns all of the non-voting preferred stock of ProLogis PhatPipe, representing a 98% interest in the earnings of ProLogis PhatPipe and ProLogis is entitled to receive dividends equal to the remaining 98% of net cash flow, as defined, if any. Mr. Brooksher contributed recourse promissory notes with the aggregate principal amount of \$122,449 to ProLogis PhatPipe in exchange for his interest in the entity, which note is payable on September 20, 2005 (\$71,429 principal amount) and January 4, 2006 (\$51,020 principal amount). Both notes bear interest at an annual rate of 8%. Mr. Brooksher is not restricted from

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transferring his ownership interest in ProLogis PhatPipe and ProLogis has the right to acquire Mr. Brooksher's ownership interest beginning in 2001 for a price equal to the outstanding aggregate principal amount of the promissory notes plus accrued and unpaid interest. See Note 4.

### Loans

As of December 31, 2001, ProLogis had other loans outstanding from Mr. Brooksher with an aggregate principal amount of \$2,091,000. Of these, a loan for \$237,500 was repaid in January 2002 and the remainder was loaned under ProLogis' employee share purchase plan, the terms of which are discussed in Note 13.

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### PROLOGIS TRUST

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

#### 16. FINANCIAL INSTRUMENTS:

##### Fair Value of Financial Instruments

The following estimates of the fair value of financial instruments have been determined by ProLogis using available market information and valuation methodologies believed to be appropriate for these purposes. Considerable judgment and a high degree of subjectivity are involved in developing these estimates and, accordingly, they are not necessarily indicative of amounts ProLogis would realize upon disposition.

As of December 31, 2001 and 2000, the carrying amounts of certain financial instruments employed by ProLogis, including cash and cash equivalents, accounts receivable, accounts payable and accrued expenses were representative of their fair values because of the short-term maturity of these instruments. Similarly, the carrying values of the lines of credit balances approximate fair value as of those dates since the interest rate fluctuates based on published market rates. As of December 31, 2001 and 2000, the fair values of the senior unsecured debt and the secured debt (including mortgage notes, assessment bonds and securitized debt) have been estimated based upon quoted market prices for the same or similar issues or by discounting the future cash flows using rates currently available for debt with similar terms and maturities. The differences in the fair value of ProLogis' senior unsecured debt and secured debt from the carrying value in the table below are the result of differences in the interest rates available to ProLogis as of December 31, 2001 and 2000, from the interest rates in effect as of the dates the debt was issued. The senior unsecured debt and many of the secured debt issues contain pre-payment penalties or yield maintenance provisions which would make the cost of refinancing exceed the benefit of refinancing at the lower rates.

As of December 31, 2001 and 2000, the fair value of ProLogis' derivative financial instruments are the amounts at which they could be settled, based on quoted market prices or estimates obtained from brokers or dealers.

The following table reflects the carrying amount and estimated fair value of ProLogis' financial instruments (in thousands):

DECEMBER 31,	
2001	2000
CARRYING	CARRYING

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	AMOUNT	FAIR VALUE	AMOUNT	FAIR VALUE
	-----	-----	-----	-----
Balance sheet financial instruments:				
Senior unsecured debt.....	\$1,670,359	\$1,718,919	\$1,699,989	\$1,703,737
Secured debt.....	\$ 532,106	\$ 568,389	\$ 537,925	\$ 543,967
Derivative financial instruments:				
Foreign currency put option				
contracts.....	\$ 2,686	\$ 2,686	\$ 446	\$ 446

Derivative Financial Instruments

ProLogis uses derivative financial instruments as hedges to manage well-defined risk associated with interest and foreign currency rate fluctuations on existing or anticipated obligations and transactions. ProLogis does not use derivative financial instruments for trading purposes.

The primary risks associated with derivative instruments are market risk and credit risk. Market risk is defined as the potential for loss in the value of the derivative due to adverse changes in market prices (interest rates or foreign currency rates). The use of derivative financial instruments allows ProLogis to manage the risks of increases in interest rates and fluctuations in foreign currency exchange rates with respect to the effects these fluctuations would have on ProLogis' income and cash flows.

Credit risk is the risk that one of the parties to a derivative contract fails to perform or meet their financial obligation under the contract. ProLogis does not obtain collateral to support financial instruments subject to

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PROLOGIS TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

credit risk but monitors the credit standing of counterparties. ProLogis does not anticipate non-performance by any of the counterparties to its derivative contracts. Should a counterparty fail to perform, however, ProLogis would incur a financial loss to the extent of the positive fair market value of the derivative instruments, if any.

The following table summarizes the activity in derivative financial instruments for the years ended December 31, 2001 and 2000 (in millions):

	INTEREST RATE SWAP AGREEMENTS	FOREIGN CURRENCY PUT OPTIONS (1)
	-----	-----
Notional amounts as of December 31, 1999.....	\$ 169.9	\$ 23.2
New contracts.....	--	55.5
Matured or expired contracts.....	--	(34.9)
Contracts transferred.....	(169.9) (2)	--
	-----	-----
Notional amounts as of December 31, 2000.....	--	43.8
New contracts.....	--	65.5
Matured or expired contracts.....	--	(43.8)
	-----	-----
Notional amounts as of December 31, 2001.....	\$ --	\$ 65.5

- 
- (1) ProLogis entered into foreign currency put option contracts during 2001 and 2000 related to its operations in Europe. The put option contracts provide ProLogis with the option to exchange foreign currencies for U.S. dollars at a fixed exchange rate such that if the foreign currency were to depreciate against the U.S. dollar to predetermined levels as set by the contracts, ProLogis could exercise its options and mitigate its foreign currency exchange losses. The notional amounts of the put option contracts represent the U.S. dollar equivalent related to the put option contracts with notional amounts of 45.8 million euros and 17.4 million pounds sterling as of December 31, 2001 and 47.1 million euros as of December 31, 2000. These contracts do not qualify for hedge accounting treatment and have been marked to market through income. ProLogis recognized aggregate expense of \$1,027,000 in 2001, aggregate income of \$627,000 in 2000 and an aggregate loss of \$92,000 in 1999 on the put option contracts. These amounts include mark to market income of \$1,122,000 in 2001, mark to market expense of \$854,000 in 2000 and mark to market expense of \$47,000 in 1999. See Note 1.
  - (2) Represents interest rate swap agreements related to debt of ProLogis European Properties S.a.r.l. See Note 4.

#### 17. COMMITMENTS AND CONTINGENCIES:

##### Environmental Matters

All of the facilities acquired by ProLogis have been subjected to environmental reviews by ProLogis or predecessor owners. While some of these assessments have led to further investigation and sampling, none of the environmental assessments has revealed, nor is ProLogis aware of any environmental liability (including asbestos related liability) that ProLogis believes would have a material adverse effect on ProLogis' business, financial condition or results of operations.

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#### REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Trustees and Shareholders of  
ProLogis Trust:

We have audited, in accordance with auditing standards generally accepted in the United States, the financial statements of ProLogis Trust included in this Form 10-K, and have issued our report thereon dated April 3, 2002. Our audit was made for the purpose of forming an opinion on those statements taken as a whole. The supplemental Schedule III -- Real Estate and Accumulated Depreciation ("Schedule III") is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. The Schedule III has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Arthur Andersen, LLP

Chicago, Illinois  
April 3, 2002

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PROLOGIS TRUST

SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION  
 DECEMBER 31, 2001  
 (DOLLAR AMOUNTS IN THOUSANDS)

DESCRIPTION	NO. OF BLDGS.	ENCUM- BRANCES	INITIAL COST TO PROLOGIS		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION
			LAND	BUILDING & IMPROVEMENTS	
OPERATING PROPERTIES					
Atlanta, Georgia					
Atlanta Airport Distribution Center.....	3		\$ 1,758	\$ --	\$ 5,249
Atlanta NE Distribution Center.....	8	(d)	5,582	3,047	24,467
Atlanta West Distribution Center.....	20		6,771	34,785	13,156
Breckenridge Distribution Center.....	1		1,440	--	4,196
Carter-Pacific Business Center.....	3		556	3,151	837
Cedars Distribution Center....	1		1,366	7,739	2,435
Cobb Place Distribution Center.....	2		1,579	--	9,742
Greenwood Industrial Center...	1		2,497	--	11,396
International Airport Industrial Center.....	9	(e)	2,939	14,146	5,430
LaGrange Distribution Center.....	1		174	986	553
Northeast Industrial Center...	4		1,109	6,283	1,755
Northmont Industrial Center...	1		566	3,209	351
Oakcliff Industrial Center....	3		608	3,446	502
Olympic Industrial Center....	2		698	3,956	1,646
Peachtree Commerce Business Center.....	4	(e)	707	4,004	935
Piedmont Court Distribution Center.....	2		885	5,013	1,775
Plaza Industrial Center.....	1		66	372	95
Pleasantdale Industrial Center.....	2		541	3,184	635
Riverside Distribution Center.....	3		2,533	13,336	1,696
Sullivan 75 Distribution Center.....	3	(f)	728	2,786	2,821
Tradeport Distribution Center.....	3		1,464	4,563	6,089
Weaver Distribution Center....	2		935	5,182	888
Westfork Industrial Center....	10		2,483	14,115	1,378
Austin, Texas					
Corridor Park Corporate Center.....	6		1,652	1,681	13,923

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Montopolis Distribution Center.....	1	580	3,384	854
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GROSS AMOUNTS AT WHICH  
CARRIED  
AS OF DECEMBER 31, 2001

DESCRIPTION	LAND	BUILDING & IMPROVEMENTS	TOTAL (a, b)	ACCUMULATED DEPRECIATION (c)	CO A
OPERATING PROPERTIES					
Atlanta, Georgia					
Atlanta Airport Distribution Center.....	\$ 1,765	\$ 5,242	\$ 7,007	\$ (1,014)	
Atlanta NE Distribution Center.....	6,276	26,820	33,096	(4,869)	
Atlanta West Distribution Center.....	6,774	47,938	54,712	(11,144)	
Breckenridge Distribution Center.....	1,440	4,196	5,636	--	
Carter-Pacific Business Center.....	556	3,988	4,544	(939)	
Cedars Distribution Center....	1,692	9,848	11,540	(916)	
Cobb Place Distribution Center.....	2,106	9,215	11,321	(587)	
Greenwood Industrial Center...	2,497	11,396	13,893	--	
International Airport Industrial Center.....	2,972	19,543	22,515	(4,649)	
LaGrange Distribution Center.....	174	1,539	1,713	(315)	
Northeast Industrial Center...	1,050	8,097	9,147	(1,705)	
Northmont Industrial Center...	566	3,560	4,126	(863)	
Oakcliff Industrial Center....	608	3,948	4,556	(917)	
Olympic Industrial Center.....	757	5,543	6,300	(1,219)	
Peachtree Commerce Business Center.....	707	4,939	5,646	(1,281)	
Piedmont Court Distribution Center.....	885	6,788	7,673	(1,219)	
Plaza Industrial Center.....	66	467	533	(118)	
Pleasantdale Industrial Center.....	541	3,819	4,360	(933)	
Riverside Distribution Center.....	2,556	15,009	17,565	(1,376)	
Sullivan 75 Distribution Center.....	728	5,607	6,335	(1,513)	
Tradeport Distribution Center.....	1,479	10,637	12,116	(2,251)	
Weaver Distribution Center....	935	6,070	7,005	(1,446)	
Westfork Industrial Center....	2,483	15,493	17,976	(3,412)	
Austin, Texas					
Corridor Park Corporate Center.....	2,113	15,143	17,256	(3,119)	
Montopolis Distribution Center.....	580	4,238	4,818	(1,222)	

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PROLOGIS TRUST  
 SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CONTINUED)

DESCRIPTION	NO. OF BLDGS.	ENCUM- BRANCES	INITIAL COST TO PROLOGIS		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION
			LAND	BUILDING & IMPROVEMENTS	
Rutland Distribution Center...	2		460	2,617	472
Southpark Corporate Center....	7		1,946	--	15,174
Walnut Creek Corporate Center.....	11		2,366	2,920	19,393
Barcelona, Spain					
Sant Boi Distribution Center.....	1		5,497	--	5,818
Charlotte, North Carolina					
Barringer Industrial Center...	3		308	1,746	594
Bond Distribution Center.....	2		905	5,126	1,017
Carowinds Distribution Center.....	1		3,600	20,400	--
Charlotte Commerce Center....	10	(d)	4,341	24,954	5,352
Charlotte Distribution Center.....	9	(d)	4,578	--	24,553
Charlotte Distribution Center South.....	1		309	--	4,253
Interstate North Business Park.....	2		535	3,030	367
Northpark Distribution Center.....	2	(d)	1,183	6,707	858
Ridge Creek Distribution Center.....	1		1,240	7,027	5
Chattanooga, Tennessee					
Stone Fort Distribution Center.....	4		2,063	11,688	552
Tiftonia Distribution Center.....	1		146	829	186
Chicago, Illinois					
Addison Distribution Center...	1		646	3,662	454
Alsip Distribution Center.....	2	(f)	2,093	11,859	7,030
Bedford Park Distribution Center.....	1		360	2,806	--
Bensenville Distribution Center.....	2		1,668	9,448	3,783
Bloomington 100 Business Center.....	1		359	--	5,893
Bolingbrook Distribution Center.....	2		4,565	25,864	753
Bridgeview Distribution Center.....	4		1,302	7,378	1,405
Des Plaines Distribution Center.....	3		2,158	12,232	2,216
Elk Grove Distribution Center.....	20	(e) (f)	7,689	43,568	6,532
Elmhurst Distribution Center.....	1		713	4,043	342
Glendale Heights Distribution Center.....	3		3,903	22,119	592

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Glenview Distribution Center.....	2	(e) (f)	1,156	6,550	834
Itasca Distribution Center....	3		1,613	9,143	799
Lombard Distribution Center...	1	(f)	1,170	6,630	74
Mitchell Distribution Center.....	1	(e)	1,236	7,004	1,235
North Avenue Distribution Center.....	2		3,201	--	8,989

PROLOGIS TRUST

SCHEDULE III -- REAL ESTATE AND

SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CO

GROSS AMOUNTS AT WHICH

CARRIED

AS OF DECEMBER 31, 2001

DESCRIPTION	LAND	BUILDING & IMPROVEMENTS	TOTAL (a, b)	ACCUMULATED DEPRECIATION (c)	CO A
Rutland Distribution Center...	462	3,087	3,549	(807)	
Southpark Corporate Center....	1,946	15,174	17,120	(3,455)	199
Walnut Creek Corporate Center.....	2,425	22,254	24,679	(4,471)	199
Barcelona, Spain					
Sant Boi Distribution Center.....	5,497	5,818	11,315	--	
Charlotte, North Carolina					
Barringer Industrial Center...	308	2,340	2,648	(633)	
Bond Distribution Center.....	905	6,143	7,048	(1,573)	
Carowinds Distribution Center.....	3,600	20,400	24,000	(1,842)	
Charlotte Commerce Center....	4,342	30,305	34,647	(7,662)	
Charlotte Distribution Center.....	6,096	23,035	29,131	(4,461)	1995,
Charlotte Distribution Center South.....	1,082	3,480	4,562	--	
Interstate North Business Park.....	535	3,397	3,932	(604)	
Northpark Distribution Center.....	1,184	7,564	8,748	(1,260)	
Ridge Creek Distribution Center.....	1,240	7,032	8,272	(49)	
Chattanooga, Tennessee					
Stone Fort Distribution Center.....	2,063	12,240	14,303	(2,977)	
Tiftonia Distribution Center.....	146	1,015	1,161	(229)	
Chicago, Illinois					
Addison Distribution Center...	640	4,122	4,762	(831)	
Alsip Distribution Center....	2,549	18,433	20,982	(2,788)	
Bedford Park Distribution Center.....	360	2,806	3,166	(496)	
Bensenville Distribution Center.....	1,667	13,232	14,899	(2,629)	
Bloomington 100 Business Center.....	1,601	4,651	6,252	--	
Bolingbrook Distribution Center.....	4,564	26,618	31,182	(2,450)	
Bridgeview Distribution					



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Center.....	1,303	8,782	10,085	(1,662)	
Des Plaines Distribution Center.....	2,159	14,447	16,606	(2,819)	
Elk Grove Distribution Center.....	7,689	50,100	57,789	(7,651)	1995
Elmhurst Distribution Center.....	713	4,385	5,098	(679)	
Glendale Heights Distribution Center.....	3,903	22,711	26,614	(2,102)	
Glenview Distribution Center.....	1,156	7,384	8,540	(903)	
Itasca Distribution Center....	1,613	9,942	11,555	(1,356)	199
Lombard Distribution Center...	1,170	6,704	7,874	(616)	
Mitchell Distribution Center.....	1,236	8,239	9,475	(1,688)	
North Avenue Distribution Center.....	2,047	10,143	12,190	(1,383)	

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PROLOGIS TRUST  
SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CONTINUED)

DESCRIPTION	NO. OF BLDGS.	ENCUMBRANCES	INITIAL COST TO PROLOGIS		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION
			LAND	BUILDING & IMPROVEMENTS	
Northlake Distribution Center.....	1		372	2,106	264
O'Hare Cargo Distribution Center.....	2		3,566	--	16,574
Pleasant Prairie Distribution Center.....	1		1,314	7,450	--
Remington Lakes Distribution Center.....	1		2,761	--	11,106
Romeoville Distribution Center.....	2		1,104	6,258	15
South Holland Distribution Center.....	2	(f)	1,156	6,550	817
Woodale Distribution Center...	1		263	1,490	131
Cincinnati, Ohio					
Airpark Distribution Center...	3	(d)	1,692	--	21,589
Capital Distribution Center I.....	4	(d)	1,750	9,922	1,535
Capital Distribution Center II.....	5	(d)	1,953	11,067	2,508
Capital Industrial Center I...	10	(d)	1,039	5,885	2,412
Constitution Distribution Center.....	1		1,465	8,301	6
Empire Distribution Center....	3	(d)	529	2,995	827
Kentucky Drive Business Center.....	4		553	3,134	1,053
Production Distribution					

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Center.....	2	(g)	717	2,717	2,697
Sharonville Distribution Center.....	3	(d)	1,761	--	11,418
Springdale Commerce Center....	3		421	2,384	1,320
Union Center Business Park....	2		979	--	6,754
Columbus, Ohio					
Alum Creek Distribution Center.....	1		1,118	6,284	--
Canal Pointe Distribution Center.....	1		1,237	7,013	1
Capital Park South Distribution Center.....	6	(d)	2,551	--	36,436
Charter Street Distribution Center.....	1	(f)	1,245	7,055	7
Columbus West Industrial Center.....	3	(d)	645	3,655	1,221
Corporate Park West.....	2	(d)	679	3,849	343
Fisher Distribution Center....	1		1,197	6,785	1,684
Foreign Trade Center I.....	5		6,527	36,989	3,320
International Street Commerce.....	2		455	--	6,704
McCormick Distribution Center.....	5		1,664	9,429	2,538
New World Distribution Center.....	1		207	1,173	1,202
South Park Distribution Center.....	1		1,086	6,151	10
Westbelt Business Center.....	2	(d)	465	2,635	364
Dallas/Fort Worth, Texas					
Arlington Corporate Center....	2		2,135	--	8,412
Carter Industrial Center.....	1		334	--	2,359

PROLOGIS TRUST

SCHEDULE III -- REAL ESTATE AND

SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CO  
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DESCRIPTION	LAND	BUILDING & IMPROVEMENTS	TOTAL (a,b)	ACCUMULATED DEPRECIATION (c)	CO A
Northlake Distribution Center.....	372	2,370	2,742	(422)	
O'Hare Cargo Distribution Center.....	5,924	14,216	20,140	(1,385)	
Pleasant Prairie Distribution Center.....	1,315	7,449	8,764	(673)	
Remington Lakes Distribution Center.....	2,761	11,106	13,867	--	
Romeoville Distribution Center.....	1,104	6,273	7,377	(566)	
South Holland Distribution Center.....	1,156	7,367	8,523	(655)	
Wooddale Distribution Center...	263	1,621	1,884	(263)	
Cincinnati, Ohio					
Airpark Distribution Center...	4,060	19,221	23,281	(2,255)	
Capital Distribution Center I.....	1,751	11,456	13,207	(2,758)	

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Capital Distribution Center					
II.....	1,953	13,575	15,528	(3,395)	
Capital Industrial Center I...	1,105	8,231	9,336	(2,056)	
Constitution Distribution					
Center.....	1,465	8,307	9,772	(750)	
Empire Distribution Center....	529	3,822	4,351	(864)	
Kentucky Drive Business					
Center.....	553	4,187	4,740	(894)	
Production Distribution					
Center.....	824	5,307	6,131	(859)	
Sharonville Distribution					
Center.....	2,424	10,755	13,179	(1,166)	
Springdale Commerce Center....	421	3,704	4,125	(849)	
Union Center Business Park....	979	6,754	7,733	(6)	
Columbus, Ohio					
Alum Creek Distribution					
Center.....	1,118	6,284	7,402	(26)	
Canal Pointe Distribution					
Center.....	1,238	7,013	8,251	(633)	
Capital Park South					
Distribution Center.....	2,892	36,095	38,987	(4,864)	1996,
Charter Street Distribution					
Center.....	1,245	7,062	8,307	(638)	
Columbus West Industrial					
Center.....	645	4,876	5,521	(1,096)	
Corporate Park West.....	679	4,192	4,871	(828)	
Fisher Distribution Center....	1,197	8,469	9,666	(2,073)	
Foreign Trade Center I.....	6,992	39,844	46,836	(3,614)	
International Street					
Commerce.....	483	6,676	7,159	(533)	
McCormick Distribution					
Center.....	1,664	11,967	13,631	(2,809)	
New World Distribution					
Center.....	207	2,375	2,582	(599)	
South Park Distribution					
Center.....	1,085	6,162	7,247	(557)	
Westbelt Business Center.....	465	2,999	3,464	(366)	
Dallas/Fort Worth, Texas					
Arlington Corporate Center....	2,135	8,412	10,547	(2)	
Carter Industrial Center.....	334	2,359	2,693	(496)	

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PROLOGIS TRUST  
SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CONTINUED)

DESCRIPTION	NO. OF BLDGS.	ENCUM- BRANCES	INITIAL COST TO PROLOGIS		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION
			LAND	BUILDING & IMPROVEMENTS	
Centerport Distribution					
Center.....	2	(f)	1,558	8,830	239
Dallas Corporate Center.....	11	(e)	5,714	--	33,496
Enterprise Distribution					

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Center.....	3		2,719	15,410	--
Freeport Distribution Center.....	4		1,393	5,549	4,180
Freeport Corporation Center...	1		1,142	--	11,930
Great Southwest Distribution Center.....	36	(e) (f)	16,580	81,174	8,971
Great Southwal Center I.....	2	(e)	234	1,326	937
Lone Star Distribution Center.....	1		512	2,896	193
Northgate Distribution Center.....	13	(f)	4,722	26,367	8,208
Northpark Business Center.....	1		197	1,117	294
Pinnacle Park Distribution Center.....	2		5,058	--	22,371
Plano Distribution Center.....	7	(f)	3,915	22,186	244
Redbird Distribution Center...	2		1,095	6,212	329
Royal Commerce Center.....	4	(e)	1,975	11,190	1,677
Royal Distribution Center.....	1		811	4,598	1
Stemmons Distribution Center.....	1		272	1,544	450
Stemmons Industrial Center....	14		2,216	12,559	3,113
Trinity Mills Distribution Center.....	7	(e)	4,453	27,346	1
Valwood Business Center.....	4		1,884	10,676	7
Valwood Distribution Center...	7	(f)	4,430	25,101	566
Denver, Colorado					
Denver Business Center.....	6		2,015	7,486	11,331
Downing Distribution Center...	1		--	3,877	71
Havana Distribution Center....	1		401	2,281	691
Moline Distribution Center....	1		327	1,850	241
Moncrieff Distribution Center.....	1		314	2,493	561
Pagosa Distribution Center....	1		406	2,322	511
Upland Distribution Center I.....	6		821	5,710	8,543
Upland Distribution Center II.....	6		2,456	13,946	2,261
El Paso, Texas					
Billy the Kid Distribution Center.....	1		273	1,547	568
Goodyear Distribution Center.....	1		511	2,899	257

PROLOGIS TRUST

SCHEDULE III -- REAL ESTATE AND

SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CO  
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DESCRIPTION	LAND	BUILDING & IMPROVEMENTS	TOTAL (a, b)	ACCUMULATED DEPRECIATION (c)	CO A
Centerport Distribution Center.....	1,558	9,069	10,627	(811)	
Dallas Corporate Center.....	6,012	33,198	39,210	(4,760)	1996,
Enterprise Distribution Center.....	2,719	15,410	18,129	(1,391)	

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Freeport Distribution					
Center.....	1,440	9,682	11,122	(1,435)	199
Freeport Corporation Center...	2,250	10,822	13,072	(4)	
Great Southwest Distribution					
Center.....	16,071	90,654	106,725	(10,738)	1994, 1997,
Great Southwest Industrial					
Center I.....	308	2,189	2,497	(473)	
Lone Star Distribution					
Center.....	511	3,090	3,601	(605)	
Northgate Distribution					
Center.....	4,722	34,575	39,297	(4,388)	1994,
Northpark Business Center.....	197	1,411	1,608	(318)	
Pinnacle Park Distribution					
Center.....	5,058	22,371	27,429	(4)	
Plano Distribution Center.....	3,915	22,430	26,345	(2,040)	
Redbird Distribution Center...	1,096	6,540	7,636	(822)	
Royal Commerce Center.....	1,975	12,867	14,842	(1,901)	
Royal Distribution Center.....	811	4,599	5,410	(32)	
Stemmons Distribution					
Center.....	272	1,994	2,266	(454)	
Stemmons Industrial Center....	2,566	15,322	17,888	(2,926)	1994,
Trinity Mills Distribution					
Center.....	4,453	27,347	31,800	(3,198)	199
Valwood Business Center.....	1,884	10,683	12,567	(74)	
Valwood Distribution Center...	4,430	25,667	30,097	(2,359)	
Denver, Colorado					
Denver Business Center.....	2,015	18,817	20,832	(3,954)	1992,
Downing Distribution Center...	--	3,948	3,948	(322)	
Havana Distribution Center....	401	2,972	3,373	(817)	
Moline Distribution Center....	327	2,091	2,418	(555)	
Moncrieff Distribution					
Center.....	314	3,054	3,368	(926)	
Pagosa Distribution Center....	406	2,833	3,239	(908)	
Upland Distribution Center					
I.....	821	14,253	15,074	(3,870)	199
Upland Distribution Center					
II.....	2,489	16,174	18,663	(4,514)	
El Paso, Texas					
Billy the Kid Distribution					
Center.....	273	2,115	2,388	(548)	
Goodyear Distribution					
Center.....	511	3,156	3,667	(761)	

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PROLOGIS TRUST  
SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CONTINUED)

DESCRIPTION	NO. OF BLDGS.	ENCUM- BRANCES	INITIAL COST TO PROLOGIS		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION
			LAND	BUILDING & IMPROVEMENTS	
-----	-----	-----	-----	-----	-----

Northwestern Corporate

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Center.....	7		1,552	--	21,554
Vista Corporate Center.....	4		1,945	--	11,259
Vista Del Sol Industrial Center.....	5	(f)	1,245	--	20,799
Fort Lauderdale/Miami, Florida Airport West Distribution Center.....	2		1,253	3,825	3,455
CenterPort Distribution Center.....	5		4,309	11,806	8,458
Copans Distribution Center....	2		504	2,857	366
North Andrews Distribution Center.....	1	(g)	698	3,956	97
Port Lauderdale Distribution Center.....	2		896	--	7,842
Houston, Texas Brittmore Distribution Center.....	2		1,838	10,417	710
Crosstimbers Distribution Center.....	1		359	2,035	518
Hempstead Distribution Center.....	3		1,013	5,740	1,111
I-10 Central Distribution Center.....	2		181	1,023	303
I-10 Central Service Center...	1		58	330	130
Jersey Village Corporate Center.....	1		1,536	--	11,734
Kempwood Business Center.....	4		1,746	9,894	60
Perimeter Distribution Center.....	2		813	4,604	159
Pine Forest Business Center...	18	(e)	4,859	27,557	3,765
Pine North Distribution Center.....	2		847	4,800	377
Pine Timbers Distribution Center.....	2		2,956	16,750	1,475
Pinemont Distribution Center.....	2		642	3,636	284
Post Oak Business Center.....	15	(e)	3,005	15,378	4,334
Post Oak Distribution Center.....	7	(e)	2,115	12,017	4,021
South Loop Distribution Center.....	5		1,051	5,964	1,970
Southwest Freeway Industrial Center.....	1		84	476	173
West by Northwest Industrial Center.....	16		4,368	8,382	33,556
White Street Distribution Center.....	1		469	2,656	339
I-95 Corridor, New Jersey Bellmawr Distribution Center.....	1		212	1,197	63
Brunswick Distribution Center.....	2		870	4,928	1,665
Clearview Distribution Center.....	1		2,232	12,648	411
Cranbury Business Park.....	1		2,012	--	10,814
Kilmer Distribution Center....	4	(d)	2,526	14,313	895

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DESCRIPTION	LAND	BUILDING & IMPROVEMENTS	TOTAL (a,b)	ACCUMULATED DEPRECIATION (c)	CO A
Northwestern Corporate Center.....	2,365	20,741	23,106	(3,248)	1992
Vista Corporate Center.....	2,029	11,175	13,204	(2,389)	199
Vista Del Sol Industrial Center.....	2,636	19,408	22,044	(3,407)	199
Fort Lauderdale/Miami, Florida Airport West Distribution Center.....	1,974	6,559	8,533	(1,008)	
CenterPort Distribution Center.....	4,522	20,051	24,573	(1,409)	
Copans Distribution Center....	504	3,223	3,727	(588)	
North Andrews Distribution Center.....	698	4,053	4,751	(969)	
Port Lauderdale Distribution Center.....	2,205	6,533	8,738	(730)	
Houston, Texas Brittmore Distribution Center.....	1,838	11,127	12,965	(1,161)	
Crosstimbers Distribution Center.....	359	2,553	2,912	(655)	
Hempstead Distribution Center.....	1,013	6,851	7,864	(1,783)	
I-10 Central Distribution Center.....	181	1,326	1,507	(374)	
I-10 Central Service Center...	58	460	518	(138)	
Jersey Village Corporate Center.....	2,063	11,207	13,270	(39)	
Kempwood Business Center.....	1,746	9,954	11,700	(181)	
Perimeter Distribution Center.....	813	4,763	5,576	(437)	
Pine Forest Business Center...	4,859	31,322	36,181	(7,410)	199
Pine North Distribution Center.....	847	5,177	6,024	(537)	
Pine Timbers Distribution Center.....	2,956	18,225	21,181	(1,915)	
Pinemont Distribution Center.....	642	3,920	4,562	(409)	
Post Oak Business Center.....	3,005	19,712	22,717	(5,367)	199
Post Oak Distribution Center.....	2,115	16,038	18,153	(4,617)	
South Loop Distribution Center.....	1,052	7,933	8,985	(2,156)	
Southwest Freeway Industrial Center.....	84	649	733	(187)	
West by Northwest Industrial Center.....	4,368	41,938	46,306	(8,061)	1993
White Street Distribution Center.....	469	2,995	3,464	(704)	199
I-95 Corridor, New Jersey Bellmawr Distribution Center.....	211	1,261	1,472	(122)	
Brunswick Distribution					

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Center.....	870	6,593	7,463	(1,543)
Clearview Distribution Center.....	2,232	13,059	15,291	(2,335)
Cranbury Business Park.....	2,012	10,814	12,826	(2)
Kilmer Distribution Center....	2,526	15,208	17,734	(2,839)

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PROLOGIS TRUST  
SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CONTINUED)

DESCRIPTION	NO. OF BLDGS.	ENCUM- BRANCES	INITIAL COST TO PROLOGIS		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION
			LAND	BUILDING & IMPROVEMENTS	
Meadowland Industrial Center.....	8	(d)	5,676	32,167	13,123
Mt. Laurel Distribution Center.....	3		826	4,679	224
National Distribution Center.....	2		513	2,908	1,080
Pennsauken Distribution Center.....	4		490	2,778	124
Indianapolis, Indiana Airport Business Center.....	2		600	3,406	4,561
Eastside Distribution Center.....	3		1,447	8,197	674
North by Northeast Distribution Center.....	1		1,058	--	6,373
Park 100 Industrial Center....	25		10,751	60,928	7,547
Park Fletcher Distribution Center.....	9		2,687	15,224	3,832
Shadeland Industrial Center...	3		428	2,431	944
Juarez, Mexico Salvacar Industrial Center....	7		3,144	--	13,572
Rio Bravo Industrial Center...	1		349	1,979	282
Ramon Rivera Industrial Center.....	1		445	--	3,173
Los Aztecas Industrial Center.....	1		148	837	85
Kansas City, Kansas/Missouri 44th Street Business Center...	1		143	813	471
Congleton Distribution Center.....	3		518	2,937	609
Executive Park Distribution Center.....	1	(f)	258	1,463	243
Lamar Distribution Center.....	1		323	1,829	804
Macon Bedford Distribution Center.....	1		304	1,725	512
Platte Valley Industrial Center.....	11	(f)	3,867	20,017	8,471
Riverside Distribution Center.....	5	(f)	533	3,024	1,063
Riverside Industrial Center...	5	(f)	1,012	5,736	1,078



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Terrace & Lackman Distribution Center.....	1		285	1,615	602
Las Vegas, Nevada					
Black Mountain Distribution Center.....	2		1,108	--	7,716
Cameron Business Center.....	1	(f)	1,634	9,256	91
Hughes Airport Center.....	1		876	--	3,340
Las Vegas Corporate Center....	7	(h)	4,677	--	21,978
Placid Street Distribution Center.....					
Center.....	1	(f)	2,620	14,848	33
South Arville Center.....	1		1,440	8,160	35
West One Business Center.....	4	(f)	2,468	13,985	935

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DESCRIPTION	LAND	BUILDING & IMPROVEMENTS	TOTAL (a, b)	ACCUMULATED DEPRECIATION (c)	CO A
Meadowland Industrial Center.....	5,677	45,289	50,966	(9,957)	199
Mt. Laurel Distribution Center.....	826	4,903	5,729	(444)	
National Distribution Center.....	513	3,988	4,501	(745)	
Pennsauken Distribution Center.....	490	2,902	3,392	(256)	
Indianapolis, Indiana					
Airport Business Center.....	934	7,633	8,567	(573)	
Eastside Distribution Center.....	1,448	8,870	10,318	(1,133)	
North by Northeast Distribution Center.....	1,059	6,372	7,431	(1,638)	
Park 100 Industrial Center....	10,646	68,580	79,226	(14,710)	199
Park Fletcher Distribution Center.....	2,785	18,958	21,743	(3,936)	199
Shadeland Industrial Center...	429	3,374	3,803	(774)	
Juarez, Mexico					
Salvacar Industrial Center....	3,955	12,761	16,716	(1,014)	1998,
Rio Bravo Industrial Center...	410	2,200	2,610	(22)	
Ramon Rivera Industrial Center.....	2,246	1,372	3,618	(51)	
Los Aztecas Industrial Center.....	0	1,070	1,070	(72)	
Kansas City, Kansas/Missouri					
44th Street Business Center...	143	1,284	1,427	(257)	
Congleton Distribution Center.....	518	3,546	4,064	(898)	
Executive Park Distribution Center.....	258	1,706	1,964	(185)	
Lamar Distribution Center.....	323	2,633	2,956	(760)	
Macon Bedford Distribution Center.....	304	2,237	2,541	(519)	
Platte Valley Industrial Center.....	4,002	28,353	32,355	(6,318)	

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Riverside Distribution					
Center.....	534	4,086	4,620	(1,144)	
Riverside Industrial Center...	1,012	6,814	7,826	(1,694)	
Terrace & Lackman Distribution					
Center.....	285	2,217	2,502	(582)	
Las Vegas, Nevada					
Black Mountain Distribution					
Center.....	1,206	7,618	8,824	(987)	
Cameron Business Center.....	1,634	9,347	10,981	(845)	
Hughes Airport Center.....	910	3,306	4,216	(865)	
Las Vegas Corporate Center....	4,775	21,880	26,655	(4,387)	1994,
Placid Street Distribution					
Center.....	2,620	14,881	17,501	(1,342)	
South Arville Center.....	1,440	8,195	9,635	(742)	
West One Business Center.....	2,468	14,920	17,388	(2,759)	

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PROLOGIS TRUST  
SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CONTINUED)

DESCRIPTION	NO. OF BLDGS.	ENCUM- BRANCES	INITIAL COST TO PROLOGIS		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION
			LAND	BUILDING & IMPROVEMENTS	
Liege, Belgium					
Liege Distribution Center.....	1		496	--	6,216
Lille, France					
Lille Distribution Center.....	1		963	--	5,331
Los Angeles/Orange County, California					
Inland Empire Distribution					
Center.....	1		889	5,037	4,508
Torrance Distribution					
Center.....	3		25,181	--	26,541
Louisville, Kentucky					
Airpark Commerce Center.....	4		1,583	8,971	3,079
Louisville Distribution					
Center.....	2		680	3,402	4,561
New Cut Road Distribution					
Center.....	1		2,090	--	9,815
Riverport Distribution					
Center.....	1	(f)	1,515	8,585	354
Memphis, Tennessee					
Airport Distribution Center...	20		7,160	40,573	7,361
Centerpointe Distribution					
Center.....	3		2,497	14,151	315
Delp Distribution Center.....	10	(f)	4,886	27,687	4,553
Fred Jones Distribution					
Center.....	1		125	707	177
Memphis Industrial Center.....	1		1,597	--	8,817
Olive Branch Distribution					
Center.....	2	(f)	2,892	16,389	154
Raines Distribution Center....	1	(f)	1,635	9,264	3,342

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Southwide Industrial Center...	4		725	4,105	179
Willow Lake Distribution Center.....	1	(f)	613	3,474	35
Monterrey, Mexico					
Monterrey Industrial Park.....	9		5,220	3,785	29,908
Ojo de Agua Industrial Center.....	2		983	--	11,526
Nashville, Tennessee					
Bakertown Distribution Center.....	2		463	2,626	422
I-40 Industrial Center.....	4		1,711	9,698	688
Interchange City Distribution Center.....	7		3,524	12,585	10,700
Nashville/I-24 Distribution Center.....	3	(f)	1,712	8,196	6,290
Space Park South Distribution Center.....	15		3,499	19,830	4,908
Oklahoma City, Oklahoma					
Melcat Distribution Center....	1		240	1,363	862
Meridian Business Center.....	2		195	1,109	685

PROLOGIS TRUST

SCHEDULE III -- REAL ESTATE AND

SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CO  
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DESCRIPTION	LAND	BUILDING & IMPROVEMENTS	TOTAL (a,b)	ACCUMULATED DEPRECIATION (c)	CO A
Liege, Belgium					
Liege Distribution Center.....	496	6,216	6,712	--	
Lille, France					
Lille Distribution Center.....	963	5,331	6,294	--	
Los Angeles/Orange County, California					
Inland Empire Distribution Center.....	1,546	8,888	10,434	(812)	
Torrance Distribution Center.....	25,181	26,541	51,722	(3)	
Louisville, Kentucky					
Airpark Commerce Center.....	1,583	12,050	13,633	(2,031)	
Louisville Distribution Center.....	689	7,954	8,643	(1,247)	
New Cut Road Distribution Center.....	2,090	9,815	11,905	(1)	
Riverport Distribution Center.....	1,515	8,939	10,454	(775)	
Memphis, Tennessee					
Airport Distribution Center...	7,160	47,934	55,094	(8,802)	199
Centerpointe Distribution Center.....	2,497	14,466	16,963	(468)	
Delp Distribution Center.....	4,886	32,240	37,126	(5,599)	199
Fred Jones Distribution Center.....	125	884	1,009	(222)	
Memphis Industrial Center.....	1,597	8,817	10,414	(7)	
Olive Branch Distribution Center.....	2,892	16,543	19,435	(1,517)	

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Raines Distribution Center....	1,635	12,606	14,241	(2,362)	
Southwide Industrial Center...	724	4,285	5,009	(402)	
Willow Lake Distribution Center.....	613	3,509	4,122	(317)	
Monterrey, Mexico					
Monterrey Industrial Park.....	9,036	29,877	38,913	(2,986)	1997,
Ojo de Agua Industrial Center.....	1,881	10,628	12,509	(634)	
Nashville, Tennessee					
Bakertown Distribution Center.....	463	3,048	3,511	(652)	
I-40 Industrial Center.....	1,712	10,385	12,097	(1,550)	199
Interchange City Distribution Center.....	4,279	22,530	26,809	(4,080)	1
					19
Nashville/I-24 Distribution Center.....	2,670	13,528	16,198	(157)	
Space Park South Distribution Center.....	3,499	24,738	28,237	(6,185)	
Oklahoma City, Oklahoma					
Melcat Distribution Center....	240	2,225	2,465	(535)	
Meridian Business Center.....	196	1,793	1,989	(462)	

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PROLOGIS TRUST  
SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CONTINUED)

DESCRIPTION	NO. OF BLDGS.	ENCUM- BRANCES	INITIAL COST TO PROLOGIS		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION
			LAND	BUILDING & IMPROVEMENTS	
Oklahoma Distribution Center.....	3		893	5,082	825
Orlando, Florida					
33rd Street Industrial Center.....	9	(g)	1,980	11,237	1,710
Chancellor Distribution Center.....	1		380	2,156	1,152
Consulate Distribution Center.....	3	(f)	4,148	23,617	--
La Quinta Distribution Center.....	1		354	2,006	679
Orlando Central Park.....	3		1,378	--	9,298
Princeton Oaks Distribution Center.....	1	(f)	900	5,100	--
Titusville Industrial Center.....	1		283	1,603	139
Phoenix, Arizona					
24th Street Industrial Center.....	2		503	2,852	837
Alameda Distribution Center...	2		820	4,977	998
Black Canyon Business Center.....	3		717	4,062	354

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Hohokam 10 Industrial Center.....	6		4,258	7,467	11,288
I-10 West Business Center.....	3		263	1,525	341
Kyrene Commons Distribution Center.....	3		2,369	5,475	28
Kyrene Commons South Distribution Center.....	2		1,096	--	5,036
Martin Van Buren Distribution Center.....	6		572	3,285	871
Papago Distribution Center....	1		420	2,383	195
Pima Distribution Center.....	1		306	1,742	428
Watkins Distribution Center...	1		242	1,375	325
Portland, Oregon					
Argyle Distribution Center....	3		946	5,388	650
Columbia Distribution Center.....	2		550	3,121	345
PDX Corporate Center East.....	2	(h)	1,785	--	6,998
PDX Corporate Center North....	7	(h)	2,405	--	10,775
Wilsonville Corporate Center.....	6	(h)	2,963	--	12,163
Poznan, Poland					
Poznan Distribution Center....	2		819	--	6,661
Reno, Nevada					
Golden Valley Distribution Center.....	2		560	--	10,247
Meredith Kleppe Business Center.....	5		1,573	8,949	1,530
Pacific Industrial Center.....	10	(f)	9,566	40,036	11,178
Packer Way Business Center....	3		458	2,604	748

PROLOGIS TRUST

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DESCRIPTION	LAND	BUILDING & IMPROVEMENTS	TOTAL (a, b)	ACCUMULATED DEPRECIATION (c)	CO A
Oklahoma Distribution Center.....	893	5,907	6,800	(1,739)	
Orlando, Florida					
33rd Street Industrial Center.....	1,980	12,947	14,927	(2,834)	199
Chancellor Distribution Center.....	380	3,308	3,688	(713)	
Consulate Distribution Center.....	4,148	23,617	27,765	(2,142)	
La Quinta Distribution Center.....	354	2,685	3,039	(586)	
Orlando Central Park.....	1,871	8,805	10,676	(1,116)	
Princeton Oaks Distribution Center.....	900	5,100	6,000	(460)	
Titusville Industrial Center.....	283	1,742	2,025	(408)	
Phoenix, Arizona					
24th Street Industrial Center.....	506	3,686	4,192	(972)	

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Alameda Distribution Center...	820	5,975	6,795	(1,398)	
Black Canyon Business Center.....	717	4,416	5,133	(416)	
Hohokam 10 Industrial Center.....	4,258	18,755	23,013	(3,147)	
I-10 West Business Center.....	263	1,866	2,129	(548)	
Kyrene Commons Distribution Center.....	1,093	6,779	7,872	(1,353)	199
Kyrene Commons South Distribution Center.....	1,163	4,969	6,132	(634)	
Martin Van Buren Distribution Center.....	572	4,156	4,728	(1,160)	
Papago Distribution Center....	420	2,578	2,998	(675)	
Pima Distribution Center.....	306	2,170	2,476	(566)	
Watkins Distribution Center...	243	1,699	1,942	(390)	
Portland, Oregon					
Argyle Distribution Center....	946	6,038	6,984	(1,681)	
Columbia Distribution Center.....	551	3,465	4,016	(847)	
PDX Corporate Center East.....	2,100	6,683	8,783	(1,020)	
PDX Corporate Center North....	2,542	10,638	13,180	(2,397)	
Wilsonville Corporate Center.....	2,964	12,162	15,126	(2,692)	
Poznan, Poland					
Poznan Distribution Center....	820	6,660	7,480	--	
Reno, Nevada					
Golden Valley Distribution Center.....	2,035	8,772	10,807	(1,449)	
Meredith Kleppe Business Center.....	1,573	10,479	12,052	(2,901)	
Pacific Industrial Center.....	9,566	51,214	60,780	(2,869)	199
Packer Way Business Center....	458	3,352	3,810	(963)	

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PROLOGIS TRUST  
SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CONTINUED)

DESCRIPTION	NO. OF BLDGS.	ENCUMBRANCES	INITIAL COST TO PROLOGIS		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION
			LAND	BUILDING & IMPROVEMENTS	
Packer Way Distribution Center.....	2		506	2,879	1,046
Damonte Ranch Dist Ctr.....	2		4,579	--	25,718
Spice Island Distribution Center.....	1		435	2,466	1,138
Reynosa, Mexico					
Colonial Industrial Center....	2		943	1,574	3,956
Del Norte Industrial Center...	2		809	--	6,406
Del Norte Industrial Center II.....	1		675	--	6,383
Reynosa Industrial Center III.....	4		2,149	--	13,409

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Reynosa Industrial Center.....	6	2,035	1,038	14,394
Salt Lake City, Utah				
Centennial Distribution Center.....	2	1,149	--	8,464
Clearfield Distribution Center.....	2	2,500	14,165	995
Crossroads Corporate Center... Salt Lake International Distribution Center.....	1	642	--	4,266
San Antonio, Texas				
10711 Distribution Center.....	2	582	3,301	766
Coliseum Distribution Center.....	2	1,102	2,380	10,784
Distribution Drive Center.....	1	473	2,680	858
Downtown Distribution Center.....	1	241	1,364	321
I-10 Central Distribution Center.....	1	223	1,275	240
I-35 Business Center.....	4	663	3,773	1,121
Landmark One Distribution Center.....	1	341	1,933	377
Macro Distribution Center.....	1	225	1,282	438
Perrin Creek Corporate Center.....	6	1,547	--	10,089
San Antonio Distribution Center I.....				
	13	2,154	12,247	4,769
San Antonio Distribution Center II.....				
	3	945	--	6,295
San Antonio Distribution Center III.....				
	6	1,709	9,684	2,946
Woodlake Distribution Center.....	2	248	1,405	522
San Francisco (East Bay), California				
Barrington Business Center....	3	1,741	9,863	353
Central Valley Distribution Center.....	3	5,180	29,357	63
Central Valley Industrial Center.....	2	3,694	20,938	3,096
East Bay Industrial Center....	1	531	3,009	431
Eigenbrodt Way Distribution Center.....	1	(f) 393	2,228	282
Hayward Commerce Center.....	4	1,933	10,955	745
Hayward Commerce Park.....	9	2,764	15,661	3,036

PROLOGIS TRUST

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DESCRIPTION	LAND	BUILDING & IMPROVEMENTS	TOTAL (a,b)	ACCUMULATED DEPRECIATION (c)	CO A
Packer Way Distribution Center.....	506	3,925	4,431	(1,068)	
Damonte Ranch Dist Ctr.....	6,555	23,742	30,297	(57)	
Spice Island Distribution					

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Center.....	435	3,604	4,039	(619)	
Reynosa, Mexico					
Colonial Industrial Center....	670	5,803	6,473	(135)	
Del Norte Industrial Center...	1,065	6,150	7,215	(781)	
Del Norte Industrial Center					
II.....	1,274	5,784	7,058	--	
Reynosa Industrial Center					
III.....	2,228	13,330	15,558	(222)	
Reynosa Industrial Center.....	2,313	15,154	17,467	(1,842)	199
Salt Lake City, Utah					
Centennial Distribution					
Center.....	1,149	8,464	9,613	(1,766)	
Clearfield Distribution					
Center.....	2,481	15,179	17,660	(3,168)	
Crossroads Corporate Center...	719	4,189	4,908	(3)	
Salt Lake International					
Distribution Center.....	1,364	11,267	12,631	(2,332)	
San Antonio, Texas					
10711 Distribution Center.....	582	4,067	4,649	(1,120)	
Coliseum Distribution					
Center.....	1,613	12,653	14,266	(3,120)	
Distribution Drive Center.....	473	3,538	4,011	(1,133)	
Downtown Distribution					
Center.....	241	1,685	1,926	(471)	
I-10 Central Distribution					
Center.....	240	1,498	1,738	(501)	
I-35 Business Center.....	663	4,894	5,557	(1,459)	
Landmark One Distribution					
Center.....	341	2,310	2,651	(594)	
Macro Distribution Center.....	225	1,720	1,945	(493)	
Perrin Creek Corporate					
Center.....	1,634	10,002	11,636	(1,862)	
San Antonio Distribution					
Center I.....	2,154	17,016	19,170	(5,286)	199
San Antonio Distribution					
Center II.....	885	6,355	7,240	(1,595)	
San Antonio Distribution					
Center III.....	1,841	12,498	14,339	(2,621)	
Woodlake Distribution					
Center.....	248	1,927	2,175	(457)	
San Francisco (East Bay), California					
Barrington Business Center....	1,741	10,216	11,957	(958)	
Central Valley Distribution					
Center.....	5,181	29,419	34,600	(2,652)	
Central Valley Industrial					
Center.....	4,147	23,581	27,728	(2,133)	
East Bay Industrial Center....	531	3,440	3,971	(888)	
Eigenbrodt Way Distribution					
Center.....	393	2,510	2,903	(668)	
Hayward Commerce Center.....	1,933	11,700	13,633	(3,168)	
Hayward Commerce Park.....	2,764	18,697	21,461	(5,010)	

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SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CONTINUED)

INITIAL COST TO



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DESCRIPTION	NO. OF BLDGS.	ENCUM- BRANCES	PROLOGIS		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION
			LAND	BUILDING & IMPROVEMENTS	
Hayward Distribution Center...	6		2,906	19,165	2,477
Hayward Industrial Center.....	13	(f)	4,481	25,393	2,221
Patterson Pass Business Center.....	7		4,064	4,885	24,530
San Leandro Distribution Center.....	3		1,387	7,862	825
San Francisco (South Bay), California					
Bayside Business Center.....	2	(h)	2,088	--	4,555
Bayside Corporate Center.....	7	(h)	4,365	--	16,215
Bayside Plaza I.....	12	(h)	5,212	18,008	1,436
Bayside Plaza II.....	2	(h)	634	--	2,915
Gateway Corporate Center.....	11	(f) (h)	7,575	24,746	4,765
Mowry Business Center.....	4		5,933	--	18,083
Overlook Distribution Center.....	1		1,573	8,915	29
Shoreline Business Center.....	8	(h)	4,328	16,101	679
Shoreline Business Center II.....	2	(h)	922	--	4,806
Spinnaker Business Center.....	12	(h)	7,043	25,220	1,730
Thornton Business Center.....	5	(f)	3,988	11,706	6,325
Trimble Distribution Center...	5		2,836	16,067	1,818
Seattle, Washington					
Andover East Business Center.....	2		535	3,033	306
Fife Corporate Center.....	3		4,059	--	10,618
Kent Corporate Center.....	2	(h)	2,882	1,987	9,066
Park at Woodinville A.....	5	(f)	1,937	10,976	652
Van Doren's Distribution Center.....	2	(h)	2,473	--	8,880
St. Louis, Missouri					
Earth City Industrial Center.....	8	(f)	3,375	19,144	3,170
Hazelwood Distribution Center.....	2	(f)	847	4,802	192
Westport Distribution Center.....	3	(f)	761	4,310	327
Tampa, Florida					
Adamo Distribution Center.....	6		2,105	11,930	433
Commerce Park Distribution Center.....	4		811	4,597	1,156
Eastwood Distribution Center.....	1	(g)	122	690	95
Joe's Creek Distribution Center.....	2	(g)	161	909	136
Lakeland Distribution Center.....	1		938	5,313	622
Orchid Lake Industrial Center.....	1		41	235	23
Plant City Distribution Center.....	1	(g)	206	1,169	132
Sabal Park Distribution Center.....	7	(d)	2,341	5,610	12,600

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DESCRIPTION	LAND	BUILDING & IMPROVEMENTS	TOTAL (a,b)	ACCUMULATED DEPRECIATION (c)	CO A
Hayward Distribution Center...	3,327	21,221	24,548	(5,573)	
Hayward Industrial Center.....	4,481	27,614	32,095	(7,530)	
Patterson Pass Business Center.....	5,625	27,854	33,479	(2,457)	1993,
San Leandro Distribution Center.....	1,387	8,687	10,074	(2,310)	
San Francisco (South Bay), California					
Bayside Business Center.....	2,088	4,555	6,643	(1,004)	
Bayside Corporate Center.....	4,365	16,215	20,580	(4,432)	
Bayside Plaza I.....	5,216	19,440	24,656	(5,235)	
Bayside Plaza II.....	634	2,915	3,549	(1,163)	
Gateway Corporate Center.....	7,575	29,511	37,086	(8,501)	
Mowry Business Center.....	7,815	16,201	24,016	(2,177)	
Overlook Distribution Center.....	1,573	8,944	10,517	(811)	
Shoreline Business Center.....	4,328	16,780	21,108	(4,556)	
Shoreline Business Center II.....	922	4,806	5,728	(1,516)	
Spinnaker Business Center.....	7,043	26,950	33,993	(7,365)	
Thornton Business Center.....	3,989	18,030	22,019	(4,225)	
Trimble Distribution Center...	2,836	17,885	20,721	(4,728)	
Seattle, Washington					
Andover East Business Center.....	535	3,339	3,874	(851)	
Fife Corporate Center.....	4,209	10,468	14,677	(1,847)	
Kent Corporate Center.....	3,216	10,719	13,935	(2,523)	
Park at Woodinville A.....	1,937	11,628	13,565	(1,104)	
Van Doren's Distribution Center.....	2,860	8,493	11,353	(1,584)	
St. Louis, Missouri					
Earth City Industrial Center.....	3,375	22,314	25,689	(3,746)	
Hazelwood Distribution Center.....	847	4,994	5,841	(546)	
Westport Distribution Center.....	761	4,637	5,398	(718)	
Tampa, Florida					
Adamo Distribution Center.....	2,105	12,363	14,468	(344)	
Commerce Park Distribution Center.....	811	5,753	6,564	(1,389)	
Eastwood Distribution Center.....	122	785	907	(203)	
Joe's Creek Distribution Center.....	160	1,046	1,206	(267)	
Lakeland Distribution Center.....	938	5,935	6,873	(1,484)	
Orchid Lake Industrial Center.....	41	258	299	(61)	

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Plant City Distribution Center.....	206	1,301	1,507	(313)	
Sabal Park Distribution Center.....	2,678	17,873	20,551	(2,286)	199

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PROLOGIS TRUST  
SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CONTINUED)

DESCRIPTION	NO. OF BLDGS.	ENCUM- BRANCES	INITIAL COST TO PROLOGIS		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION
			LAND	BUILDING & IMPROVEMENTS	
Silo Bend Distribution Center.....	4	(g)	2,887	16,358	1,427
Silo Bend Industrial Center...	1	(g)	525	2,975	357
St. Petersburg Service Center.....	1		35	197	21
Tampa East Distribution Center.....	10	(g)	2,700	15,302	1,823
Tampa East Industrial Center.....	2	(g)	332	1,880	288
Tampa West Distribution Center.....	15	(g)	3,273	18,659	3,424
Tampa West Industrial Center.....	4	(g)	437	471	5,616
Tampa West Service Center.....	2	(g)	422	2,569	186
Tijuana, Mexico Tijuana Industrial Center.....	5		3,816	--	22,321
Tulsa, Oklahoma 52nd Street Distribution Center.....	1		340	1,924	249
70th East Distribution Center.....	1		129	733	350
Expressway Distribution Center.....	4		573	3,280	1,219
Henshaw Distribution Center...	3		500	2,829	350
Warsaw, Poland Blonie Industrial Park.....	1		1,378	--	6,818
Washington D.C./Baltimore, Maryland Airport Commons Distribution Center.....	2	(d)	2,320	--	9,280
Ardmore Distribution Center...	3		1,431	8,110	924
Ardmore Industrial Center.....	2		984	5,581	870
Concorde Industrial Center....	4	(d)	1,538	8,717	1,130
De Soto Business Park.....	5		1,774	10,055	3,888
Eisenhower Industrial Center.....	3	(d)	1,240	7,025	1,519
Fleet Distribution Center.....	8	(d)	3,198	18,121	1,904
Gateway Distribution Center...	3		774	--	7,836
Hampton Central Distribution Center.....	2		1,769	--	9,771

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Meadowridge Distribution Center.....	1	(d)	1,757	--	5,777
Patapsco Distribution Center.....	1		270	1,528	1,152
Sunnyside Industrial Center...	3		1,541	8,733	1,667
Troy Hill Distribution Center.....	2		2,105	--	6,275
Other.....	4	(g)	2,962	15,475	4,085
	-----		-----	-----	-----
Total Operating Properties.....	1,208		600,690	2,184,741	1,388,119
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DESCRIPTION	LAND	BUILDING & IMPROVEMENTS	TOTAL (a,b)	ACCUMULATED DEPRECIATION (c)	CO A
-----	-----	-----	-----	-----	-----
Silo Bend Distribution Center.....	2,887	17,785	20,672	(4,127)	
Silo Bend Industrial Center...	525	3,332	3,857	(823)	
St. Petersburg Service Center.....	35	218	253	(51)	
Tampa East Distribution Center.....	2,541	17,284	19,825	(4,227)	
Tampa East Industrial Center.....	332	2,168	2,500	(544)	
Tampa West Distribution Center.....	3,319	22,037	25,356	(5,198)	
Tampa West Industrial Center.....	717	5,807	6,524	(1,005)	199
Tampa West Service Center.....	423	2,754	3,177	(643)	
Tijuana, Mexico Tijuana Industrial Center.....	8,672	17,465	26,137	(648)	199
Tulsa, Oklahoma 52nd Street Distribution Center.....	340	2,173	2,513	(578)	
70th East Distribution Center.....	129	1,083	1,212	(262)	
Expressway Distribution Center.....	573	4,499	5,072	(1,329)	
Henshaw Distribution Center...	499	3,180	3,679	(785)	
Warsaw, Poland Blonie Industrial Park.....	1,079	7,117	8,196	--	
Washington D.C./Baltimore, Maryland Airport Commons Distribution Center.....	2,360	9,240	11,600	(1,563)	
Ardmore Distribution Center...	1,431	9,034	10,465	(2,168)	
Ardmore Industrial Center.....	985	6,450	7,435	(1,592)	
Concorde Industrial Center....	1,538	9,847	11,385	(2,247)	
De Soto Business Park.....	1,774	13,943	15,717	(3,448)	
Eisenhower Industrial Center.....	1,240	8,544	9,784	(2,228)	

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Fleet Distribution Center.....	3,115	20,108	23,223	(4,205)
Gateway Distribution Center...	1,414	7,196	8,610	(642)
Hampton Central Distribution Center.....	2,251	9,289	11,540	(1,466)
Meadowridge Distribution Center.....	1,902	5,632	7,534	(622)
Patapsco Distribution Center.....	270	2,680	2,950	(622)
Sunnyside Industrial Center...	1,541	10,400	11,941	(2,514)
Troy Hill Distribution Center.....	2,105	6,275	8,380	--
Other.....	3,108	19,414	22,522	(2,131)
	-----	-----	-----	-----
Total Operating Properties.....	645,344	3,528,206	4,173,550	(574,871)
	-----	-----	-----	-----

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SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CONTINUED)

DESCRIPTION	NO. OF BLDGS.	ENCUM- BRANCES	INITIAL COST TO PROLOGIS		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION
			LAND	BUILDING & IMPROVEMENTS	
-----	-----	-----	-----	-----	-----
FACILITIES UNDER DEVELOPMENT					
Budapest, Hungary					
Budapest Park.....			1,178	--	1,777
Carlisle, Pennsylvania					
Carlisle Distribution Center.....			5,135	--	15,414
Chicago, Illinois					
I-55 Distribution Center.....			3,029	--	3,791
O'Hare Cargo Distribution Center.....			3,376	--	11,469
Dortmund, Germany					
Krefeld Distribution Center...			1,868	--	2,021
Las Vegas, Nevada					
Las Vegas Corporate Center....			368	--	600
Le Havre, France					
Le Havre.....			737	--	8,428
Madrid, Spain					
Alcala.....			7,772	--	1,314
Marseille, France					
Clesud Grans Miramas Distribution Center.....			1,591	--	2,172
Milan, Italy					
Piacenza Distribution Center.....			358	--	1,070
Tilburg, Netherlands					
Tilburg Distribution Center...			1,483	--	7,048
Tokyo, Japan					
Toyko Distribution Center.....			32,863	--	7,863

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Venlo, Netherlands			
Trade Port West.....	3,106	--	5,713
	-----	-----	-----
Total Facilities Under Development.....	62,864	--	68,680
	-----	-----	-----

LAND HELD FOR DEVELOPMENT

Atlanta, Georgia			
Atlanta West Distribution Center.....	561	--	193
Breckenridge Distribution Center.....	2,504	--	1,961
Greenwood Ind Park.....	8,272	--	2,909

PROLOGIS TRUST

SCHEDULE III -- REAL ESTATE AND SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CO  
GROSS AMOUNTS AT WHICH  
CARRIED  
AS OF DECEMBER 31, 2001

DESCRIPTION	LAND	BUILDING & IMPROVEMENTS	TOTAL (a,b)	ACCUMULATED DEPRECIATION (c)	CO A
-----	-----	-----	-----	-----	-----
FACILITIES UNDER DEVELOPMENT					
Budapest, Hungary					
Budapest Park.....	2,955	--	2,955	--	
Carlisle, Pennsylvania					
Carlisle Distribution Center.....	20,549	--	20,549	--	
Chicago, Illinois					
I-55 Distribution Center.....	6,820	--	6,820	--	
O'Hare Cargo Distribution Center.....	14,845	--	14,845	--	
Dortmund, Germany					
Krefeld Distribution Center...	3,889	--	3,889	--	
Las Vegas, Nevada					
Las Vegas Corporate Center....	968	--	968	--	
Le Havre, France					
Le Havre.....	9,165	--	9,165	--	
Madrid, Spain					
Alcala.....	9,086	--	9,086	--	
Marseille, France					
Clesud Grans Miramas Distribution Center.....	3,763	--	3,763	--	
Milan, Italy					
Piacenza Distribution Center.....	1,428	--	1,428	--	
Tilburg, Netherlands					
Tilburg Distribution Center...	8,531	--	8,531	--	
Tokyo, Japan					
Toyko Distribution Center.....	40,726	--	40,726	--	
Venlo, Netherlands					
Trade Port West.....	8,819	--	8,819	--	
	-----	-----	-----	-----	
Total Facilities Under Development.....	131,544	--	131,544	--	
	-----	-----	-----	-----	
LAND HELD FOR DEVELOPMENT					

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Atlanta, Georgia

Atlanta West Distribution Center.....	754	--	754	--
Breckenridge Distribution Center.....	4,465	--	4,465	--
Greenwood Ind Park.....	11,181	--	11,181	--

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PROLOGIS TRUST

SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CONTINUED)

DESCRIPTION	NO. OF BLDGS.	ENCUMBRANCES	INITIAL COST TO PROLOGIS		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION
			LAND	BUILDING & IMPROVEMENTS	
Austin, Texas					
Southpark Corporate Center....			524	--	64
Walnut Creek Corporate Center.....			135	--	40
Baltimore, Maryland					
Meadowridge Distribution Center.....			760	--	324
Barcelona, Spain					
Sant Boi Park.....			2,995	--	6,080
Budapest, Hungary					
Budapest Park.....			3,558	--	1,300
Charlotte, North Carolina					
Charlotte Distribution Center South.....			352	--	810
Interstate North Business Park.....			342	--	9
Chicago, Illinois					
I-55 Distribution Center.....			8,590	--	2,757
O'Hare Cargo Distribution Center.....			3,927	--	2,508
Cincinnati, Ohio					
Airpark West Distribution Center.....			2,212	--	1,020
West Chester Com Park I.....			4,502	--	1,037
Columbus, Ohio					
Capital Park South Distribution Center.....			2,040	--	220
International Street Commerce Center.....			101	--	8
Dallas/Fort Worth, Texas					
Freeport Corporate Center....			1,373	--	2,587
Lewisville Distribution Center.....			5,188	--	1,311
Plano Distribution Center.....			1,166	--	--
Denver, Colorado					
Upland Distribution Center I.....			519	--	31
Dortmund, Germany					

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Krefeld Park.....	2,584	--	101
Dulles, Virginia			
ProLogis Park -- Dulles.....	1,165	--	1,269

PROLOGIS TRUST  
SCHEDULE III -- REAL ESTATE AND SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CO  
GROSS AMOUNTS AT WHICH  
CARRIED  
AS OF DECEMBER 31, 2001

DESCRIPTION	LAND	BUILDING & IMPROVEMENTS	TOTAL (a,b)	ACCUMULATED DEPRECIATION (c)	CO A
Austin, Texas					
Southpark Corporate Center....	588	--	588	--	
Walnut Creek Corporate Center.....	175	--	175	--	
Baltimore, Maryland					
Meadowridge Distribution Center.....	1,084	--	1,084	--	
Barcelona, Spain					
Sant Boi Park.....	9,075	--	9,075	--	
Budapest, Hungary					
Budapest Park.....	4,858	--	4,858	--	
Charlotte, North Carolina					
Charlotte Distribution Center South.....	1,162	--	1,162	--	
Interstate North Business Park.....	351	--	351	--	
Chicago, Illinois					
I-55 Distribution Center.....	11,347	--	11,347	--	
O'Hare Cargo Distribution Center.....	6,435	--	6,435	--	
Cincinnati, Ohio					
Airpark West Distribution Center.....	3,232	--	3,232	--	
West Chester Com Park I.....	5,539	--	5,539	--	199
Columbus, Ohio					
Capital Park South Distribution Center.....	2,260	--	2,260	--	1994,
International Street Commerce Center.....	109	--	109	--	
Dallas/Fort Worth, Texas					
Freeport Corporate Center....	3,960	--	3,960	--	
Lewisville Distribution Center.....	6,499	--	6,499	--	
Plano Distribution Center.....	1,166	--	1,166	--	
Denver, Colorado					
Upland Distribution Center I.....	550	--	550	--	
Dortmund, Germany					
Krefeld Park.....	2,685	--	2,685	--	
Dulles, Virginia					
ProLogis Park -- Dulles.....	2,434	--	2,434	--	



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PROLOGIS TRUST  
 SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CONTINUED)

DESCRIPTION	NO. OF BLDGS.	ENCUM- BRANCES	INITIAL COST TO PROLOGIS		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION
			LAND	BUILDING & IMPROVEMENTS	
El Paso, Texas					
Goodyear Distribution Center.....			555	--	18
Northwestern Corporate Center.....			1,086	--	2,095
Vista Del Sol Industrial Center.....			324	--	12
Vista Del Sol Industrial Center II.....			1,268	--	398
Vista Del Sol Industrial Center III.....			306	--	473
Fort Lauderdale/Miami, Florida					
Port Lauderdale Distribution Center.....			2,522	--	311
Houston, Texas					
Jersey Village Corporate Center.....			3,217	--	1,065
West by Northwest Industrial Center.....			898	--	137
I-95 Corridor, New Jersey					
Cranbury Bus Park.....			650	--	176
Rancocas Distribution Center.....			1,270	--	--
Indianapolis, Indiana					
Airport Business Center.....			2,214	--	--
Lebanon Commerce Park Land....			827	--	945
North Plainfield Park Distribution Center.....			2,928	--	5
Plainfield Park Distribution Center.....			1,082	--	563
Juarez, Mexico					
Libramiento Aeropuerto.....			1,403	--	502
Los Aztecas Industrial Center.....			669	--	48
Ramon Rivera Industrial Center.....			445	--	25
Kansas City, Kansas/Missouri					
Executive Park.....			1,267	--	259
Las Vegas, Nevada					
Black Mountain Distribution Center.....			1,242	--	115
Hughes Airport Center.....			262	--	11
Las Vegas Corporate Center....		(h)	3,547	--	1,174
Le Havre, France					
Le Havre.....			2,171	--	--
Liege, Belgium					
Liege Park.....			651	--	--

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PROLOGIS TRUST  
 SCHEDULE III -- REAL ESTATE AND SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CO  
 GROSS AMOUNTS AT WHICH  
 CARRIED  
 AS OF DECEMBER 31, 2001

DESCRIPTION	LAND	BUILDING & IMPROVEMENTS	TOTAL (a,b)	ACCUMULATED DEPRECIATION (c)	CO A
El Paso, Texas					
Goodyear Distribution Center.....	573	--	573	--	
Northwestern Corporate Center.....	3,181	--	3,181	--	
Vista Del Sol Industrial Center.....	336	--	336	--	
Vista Del Sol Industrial Center II.....	1,666	--	1,666	--	
Vista Del Sol Industrial Center III.....	779	--	779	--	
Fort Lauderdale/Miami, Florida					
Port Lauderdale Distribution Center.....	2,833	--	2,833	--	
Houston, Texas					
Jersey Village Corporate Center.....	4,282	--	4,282	--	
West by Northwest Industrial Center.....	1,035	--	1,035	--	
I-95 Corridor, New Jersey					
Cranbury Bus Park.....	826	--	826	--	
Rancocas Distribution Center.....	1,270	--	1,270	--	
Indianapolis, Indiana					
Airport Business Center.....	2,214	--	2,214	--	
Lebanon Commerce Park Land....	1,772	--	1,772	--	
North Plainfield Park Distribution Center.....	2,933	--	2,933	--	
Plainfield Park Distribution Center.....	1,645	--	1,645	--	
Juarez, Mexico					
Libramiento Aeropuerto.....	1,905	--	1,905	--	
Los Aztecas Industrial Center.....	717	--	717	--	
Ramon Rivera Industrial Center.....	470	--	470	--	
Kansas City, Kansas/Missouri					
Executive Park.....	1,526	--	1,526	--	
Las Vegas, Nevada					
Black Mountain Distribution Center.....	1,357	--	1,357	--	
Hughes Airport Center.....	273	--	273	--	
Las Vegas Corporate Center....	4,721	--	4,721	--	
Le Havre, France					
Le Havre.....	2,171	--	2,171	--	
Liege, Belgium					
Liege Park.....	651	--	651	--	

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PROLOGIS TRUST  
 SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CONTINUED)

DESCRIPTION	NO. OF BLDGS.	ENCUM- BRANCES	INITIAL COST TO PROLOGIS		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION
			LAND	BUILDING & IMPROVEMENTS	
Los Angeles/Orange County, California					
Ontario Distribution Center...			1,623	--	--
Louisville, Kentucky					
I-65 Meyer Distribution Center.....			2,911	--	513
Riverport Distribution Center.....			600	--	36
Lyon, France					
Isle d'Abeau Distribution Center.....			5,294	--	--
Madrid, Spain					
Alcala.....			4,023	--	3,954
Memphis, Tennessee					
Distriplex Distribution Center.....			1,919	--	28
Memphis Industrial Park.....			299	--	262
Stateline Distribution Center.....			2,682	--	1,306
Milan, Italy					
Piacenza Distribution Center.....			136	--	1,193
Monterrey Mexico					
Monterrey Industrial Park.....			3,798	--	131
Orlando, Florida					
Orlando Central Park.....			2,152	--	690
Portland, Oregon					
Clackmas Distribution Center.....			2,139	--	749
Reno, Nevada					
Damonte Ranch.....			2,454	--	841
Golden Valley Distribution Center.....			347	--	536
Reynosa, Mexico					
Del Norte Industrial Center II.....			1,391	--	432
Pharr Bridge Industrial Center.....			3,912	--	1,906
Reynosa Industrial Center III.....			149	--	33
Reynosa Industrial Park.....			362	--	28
Rhine/Ruhr Region, Germany					
Cologne Eifeltor Distribution Center.....			615	--	1,470
Rotterdam, Netherlands					
Moerdijk Distribution					

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Center..... 1,402 -- --

PROLOGIS TRUST  
 SCHEDULE III -- REAL ESTATE AND SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CO  
 GROSS AMOUNTS AT WHICH  
 CARRIED  
 AS OF DECEMBER 31, 2001

DESCRIPTION	LAND	BUILDING & IMPROVEMENTS	TOTAL (a,b)	ACCUMULATED DEPRECIATION (c)	CO A
Los Angeles/Orange County, California					
Ontario Distribution Center...	1,623	--	1,623	--	
Louisville, Kentucky					
I-65 Meyer Distribution Center.....	3,424	--	3,424	--	
Riverport Distribution Center.....	636	--	636	--	
Lyon, France					
Isle d'Abeau Distribution Center.....	5,294	--	5,294	--	
Madrid, Spain					
Alcala.....	7,977	--	7,977	--	
Memphis, Tennessee					
Distriplex Distribution Center.....	1,947	--	1,947	--	
Memphis Industrial Park.....	561	--	561	--	
Stateline Distribution Center.....	3,988	--	3,988	--	
Milan, Italy					
Piacenza Distribution Center.....	1,329	--	1,329	--	
Monterrey Mexico					
Monterrey Industrial Park.....	3,929	--	3,929	--	
Orlando, Florida					
Orlando Central Park.....	2,842	--	2,842	--	
Portland, Oregon					
Clackmas Distribution Center.....	2,888	--	2,888	--	
Reno, Nevada					
Damonte Ranch.....	3,295	--	3,295	--	
Golden Valley Distribution Center.....	883	--	883	--	
Reynosa, Mexico					
Del Norte Industrial Center II.....	1,823	--	1,823	--	
Pharr Bridge Industrial Center.....	5,818	--	5,818	--	
Reynosa Industrial Center III.....	182	--	182	--	
Reynosa Industrial Park.....	390	--	390	--	
Rhine/Ruhr Region, Germany					
Cologne Eifeltor Distribution Center.....	2,085	--	2,085	--	
Rotterdam, Netherlands					
Moerdijk Distribution Center.....	1,402	--	1,402	--	

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PROLOGIS TRUST  
SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CONTINUED)

DESCRIPTION -----	NO. OF BLDGS. -----	ENCUM- BRANCES -----	INITIAL COST TO PROLOGIS -----		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION -----
			LAND	BUILDING & IMPROVEMENTS	
Salt Lake City, Utah					
Centennial Distribution Center.....			824	--	100
Clearfield Industrial Center.....			125	--	21
Salt Lake International Distribution Center.....			878	--	76
San Antonio, Texas					
Coliseum Distribution Center.....			611	--	335
Perrin Creek Corporate Center.....			2,637	--	196
San Antonio Distribution Center III.....			458	--	72
Tri-County Distribution Center.....			773	--	26
San Francisco (East Bay), California					
Patterson Pass Business Center.....			887	--	135
Tracy Industrial Park.....		(h)	4,684	--	730
Seattle, Washington					
Port of Tacoma.....			1,543	--	429
Tampa, Florida					
Sabal Park Distribution Center.....			1,178	--	44
Tampa East Distribution Center.....			233	--	--
Tampa East Industrial Center.....			1,783	--	39
Tampa West Distribution Center.....			113	--	153
Tijuana, Mexico					
Tijuana Industrial Center.....			1,474	--	28
Tongeren, Belgium					
Lille Bus Park.....			144	--	36
Warsaw, Poland					
Blonie Industrial Park.....			1,085	--	652
Poznan Park.....			797	--	1,035
Teresin Distribution Center...			1,472	--	3,570
			-----	-----	-----
Total Land Held for Development.....			144,081	--	56,656
			-----	-----	-----

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GRAND TOTAL..... \$807,635 \$2,184,741 \$1,513,455  
 =====

PROLOGIS TRUST  
 SCHEDULE III -- REAL ESTATE AND SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CO  
 GROSS AMOUNTS AT WHICH  
 CARRIED  
 AS OF DECEMBER 31, 2001

DESCRIPTION	LAND	BUILDING & IMPROVEMENTS	TOTAL (a,b)	ACCUMULATED DEPRECIATION (c)	CO A
Salt Lake City, Utah					
Centennial Distribution Center.....	924	--	924	--	
Clearfield Industrial Center.....	146	--	146	--	
Salt Lake International Distribution Center.....	954	--	954	--	
San Antonio, Texas					
Coliseum Distribution Center.....	946	--	946	--	
Perrin Creek Corporate Center.....	2,833	--	2,833	--	
San Antonio Distribution Center III.....	530	--	530	--	
Tri-County Distribution Center.....	799	--	799	--	
San Francisco (East Bay), California					
Patterson Pass Business Center.....	1,022	--	1,022	--	
Tracy Industrial Park.....	5,414	--	5,414	--	
Seattle, Washington					
Port of Tacoma.....	1,972	--	1,972	--	
Tampa, Florida					
Sabal Park Distribution Center.....	1,222	--	1,222	--	
Tampa East Distribution Center.....	233	--	233	--	
Tampa East Industrial Center.....	1,822	--	1,822	--	
Tampa West Distribution Center.....	266	--	266	--	
Tijuana, Mexico					
Tijuana Industrial Center.....	1,502	--	1,502	--	
Tongeren, Belgium					
Lille Bus Park.....	180	--	180	--	
Warsaw, Poland					
Blonie Industrial Park.....	1,737	--	1,737	--	
Poznan Park.....	1,832	--	1,832	--	
Teresin Distribution Center...	5,042	--	5,042	--	
Total Land Held for Development.....	200,737	--	200,737	--	
GRAND TOTAL.....	\$ 977,625	\$3,528,206	\$4,505,831	\$(574,871)	

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PROLOGIS TRUST

SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CONTINUED)

(a) Reconciliation of real estate investments per Schedule III to the Consolidated Balance Sheet as of December 31, 2001 (in thousands):

Total per Schedule III.....	\$4,505,831
Minority interest in real estate company.....	8,432
Capitalized preacquisition costs.....	73,930
	-----
Total per Consolidated Balance Sheet.....	\$4,588,193 (i)
	=====

- (b) The aggregate cost for federal income tax purposes was approximately \$4,337,555,635.
- (c) Buildings are depreciated over their estimated useful lives (7 years for capital improvements, 10 years for tenant improvements, 30 years for facilities acquired and 40 years for facilities developed).
- (d) \$344,344,000 of these facilities will secure \$200,000,000 of mortgage notes.
- (e) \$216,305,000 of these facilities secure \$145,459,000 of mortgage notes.
- (f) \$373,655,000 of these facilities secure \$152,184,000 of mortgage notes.
- (g) \$61,405,000 of these facilities secure \$22,556,000 of securitized debt.
- (h) \$234,110,000 of these facilities secure \$11,907,000 of assessment bonds.
- (i) A summary of activity for real estate and accumulated depreciation as follows (in thousands):

Real estate investments:	
Balance at December 31, 2000.....	\$4,689,492
Acquisitions, completions and improvements to operating facilities.....	658,879
Dispositions.....	(832,732)
Change in facilities under development balance.....	46,198
Change in capitalized preacquisition costs balance.....	26,356
	-----
Balance at December 31, 2001.....	\$4,588,193
	=====

Accumulated depreciation:

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Balance at December 31, 2000.....	\$ 476,982
Depreciation expense.....	120,899
Accumulated depreciation associated with dispositions.....	(23,010)
	-----
Balance at December 31, 2001.....	\$ 574,871
	=====

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POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each of ProLogis Trust, a Maryland real estate investment trust, and the undersigned Trustees and officers of ProLogis Trust, hereby constitutes and appoints K. Dane Brooksher, Walter C. Rakowich, Luke A. Lands and Edward S. Nekritz, or his true and lawful attorneys in fact and agents, for it or him and in its or his name, place and stead, in any and all capacities, with full power to act alone, to sign any and all amendments to this report, and to file each such amendment to this report, with all exhibits, thereto, and any and all documents, in connection therewith, with the Securities and Exchange Commission, hereby granting unto and attorneys-in-fact and agents, and each of them, full power and authority to do and perform any and all acts and things requisite and necessary to be done in an about the premises, as fully to all intents and purposes as it or he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them may lawfully do or cause to be done by virtue hereof.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PROLOGIS TRUST

By: /s/ K. DANE BROOKSHER

-----  
K. Dane Brooksher  
Chairman, Chief Executive Officer

Date: April 15, 2002

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INDEX TO EXHIBITS

Certain of the following documents are filed herewith. Certain other of the following documents have been previously filed with the Securities and Exchange Commission and, pursuant to Rule 12b-32, are incorporated herein by reference.

EXHIBIT NUMBER -----	DESCRIPTION -----
----------------------------	----------------------



## Edgar Filing: PROLOGIS TRUST - Form 10-K/A

- 3.1 -- Articles of Amendment and Restatement of Declaration of Trust of ProLogis (incorporated by reference to exhibit 4.1 to ProLogis' quarterly report on Form 10-Q for the quarter ended June 30, 1999).
- 3.2 -- Amended and Restated Bylaws of ProLogis (incorporated by reference to exhibit 3.2 to ProLogis' quarterly report on Form 10-Q for the quarter ended June 30, 1999).
- 4.1 -- Rights Agreement, dated as of December 31, 1993, between ProLogis and State Street Bank and Trust Company, as Rights Agent, including form of Rights Certificate (incorporated by reference to exhibit 4.4 to ProLogis' registration statement No. 33-78080).
- 4.2 -- First Amendment to Rights Amendment, dated as of February 15, 1995, between ProLogis, State Street Bank and Trust Company and The First National Bank of Boston, as successor Rights Agent (incorporated by reference to exhibit 3.1 to ProLogis' Form 10-Q for the quarter ended September 30, 1995).
- 4.3 -- Second Amendment to Rights agreement, dated as of June 22, 1995, between ProLogis, State Street Bank and Trust Company and The First National Bank of Boston (incorporated by reference to Exhibit 3.1 to ProLogis' Form 10-Q for the quarter ended September 30, 1995).
- 4.4 -- Third Amendment to Rights Agreement, dated as of October 11, 2001, among ProLogis, Fleet National Bank and Equiserve Trust Company, N.A. (incorporated by reference to exhibit 4.1 to ProLogis' Form 10-Q for the quarter ended September 30, 2001).
- 4.5 -- Form of share certificate for Common Shares of Beneficial Interest of ProLogis (incorporated by reference to exhibit 4.4 to ProLogis' registration statement No. 33-73382).
- 4.6 -- ProLogis Trust Employee Share Purchase plan, as amended and restated (incorporated by reference to exhibit 4.7 to ProLogis' Form S-8, dated September 27, 2001).
- 4.7 -- 8.72% Note due March 1, 2009 (incorporated by reference to exhibit 4.7 to ProLogis' Form 10-K for the year ended December 31, 1994).
- 4.8 -- Form of share certificate for Series C Cumulative Redeemable Preferred Shares of Beneficial Interest of ProLogis (incorporated by reference to exhibit 4.8 to ProLogis' Form 10-K for the year ended December 31, 1996).
- 4.9 -- 9.34% Note due March 1, 2015 (incorporated by reference to exhibit 4.8 to ProLogis' Form 10-K for the year ended December 31, 1994).
- 4.10 -- 7.875% Note due May 15, 2009 (incorporated by reference to exhibit 4.4 to ProLogis' Form 8-K dated May 9, 1995).
- 4.11 -- 7.25% Note due May 15, 2002 (incorporated by reference to exhibit 4.1 to ProLogis' Form 10-Q for the quarter ended June 30, 1996).
- 4.12 -- 7.95% Note due May 15, 2008 (incorporated by reference to exhibit 4.2 to ProLogis' Form 10-Q for the quarter ended June 30, 1996).

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NUMBER -----	DESCRIPTION -----
4.13	-- 8.65% Note due May 15, 2016 (incorporated by reference to exhibit 4.3 to ProLogis' Form 10-Q for the quarter ended June 30, 1996).
4.14	-- 7.81% Medium-Term Notes, Series A, due February 1, 2015 (incorporated by reference to exhibit 4.17 to ProLogis' Form 10-K for the year ended December 31, 1996).
4.15	-- Indenture, dated as of March 1, 1995, between ProLogis and State Street Bank and Trust Company, as Trustee (incorporated by reference to exhibit 4.9 to ProLogis' Form 10-K for the year ended December 31, 1994).
4.16	-- Collateral Trust Indenture, dated as of July 22, 1993, between Krauss/Schwartz Properties, Ltd. and NationsBank of Virginia, N.A., as Trustee (incorporated by reference to exhibit 4.10 to ProLogis' Form 10-K for the year ended December 31, 1994).
4.17	-- First Supplement Collateral Trust Indenture, dated as of October 28, 1994, among ProLogis Limited Partnership-IV, Krauss/Schwartz Properties, Ltd., and NationsBank of Virginia, N.A., as Trustee (incorporated by reference to exhibit 10.6 to ProLogis' Form 10-Q for the quarter ended September 30, 1994).
4.18	-- Form of share certificate for Series D Cumulative Redeemable Preferred Shares of Beneficial Interest of ProLogis (incorporated by reference to exhibit 4.21 of ProLogis' Registration Statement No. 69001).
4.19	-- Form of share certificate for Series E Cumulative Redeemable Preferred Shares of Beneficial Interest of ProLogis (incorporated by reference to exhibit 4.22 of ProLogis' Registration Statement No. 69001).
4.20	-- 7.625% Note due July 1, 2017 (incorporated by reference to exhibit 4 to ProLogis' Form 8-K dated July 11, 1997).
4.21	-- Form of 7.05% Promissory Note due July 15, 2006 (incorporated by reference to exhibit 4.24 to ProLogis' Form 10-K for the year ended December 31, 1999).
4.22	-- 7.00% Promissory Note due October 1, 2003 (incorporated by reference to exhibit 4.25 to ProLogis' Form 10-K for the year ended December 31, 1999).
4.23	-- Form of 6.70% Promissory Note due April 15, 2004 (incorporated by reference to exhibit 4.26 to ProLogis' Form 10-K for the year ended December 31, 1999).
4.24	-- Form of 7.10% Promissory Note due April 15, 2008 (incorporated by reference to exhibit 4.27 to ProLogis' Form 10-K for the year ended December 31, 1999).
10.1	-- Agreement of Limited Partnership of ProLogis Limited Partnership-I, dated as of December 22, 1993, by and among ProLogis, as general partner, and the limited partners set forth therein (incorporated by reference to exhibit 10.4 to ProLogis' Registration Statement No. 33-73382).
10.2	-- Amended and Restated Agreement of Limited Partnership of ProLogis Limited Partnership-II, dated as of February 15, 1994, among ProLogis as general partner, and the limited partners set forth therein (incorporated by reference to exhibit 10.12 to ProLogis' Registration Statement No. 33-78080).
10.3	-- Third Amended and Restated Investor Agreement, dated as of September 9, 1997, between ProLogis and SC Group Incorporated (incorporated by reference to exhibit 10.3 to Security Capital Group Incorporated's Form 10-Q for

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- the quarter ended September 30, 1997).
- 10.4 -- Form of Indemnification Agreement entered into between ProLogis and its Trustees and executive officers (incorporated by reference to exhibit 10.16 to ProLogis' Registration Statement No. 33-73382).

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EXHIBIT NUMBER -----	DESCRIPTION -----
10.5	-- Indemnification Agreement between ProLogis and each of its independent Trustees (incorporated by reference to exhibit 10.16 to ProLogis' Form 10-K for the year ended December 31, 1995).
10.6	-- Declaration of Trust for the benefit of ProLogis' independent Trustees (incorporated by reference to exhibit 10.17 to ProLogis' Form 10-K for the year ended December 31, 1995).
10.7	-- Share Option Plan for Outside Trustees (incorporated by reference to exhibit 10.18 to ProLogis' Form 10-Q for the quarter ended June 30, 1994).
10.8	-- 1999 Dividend Reinvestment and Share Purchase Plan (incorporated by reference to the Prospectus contained in Registration Statement No. 333-75893).
10.9	-- Amended and Restated Agreement of Limited Partnership of ProLogis Limited Partnership-III, dated as of October 28, 1994, by and among ProLogis, as general partner, and the limited partners set forth therein (incorporated by reference to exhibit 10.3 to ProLogis' Form 10-Q for the quarter ended September 30, 1994).
10.10	-- Amended and Restated Agreement of Limited Partnership of ProLogis Limited Partnership-IV, dated as of October 28, 1994, by and among ProLogis IV, Inc., as general partner, and the limited partners set forth therein (incorporated by reference to exhibit 10.4 to ProLogis' Form 10-Q for the quarter ended September 30, 1994).
10.11	-- Option Agreement and Consent, dated October 24, 1994, by and between ProLogis and Farm Bureau Life Insurance Company (incorporated by reference to exhibit 10.7 to ProLogis' Form 10-Q for the quarter ended September 30, 1994).
10.12	-- Form of Secured Promissory Note and Pledge Agreement relating to Share Purchase Program (incorporated by reference to exhibit 10.17 to ProLogis' Form 10-K for the year ended December 31, 1998).
10.13	-- Loan Agreement, dated as of December 23, 1998, between ProLogis and Connecticut General Life Insurance Company (incorporated by reference to exhibit 10.19 to ProLogis' Form 10-K for the year ended December 31, 1998).
10.14	-- Tranche A Promissory Note, dated as of February 22, 1999, between ProLogis and Teachers Insurance and Annuity Association of America (incorporated by reference to exhibit 10.20 to ProLogis' Form 10-K for the year ended December 31, 1998).
10.15	-- Tranche B Promissory Note, dated as of February 22, 1999, between ProLogis and Teachers Insurance and Annuity

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- Association of America (incorporated by reference to exhibit 10.21 to ProLogis' Form 10-K for the year ended December 31, 1998).
- 10.16 -- Stock Purchase Agreement among Meridian, Harris Trust & Savings Bank, as Trustee for Ameritech Pension Trust, and OTR, on behalf of and as nominee for the State Teachers Retirement Board of Ohio, dated as of December 29, 1995 (incorporated by reference to Meridian's Registration Statement No. 333-00018).
- 10.17 -- Amended and Restated Loan Administration Agreement between The Prudential Insurance Company of America and Meridian, IndTennco Limited Partnership, Metro-Sierra Limited Partnership, and Progress Center/Alabama Limited Partnership, dated as of February 23, 1996 (incorporated by reference to exhibit 10.24 to Meridian's Form 10-K for the year ended December 31, 1996).

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EXHIBIT NUMBER -----	DESCRIPTION -----
10.18	-- Note Purchase Agreement among Meridian and The Travelers Insurance Company (I/N/TRAL & CO.), United Services Automobile Association (I/N/O SALKELD & CO.), The Variable Annuity Life Insurance Company, The United States Life Insurance Company in the City of New York, All American Life Insurance Company, The Old Line Life Insurance Company of America, The Lincoln National Life Insurance Company, Lincoln Life & Annuity Company of New York, First Penn-Pacific Life Insurance Company (I/N/O CUDD & CO), Lincoln National Health & Casualty Insurance Company, Allied Life Insurance Company "B" (I/N/O GERLACH & CO), sons of Norway (I/N/O VAR & CO), Aid Association for Lutherans (I/N/O NIMER & CO), Metropolitan Life Insurance Company, National Life Insurance Company, Life Insurance Company of the Southwest, Keyport Life Insurance Company (I/N/O BOST & CO), Union Central Life Insurance Company (I/N/O HARE & CO), and Pan-American Life Insurance Company, dated November 15, 1997 (incorporated by reference to exhibit 10.66 to Meridian's Form 10-K for the year ended December 31, 1997).
10.19	-- Credit Agreement among ProLogis Trust, NationsBank, N.A., Commerzbank Aktien Gesellschaft, New York Branch, Chase Bank of Texas, National Association and Lenders Named Herein, dated as of March 29, 1999 (incorporated by reference to exhibit 10.1 to ProLogis' Form 8-K dated April 16, 1999).
10.20	-- Credit Agreement among ProLogis Trust, as Borrower and Guarantor, ProLogis Logistics Services Incorporated, as Borrower, ProLogis Development Services Incorporated, as Borrower, Bank of America N.A., as Administrative Agent, Commerzbank Aktiengellschaft, New York Branch, as Syndication Agent, Chase Bank of Texas, National Association, as Documentation Agent, First Union National Bank and Societe Generale, Southwest Agency, as Managing Agents and the Lenders Named Herein as Lenders, as of

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- June 6, 2000 (incorporated by reference to exhibit 10.2 to ProLogis' Form 10-Q for the quarter ended June 30, 2000).
- 10.21 -- Mortgage Noted dated as of March 29, 1999 between ProLogis Trust and Pro-Industrial Funding Company, Inc. (incorporated by reference to exhibit 10.1 to ProLogis' Form 8-K dated May 17, 1999).
- 10.22 -- Agreement of Limited Partnership of Meridian Realty Partners, L.P. (incorporated by reference to exhibit 99.1 to ProLogis' Registration Statement No. 333-86081).
- 10.23 -- ProLogis Trust 1997 Long-Term Incentive Plan (as Amended and Restated Effective as of May 18, 2000 (incorporated by reference to exhibit 10.1 to ProLogis' Form 10-Q for the quarter ended June 30, 2000)).
- 10.24 -- Multi-Currency Revolving Credit Facility Agreement among PLD Europe Finance B.V. and PLD U.K. Finance B.V. as Original Borrowers, ProLogis Trust as guarantor, ABN AMRO Bank N.V. as Arranger and Societe Generale as Co-Arranger, ABN AMRO Bank N.S. as Agent and Issuing bank as Banks as defined herein, dated December 17, 1999 (incorporated by reference to exhibit 10.24 to ProLogis' Form 10-K for the year ended December 31, 1999).
- 10.25 -- Form of Executive Protection Agreements entered into between ProLogis and K. Dane Brooksher and Irving F. Lyons III, dated as of June 24, 1999. (incorporated by reference to exhibit 10.25 to ProLogis' Form 10-K for the year ended December 31, 1999).

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EXHIBIT NUMBER -----	DESCRIPTION -----
10.26	-- Form of Executive Protection Agreements entered into between ProLogis and Walter C. Rakowich, Jeffrey H. Schwartz, Robert J. Watson and John W. Seiple, dated as of June 24, 1999 (incorporated by reference to exhibit 10.26 to ProLogis' Form 10-K for the year ended December 31, 1999).
10.27	-- Special Equity Agreement between ProLogis and K. Dane Brooksher (incorporated by reference to exhibit 10.27 to ProLogis' Form 10-K/A#1 for the year ended December 31, 2000).
10.28	-- Amendment No. 1, dated December 10, 2001 to Third Amended and Restated Investor Agreement (incorporated by reference to exhibit 2 to Amendment No. 12 to Security Capital Group Incorporated's Report on Schedule 13D dated December 10, 2001).
10.29	-- Stabilised Property Contribution Agreement, dated September 15, 1999, between ProLogis Management S.a.r.l., ProLogis Developments S.a.r.l., ProLogis France Developments, Inc., Kingspark Holding S.A. and ProLogis.
12.1*	-- Statement re: Computation of Ratio of Earnings to Fixed Charges.
12.2*	-- Statement re: Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Share Dividends.
21.1*	-- Subsidiaries of ProLogis.

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- 23.1 -- Consent of Arthur Andersen LLP.
- 23.2 -- Consent of KPMG -- Stockholm, Sweden.
- 23.3\* -- Report of KPMG -- Stockholm, Sweden.
- 23.4 -- Consent of KPMG -- New York, New York.
- 23.5\* -- Report of KPMG -- New York, New York.
- 24.1 -- Power of Attorney (included at page 146).
- 99.1 -- Limited Liability Company Agreement of Kingspark LLC dated as of January 2, 2001 (incorporated by reference to exhibit 99.1 to ProLogis' Form 10-K/A#1 for the year ended December 31, 2000).
- 99.2 -- Promissory Note from Kingspark LLC dated January 5, 2001 (incorporated by reference to exhibit 99.2 to ProLogis' Form 10-K/A#1 for the year ended December 31, 2000).
- 99.3 -- Promissory Note from K. Dane Brooksher dated January 5, 2001 (incorporated by reference to exhibit 99.3 to ProLogis' Form 10-K/A#1 for the year ended December 31, 2000).
- 99.4 -- Purchase and Sale Agreement, dated January 2, 2001, among Kingspark Holding S.A., Kingspark Holdings LLC and Kingspark LLC (incorporated by reference to exhibit 99.4 to ProLogis' Form 10-K/A#1 for the year ended December 31, 2000).
- 99.5 -- Limited Liability Company Agreement of CSI/Frigo LLC dated as of January 2, 2001 (incorporated by reference to exhibit 99.5 to ProLogis' Form 10-K/A#1 for the year ended December 31, 2000).
- 99.6 -- Promissory Note from CSI/Frigo LLC dated January 5, 2001 (incorporated by reference to exhibit 99.6 to ProLogis' Form 10-K/A#1 for the year ended December 31, 2000).
- 99.7 -- Purchase and Sale Agreement, dated January 2, 2001 among ProLogis Logistics Services Incorporated, SCI Logistics Holdings LLC and CSI/Frigo LLC (incorporated by reference to exhibit 99.7 to ProLogis' Form 10-K/A#1 for the year ended December 31, 2000).

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EXHIBIT NUMBER	DESCRIPTION
99.8	-- Promissory Note from K. Dane Brooksher dated July 18, 2000 to GoProLogis Incorporated (incorporated by reference to exhibit 99.8 to ProLogis' Form 10-K/A#1 for the year ended December 31, 2000).
99.9	-- Option agreement dated July 18, 2000 among GoProLogis Incorporated, K. Dane Brooksher and ProLogis (incorporated by reference to exhibit 99.9 to ProLogis' Form 10-K/A#1 for the year ended December 31, 2000).
99.10	-- Promissory Note from K. Dane Brooksher dated September 20, 2000 to ProLogis Broadband(1) Incorporated (incorporated by reference to exhibit 99.10 to ProLogis' Form 10-K/A#1 for the year ended December 31, 2000).
99.11	-- Promissory Note from K. Dane Brooksher dated January 4, 2001 to ProLogis Broadband(1) Incorporated (incorporated by reference to exhibit 99.11 to ProLogis' Form 10-K/A#1 for the year ended December 31, 2000).
99.12	-- Option Agreement dated September 20, 2000 among ProLogis

