PROLOGIS
Form S-4
July 13, 2005

As filed with the Securities and Exchange Commission on July 13, 2005

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form S-4
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933
PROLOGIS
(Exact Name of Registrant as Specified in Its Charter)

Maryland	**6798**	**74-2604728**
(State or Other Jurisdiction of Incorporation or Organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

14100 East 35th Place
Aurora, Colorado 80011
(303) 375-9292
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant s Principal Executive Office)

Edward S. Nekritz
ProLogis
14100 East 35th Place
Aurora, Colorado 80011
(303) 375-9292
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

Copies to:

Michael T. Blair **D. Michael Murray** **Mayer, Brown, Rowe & Maw LLP** **71 South Wacker Drive** **Chicago, Illinois 60606-4637** **(312) 782-0600**	**Vanessa L. Washington** **Catellus Development Corporation** **201 Mission Street** **San Francisco, California 94105** **(415) 974-4500**	**Mark C. Easton** **Christine M. Tam** **O Melveny & Myers LLP** **400 South Hope Street** **Los Angeles, California 90017** **(213) 430-6000**

Approximate date of commencement of proposed sale to the public: Upon consummation of the merger.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to Be Registered	Amount to Be Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Shares of Beneficial Interest, par value $0.01 per share	56,700,000(1)	N/A	$2,263,682,321.83(2)	$266,435.41

(1) Represents the maximum number of ProLogis common shares estimated to be issuable pursuant to the merger agreement described in this document.

(2) Estimated solely for purposes of calculating the amount of the registration fee pursuant to Rule 457(f) of the Securities Act of 1933, based on the product of $33.085 (the average of the high and low prices of Catellus common stock on July 7, 2005, on the New York Stock Exchange composite tape) and 106,352,798 (the number of shares of Catellus common stock outstanding, including unvested Catellus restricted stock, plus the number of shares of Catellus common stock subject to Catellus restricted stock units, stock options and other equity-based awards that will be cancelled pursuant to the terms of the merger agreement if not vested and/or exercised prior to the completion of the merger) less $1.255 billion (the aggregate cash consideration to be paid by ProLogis pursuant to the merger agreement).

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

PROPOSED MERGER YOUR VOTE IS VERY IMPORTANT

Dear Shareholders:

On June 5, 2005, ProLogis and Catellus Development Corporation agreed to combine their businesses by merging Catellus with and into a subsidiary of ProLogis under the terms of the merger agreement described in this document. Each Catellus stockholder has the right to elect to receive either 0.822 of a ProLogis common share or $33.81 in cash, without interest, for each share of Catellus common stock that the stockholder owns immediately prior to the effective time of the merger. Catellus stockholder elections will be reallocated and prorated to fix the aggregate cash consideration to be paid by ProLogis pursuant to the merger agreement at $1.255 billion, which means that the total merger consideration (regardless of what form of consideration Catellus stockholders may elect to receive) will consist of about 65% ProLogis common shares and about 35% cash. We do not expect that Catellus stockholders will recognize any gain or loss for U.S. federal income tax purposes unless and except to the extent they receive cash for their shares of Catellus common stock or cash in lieu of fractional ProLogis common shares to which they would otherwise have been entitled.

The issuance of ProLogis common shares contemplated by the merger agreement requires the approval of ProLogis shareholders. In addition, the merger agreement must be adopted by Catellus stockholders. ProLogis and Catellus have each scheduled special meetings of their shareholders on   , 2005 to vote on these matters. Regardless of the number of shares that you own or whether you plan to attend your special meeting, it is important that your shares be represented and voted at the meeting. Voting instructions are provided inside.

ProLogis board of trustees has approved the merger agreement and the merger and declared that the merger agreement and the merger are advisable and in the best interests of ProLogis and its shareholders. ProLogis board of trustees unanimously recommends that ProLogis shareholders vote FOR approval of the issuance of ProLogis common shares contemplated by the merger agreement.

Catellus board of directors has approved the merger agreement and the merger and declared that the merger agreement and merger are advisable and fair to, and in the best interests of, Catellus and its stockholders. Catellus board of directors unanimously recommends that Catellus stockholders vote FOR the adoption of the merger agreement.

This document provides you with detailed information about the proposed merger. We encourage you to read the entire document carefully.

We are not making, and have not authorized anyone to make, any recommendation as to whether a Catellus stockholder ought to elect to receive ProLogis common shares or cash in the merger. Catellus stockholders must make their own investment decision whether to receive ProLogis common shares or cash based on their respective investment objectives.

ProLogis common shares are traded on the New York Stock Exchange under the symbol PLD.

Catellus common stock is traded on the New York Stock Exchange under the symbol CDX.

See Risk Factors beginning on page 11 of this document for a discussion of risks relevant to the merger.

Jeffrey H. Schwartz	Nelson C. Rising
Chief Executive Officer	Chairman of the Board and Chief Executive Officer
PROLOGIS	CATELLUS DEVELOPMENT CORPORATION

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued in the merger or passed upon the adequacy or accuracy of this

document. Any representation to the contrary is a criminal offense.

This document is dated , 2005, and it is first being mailed to shareholders on or about , 2005.

Table of Contents

ADDITIONAL INFORMATION

This document incorporates by reference important business and financial information about both ProLogis and Catellus that is not included in or delivered with this document. You can obtain any of the documents incorporated by reference into this document through ProLogis or Catellus, as the case may be, or from the Securities and Exchange Commission s website at http://www.sec.gov. Documents incorporated by reference are available from ProLogis and Catellus, without charge, excluding any exhibits to those documents unless the exhibit is specifically incorporated by reference into this document. You may obtain documents incorporated by reference into this document by requesting them in writing or by telephone from the appropriate company as follows:

ProLogis
14100 East 35th Place
Aurora, Colorado 80011
Attention: Investor Relations
Telephone: (303) 576-2745

Catellus Development Corporation
201 Mission Street, 2nd Floor
San Francisco, California 94105
Attention: Investor Relations
Telephone: (415) 974-3781

If you would like to request documents incorporated by reference, please do so by , 2005, in order to ensure timely delivery before the date your proxy is due. Please be sure to include your complete name and address in your request.

All information in this document concerning ProLogis has been furnished by ProLogis. All information in this document concerning Catellus has been furnished by Catellus.

Table of Contents

PROLOGIS
14100 East 35th Place
Aurora, Colorado 80011
NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
To Be Held On , 2005

A special meeting of the shareholders of ProLogis, a Maryland real estate investment trust, will be held at a.m., Mountain time, on , , 2005, at , for the following purposes:

(1) To consider and vote on the approval of the issuance of ProLogis common shares of beneficial interest contemplated by the Agreement and Plan of Merger, dated as of June 5, 2005, by and among ProLogis, Palmtree Acquisition Corporation and Catellus Development Corporation; and

(2) To transact any other business as may properly come before the special meeting or any adjournments or postponements of the special meeting.

Only holders of record of ProLogis common shares at the close of business on , 2005, the record date for the ProLogis special meeting, are entitled to notice of, and to vote at, the special meeting and any adjournments or postponements of the special meeting.

IT IS IMPORTANT THAT YOUR PROLOGIS COMMON SHARES BE REPRESENTED AND VOTED AT THE SPECIAL MEETING. WHETHER OR NOT YOU EXPECT TO ATTEND THE SPECIAL MEETING, PLEASE INSTRUCT THE PROXY HOLDERS HOW TO VOTE YOUR SHARES IN ONE OF THE FOLLOWING WAYS:

MARK, SIGN, DATE AND PROMPTLY RETURN the enclosed proxy card in the postage-paid envelope (it requires no postage if mailed in the United States);

USE THE TOLL-FREE TELEPHONE NUMBER shown on the enclosed proxy card (this call is free in the United States and Canada) and follow the recorded instructions; or

VISIT THE INTERNET WEBSITE shown on the enclosed proxy card and follow the instructions provided to vote through the internet.

By Order of the Board of Trustees,

Edward S. Nekritz
Secretary

Aurora, Colorado
, 2005

Table of Contents

CATELLUS DEVELOPMENT CORPORATION
201 Mission Street, Second Floor
San Francisco, California 94105
NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
To Be Held On , 2005

A special meeting of the stockholders of Catellus Development Corporation, a Delaware corporation, will be held at a.m, Pacific time, on , 2005, at , for the following purposes:

(1) To consider and vote on the adoption of the Agreement and Plan of Merger, dated as of June 5, 2005, by and among ProLogis, Palmtree Acquisition Corporation and Catellus, pursuant to which Catellus will merge with and into Palmtree Acquisition Corporation; and

(2) To transact any other business as may properly come before the special meeting or any adjournments or postponements of the special meeting.

Only holders of record of Catellus common stock at the close of business on , 2005, the record date for the Catellus special meeting, are entitled to notice of, and to vote at, the special meeting and any adjournments or postponements of the special meeting. Catellus will keep at its offices in San Francisco, California, a list of stockholders entitled to vote at the special meeting available for inspection for any purpose relevant to the special meeting during normal business hours for the 10 days before the special meeting.

IT IS IMPORTANT THAT YOUR SHARES OF CATELLUS COMMON STOCK BE REPRESENTED AND VOTED AT THE SPECIAL MEETING. WHETHER OR NOT YOU EXPECT TO ATTEND THE SPECIAL MEETING, PLEASE INSTRUCT THE PROXY HOLDERS HOW TO VOTE YOUR SHARES IN ONE OF THE FOLLOWING WAYS:

MARK, SIGN, DATE AND PROMPTLY RETURN the enclosed proxy card in the postage-paid envelope (it requires no postage if mailed in the United States);

USE THE TOLL-FREE TELEPHONE NUMBER shown on the enclosed proxy card (this call is free in the United States and Canada) and follow the recorded instructions; or

VISIT THE INTERNET WEBSITE shown on the enclosed proxy card and follow the instructions provided to vote through the internet.

Any proxy or instruction may be revoked at any time before its exercise at the special meeting. Please vote using one of the methods set forth above, so that your shares of stock will be represented at the special meeting.

By Order of the Board of Directors,

Vanessa L. Washington
Secretary

San Francisco, California
, 2005

Table of Contents

TABLE OF CONTENTS

Table of Contents

Table of Contents

Table of Contents

Table of Contents

QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETINGS

About the Merger

Q: ***Why am I receiving this document?***

A: ProLogis board of trustees and Catellus board of directors have approved a merger agreement pursuant to which Catellus will merge with and into a subsidiary of ProLogis. The merger cannot be completed without the approval of ProLogis shareholders and Catellus stockholders. ProLogis and Catellus will hold separate special meetings of their respective shareholders to obtain these approvals. This document is the proxy statement for ProLogis and Catellus to solicit proxies for their respective special meetings. It is also the prospectus of ProLogis regarding the ProLogis common shares to be issued as contemplated by the merger agreement. This document contains important information about the proposed merger and the special meetings of ProLogis and Catellus, and you should read it carefully.

Q: ***Why are ProLogis and Catellus proposing the merger?***

A: The boards of both companies believe that the merger represents a strategic combination of two industrial real estate companies that will be in the best interests of their respective shareholders and will achieve key elements of ProLogis strategic business plan to strengthen its position in the North American logistics market. The combined company will offer the world s largest network of industrial distribution facilities and services, with over 350 million square feet in over 2,250 facilities owned, managed and under development in 75 markets in North America, Europe and Asia.

To review the companies reasons for the merger in greater detail, see the sections of this document entitled The Merger Recommendation of ProLogis Board of Trustees and ProLogis Reasons for the Merger and The Merger Recommendation of Catellus Board of Directors and Catellus Reasons for the Merger.

Q: ***What will Catellus stockholders receive in the merger?***

A: Catellus stockholders have the right to elect to receive either 0.822 of a ProLogis common share or $33.81 in cash, without interest, for each share of Catellus common stock they own immediately prior to the effective time of the merger. Catellus stockholders may elect to receive their merger consideration in the form of ProLogis common shares, cash, or a combination of both. Catellus stockholder elections will be reallocated and prorated to fix the cash portion of the merger consideration at $1.255 billion, which means that the total consideration paid by ProLogis pursuant to the merger agreement will consist of about 65% ProLogis common shares and about 35% cash. Accordingly, a Catellus stockholder may actually receive a combination of ProLogis common shares and cash that is different from what that stockholder elects, depending on the elections made by other Catellus stockholders. See the sections of this document entitled The Merger Agreement Catellus Stockholder Elections and The Merger Agreement Reallocation and Proration of Catellus Stockholder Elections.

Q: ***What happens if the market price of ProLogis common shares or Catellus common stock changes before the closing of the merger?***

A: Both the 0.822 exchange ratio for the share portion of the merger consideration and the $33.81 per share in cash, without interest, for the cash portion of the merger consideration are fixed. This means that neither will change between now and the date on which the merger is completed, regardless of what happens to the market price of ProLogis common shares or Catellus common stock during that period. See the section of this document entitled The Merger Agreement Conversion of Catellus and Palmtree Acquisition Corporation Stock.

Q: ***How many ProLogis common shares will be owned after the merger by former Catellus stockholders and holders of Catellus restricted stock, restricted stock units and stock options?***

A: Based on the number of ProLogis common shares and shares of Catellus common stock outstanding as of , 2005, the record date for the special meetings, immediately after the effective time of the merger, former Catellus stockholders and holders of Catellus restricted stock, restricted stock units and stock options will own approximately % of the then-outstanding ProLogis common shares.

Q: *On what am I being asked to vote?*

A: *ProLogis Shareholders.* You are being asked to approve the issuance of ProLogis common shares contemplated by the merger agreement.

ProLogis board of trustees has approved the merger agreement and the merger and declared that the merger agreement and the merger are advisable and in the best interests of ProLogis and its shareholders. ProLogis board of trustees unanimously recommends that ProLogis shareholders vote FOR approval of the issuance of ProLogis common shares contemplated by the merger agreement.

Catellus Stockholders. You are being asked to adopt the merger agreement pursuant to which Catellus will merge with and into a subsidiary of ProLogis.

Catellus board of directors has approved the merger agreement and the merger and declared that the merger agreement and the merger are advisable and fair to, and in the best interests of, Catellus and its stockholders. Catellus board of directors unanimously recommends that Catellus stockholders vote FOR the adoption of the merger agreement.

Q: *How soon after the special meetings will the merger occur?*

A: We are working to complete the merger as soon as possible. A number of conditions must be satisfied before we can do so, including approval of ProLogis shareholders and Catellus stockholders. Although we cannot be sure when all of the conditions to the merger will be satisfied, we hope to complete the merger as soon as practicable after the special meetings.

Q: *Who will manage ProLogis after the merger?*

A: ProLogis board of trustees will be increased to 14 members at the effective time of the merger and will include the 12 current ProLogis trustees, in addition to Nelson C. Rising, who is currently Catellus Chairman of the Board and Chief Executive Officer, and Christine Garvey, a current member of Catellus board of directors. ProLogis existing management team will continue to manage the operations of ProLogis after the merger, with the exception of John W. Seiple, Jr., who is currently ProLogis President and Chief Executive Officer of North America and will resign from that office effective as of the date on which the merger is completed. Ted R. Antenucci, who is currently the President of Catellus Commercial Development Corporation, will join ProLogis as President of Global Development and will assume the majority of Mr. Seiple s responsibilities.

Q: *Will Catellus continue to pay regular quarterly dividends prior to the merger?*

A: Yes. Catellus expects to continue to declare and pay regular quarterly dividends of $0.27 per share beginning with the third quarter of 2005 until the merger is completed. The record date for the distribution of Catellus quarterly dividends will be the same as the record date for the distribution of the quarterly dividends for ProLogis common shares. See the section of this document entitled The Merger Agreement Covenants and Other Agreements Dividends and Distributions on Capital Stock.

Q: *Will Catellus pay any extraordinary dividends prior to the merger?*

A:

If necessary to comply with REIT qualification and distribution requirements and not incur income and excise tax, Catellus will declare and pay a dividend to its stockholders, the record date for which will be the close of business on the last business day prior to the date on which the merger is completed, distributing cash in an amount equal to Catellus estimated real estate investment trust taxable income (as that term is used in Section 857(a) of the Internal Revenue Code), taking into account any dividends previously paid by Catellus during the tax year, plus any other amounts determined by Catellus, in consultation with ProLogis. If Catellus pays an extraordinary dividend, ProLogis will declare and pay a corresponding dividend to its shareholders at the same time in an aggregate amount equal to the dividend paid by Catellus divided by 0.822 (the exchange ratio for the share portion of the merger consideration).

Q: ***What will my dividends be after the merger?***

A: After the merger, former Catellus stockholders who receive ProLogis common shares in the merger will receive dividends and distributions declared on those ProLogis common shares with a record date after the date on which the merger is completed. Dividends on ProLogis common shares are payable at the discretion of ProLogis board of trustees. ProLogis current quarterly dividends on its common shares are $0.37 per share.

Q: ***Do ProLogis shareholders and Catellus stockholders have appraisal rights in connection with the merger?***

A: *ProLogis Shareholders.* No. If you are a ProLogis shareholder, you do not have dissenters rights of appraisal in connection with the merger.

Catellus Stockholders. Yes. If you are a Catellus stockholder, under Delaware law, you have the right to dissent from the adoption of the merger agreement and, in lieu of receiving the merger consideration, obtain payment in cash of the fair value of your shares of Catellus common stock as determined by the Delaware Chancery Court. To exercise appraisal rights, Catellus stockholders must strictly follow the procedures prescribed by Delaware law. These procedures are summarized in the section of this document entitled The Merger Appraisal Rights. In addition, the text of the applicable provisions of Delaware law is included as Annex D to this document.

Q: ***What will be the U.S. federal income tax consequences of the merger?***

A: *ProLogis Shareholders, ProLogis and Catellus.* For U.S. federal income tax purposes, ProLogis shareholders, ProLogis and Catellus will not recognize either gain or loss as a result of the merger.

Catellus Stockholders. For U.S. federal income tax purposes, a Catellus stockholder who receives only ProLogis common shares in the merger will not recognize either gain or loss as a result of the exchange of the stockholder s shares of Catellus common stock for ProLogis common shares, except to the extent of any cash received instead of a fractional share. A Catellus stockholder who receives only cash in the merger will recognize gain or loss in an amount equal to the difference between the cash received and the stockholder s tax basis in the Catellus common stock surrendered. A Catellus stockholder who receives cash and ProLogis common shares in the merger will recognize gain, if any, but not loss, on the stockholder s shares of Catellus common stock, although any recognized gain would not exceed the amount of cash received in the merger. For a more detailed description of the tax consequences of the merger, see the section of this document entitled Material U.S. Federal Income Tax Considerations Tax Consequences of the Merger.

The tax consequences of the merger to you will depend on your own situation, including your basis in your shares. You are urged to consult your tax advisor for a full understanding of the U.S. federal, state, local and foreign tax consequences of the merger to you.

About the Special Meetings

Q: ***Where and when are the special meetings?***

A: *ProLogis Shareholders.* The ProLogis special meeting will take place at , on , 2005, at a.m., Mountain time.

Catellus Stockholders. The Catellus special meeting will take place at , on , 2005, at a.m., Pacific time.

Q: ***Who is entitled to vote?***

A: Holders of record of ProLogis common shares or Catellus common stock at the close of business on , 2005, the record date for the ProLogis and Catellus special meetings, are entitled to vote at their respective special meetings. On that date, there were ProLogis common shares outstanding and entitled to vote and shares of Catellus common stock outstanding and entitled to vote.

Q: ***How do I cast my vote?***

A: If you are a ProLogis shareholder or a Catellus stockholder of record, you may vote in person at your special meeting or submit a proxy for your special meeting. You can submit your proxy by completing, signing, dating and returning the enclosed proxy card in the accompanying pre-addressed postage-paid envelope. You may also instruct the proxy holders how to vote by telephone or through the internet by following the instructions on your proxy card.

Q: *What vote is required?*

A: *ProLogis Shareholders.* The affirmative vote of the holders of at least a majority of the votes cast in person or by proxy at the ProLogis special meeting is required to approve the issuance of ProLogis common shares contemplated by the merger agreement, provided that the total votes cast represent at least a majority of the ProLogis common shares entitled to vote.

Catellus Stockholders. The affirmative vote in person or by proxy of the holders of at least a majority of the outstanding shares of Catellus common stock is required to adopt the merger agreement.

Q: *Can I change my vote after I have granted my proxy?*

A: Yes. You may revoke your proxy and change your vote at any time before your proxy is voted at your special meeting by following the procedures set forth under the section of this document entitled The Special Meetings Voting Procedures Revocation or Change of Proxy.

Q: *What happens if I do not indicate how I want to vote, do not vote or abstain from voting on the merger?*

A: *ProLogis Shareholders.* If you are a ProLogis shareholder and you sign and send in your proxy but do not indicate how you want to vote on the issuance of ProLogis common shares contemplated by the merger agreement, your proxy will be voted in favor of the approval of the issuance of ProLogis common shares contemplated by the merger agreement. Assuming the votes cast represent over 50% of the then-outstanding ProLogis common shares, if you do not submit your proxy and do not vote on the approval of the issuance of ProLogis common shares contemplated by the merger agreement at your special meeting, or if you abstain, then your shares will not be counted and will not affect the vote.

Catellus Stockholders. If you are a Catellus stockholder and you sign and send in your proxy but do not indicate how you want to vote on the merger, your proxy will be voted in favor of the proposal to adopt the merger agreement. If you do not submit your proxy and do not vote on the merger at your special meeting, or if you abstain, it will have the effect of a vote against the proposal.

Q: *If my shares are held in street name by my broker, will my broker vote my shares for me?*

A: No. Your broker will NOT vote your ProLogis common shares or Catellus common stock unless you tell the broker how to vote. To do so, you should follow the directions that your broker provides you.

About Electing the Merger Consideration

Q: *How does a Catellus stockholder elect the type of merger consideration that the stockholder prefers to receive?*

A: Each Catellus stockholder is being sent an election form under separate cover concurrently with the mailing of this document. Each Catellus stockholder has the right to submit an election form indicating whether the stockholder prefers to receive the merger consideration in the form of ProLogis common shares, cash, or a combination of both, or whether the stockholder has no preference.

Catellus stockholder elections will be reallocated and prorated after the deadline for submitting the election forms has passed in order to fix the cash portion of the merger consideration at $1.255 billion, which means that the total consideration paid by ProLogis pursuant to the merger agreement will consist of about 65% ProLogis common shares and about 35% cash. Accordingly, a Catellus stockholder may actually receive a combination of ProLogis common shares and cash that is different than what that stockholder elects, depending on the elections made by other Catellus stockholders.

In order to make a timely election, your properly completed, signed election form must be received by ProLogis exchange agent by 5:00 p.m., Eastern time, on , 2005, which is one business day before the Catellus special meeting. See the sections of this document entitled The Merger Agreement Catellus Stockholder Elections and The Merger Agreement Reallocation and Proration of Catellus Stockholder Elections.

Q-4

Table of Contents

Q: ***Should I send in my Catellus stock certificates now?***

A: Yes. You must return your Catellus common stock certificates with your completed and signed election form to the exchange agent before 5:00 p.m., Eastern time, on , 2005, in accordance with the instructions in the election form (unless you hold your shares in book entry form) or your election will not be valid. A return envelope is enclosed with your election form for submitting the election form and Catellus stock certificates to the exchange agent. This is different from the envelope in which to return your completed proxy card that is enclosed with this document. **Please do not include your Catellus stock certificates or election form in the envelope provided for your proxy card.** If you do not send your Catellus stock certificates to the exchange agent with your election form, then following the completion of the merger, the exchange agent will send to you a transmittal letter containing written instructions for surrendering your stock certificates in order to receive the merger consideration. If the merger is not completed for any reason, any Catellus stock certificates that you send to the exchange agent will be returned to you.

How to Get More Information

Q: ***Who can answer my questions?***

A: *ProLogis Shareholders.* ProLogis shareholders who have questions about the merger or want additional copies of this document or additional proxy cards should contact:

Georgeson Shareholder Services
17 State Street 10th Floor
New York, New York 10005
(866) 729-6804

Catellus Stockholders. Catellus stockholders who have questions about the merger or want additional copies of this document, additional proxy cards or an additional election form should contact:

Georgeson Shareholder Services
17 State Street 10th Floor
New York, New York 10005
(866) 729-6804

SUMMARY

This summary highlights selected information from this document. It does not contain all of the information that may be important to you. To understand the merger fully and for a more complete description of the legal terms of the merger, you should read carefully this entire document and the other documents to which we refer. For more information about ProLogis and Catellus, see the section of this document entitled Additional Information Where You Can Find More Information.

The Merger (see page 29)

ProLogis and Catellus have agreed to combine their businesses by merging Catellus with and into Palmtree Acquisition Corporation, which is a subsidiary of ProLogis, under the terms of the merger agreement that is described in this document. Palmtree Acquisition Corporation will be the surviving corporation of that merger.

The Companies (see page 21)

ProLogis
14100 East 35th Place
Aurora, Colorado 80011
Telephone: (303) 375-9292

ProLogis is a real estate investment trust, or REIT, that operates a global network of industrial distribution properties. ProLogis owns, manages and has under development 310.8 million square feet in 2,043 distribution facilities in 75 markets in North America, Europe and Asia.

Palmtree Acquisition Corporation is a newly formed subsidiary of ProLogis that was formed solely for the purposes of accomplishing the merger.

Catellus Development Corporation
201 Mission Street, Second Floor
San Francisco, California 94105
Telephone: (415) 974-4500

Catellus is a real estate development company that began operating as a REIT effective January 1, 2004. Catellus owns and operates approximately 41.1 million square feet of predominately industrial properties in many of the major distribution centers and transportation corridors in the United States.

In this document, we sometimes refer to ProLogis and Catellus, together with their respective subsidiaries, as the combined company.

The Special Meetings (see page 23)

ProLogis Special Meeting; Vote Required

The ProLogis special meeting will be held at on , 2005 at a.m., Mountain time. At the ProLogis special meeting, holders of ProLogis common shares will vote on the approval of the issuance of ProLogis common shares contemplated by the merger agreement.

The holders of a majority of the outstanding shares entitled to vote at the ProLogis special meeting must be present in person or by proxy to constitute a quorum for the transaction of business at the ProLogis special meeting. Abstentions and broker non-votes represented at the meeting will be counted for determining whether a quorum is present.

Approval of the issuance of ProLogis common shares contemplated by the merger agreement requires the affirmative vote of the holders of at least a majority of the votes cast in person or by proxy at the ProLogis special meeting, provided that the total votes cast represent at least a majority of the ProLogis common shares entitled to vote.

Catellus Special Meeting; Vote Required

The Catellus special meeting will be held at on , 2005 at a.m., Pacific time. At the Catellus special meeting, holders of Catellus common stock will vote on the adoption of the merger agreement.

A quorum consists of the presence, in person or by proxy, of stockholders holding a majority of all the shares of Catellus common stock entitled to vote at the Catellus special meeting. Abstentions and broker non-votes represented at the meeting will be counted for determining whether a quorum is present.

Adoption of the merger agreement requires the affirmative vote in person or by proxy of the holders of at least a majority of the shares of

1

Catellus common stock outstanding and entitled to vote.

Merger Consideration to Catellus Stockholders; Election, Reallocation and Proration of Merger Consideration (see page 69 and page 71)

Catellus stockholders have the right to elect to receive either 0.822 of a ProLogis common share or $33.81 in cash, without interest, for each share of Catellus common stock they own immediately prior to the effective time of the merger. ProLogis shareholders will continue to own their existing shares, which will not be affected by the merger.

Catellus stockholders may elect to receive their merger consideration in the form of ProLogis common shares, cash, or a combination of both. Catellus stockholder elections will be reallocated and prorated to fix the cash portion of the merger consideration at $1.255 billion, which means that the total consideration paid by ProLogis pursuant to the merger agreement will consist of about 65% ProLogis common shares and about 35% cash. Accordingly, a Catellus stockholder may actually receive a combination of ProLogis common shares and cash that is different than what that stockholder elects, depending on the elections made by other Catellus stockholders.

Treatment of Catellus Stock Options, Restricted Stock and Restricted Stock Units (see page 70)

All vested and unvested Catellus stock options outstanding immediately prior to the effective time of the merger will be canceled. Each holder of a canceled Catellus stock option will receive $33.81 for each share of Catellus common stock subject to the canceled option, less the exercise price and any applicable withholding taxes, payable in the form of 65% ProLogis common shares and 35% cash.

Each share of Catellus restricted stock outstanding immediately prior to the effective time of the merger will be canceled. Each holder of canceled Catellus restricted stock will receive $33.81 per canceled share, less any applicable withholding taxes, payable in the form of 65% ProLogis common shares and 35% cash.

Each Catellus restricted stock unit outstanding immediately prior to the effective time of the merger (including all director stock units, director restricted stock units and performance units granted under Catellus Long Term Incentive Plan and Transition Incentive Plan) will be canceled. Each holder of a canceled Catellus restricted stock unit will receive $33.81 per share subject to the canceled restricted stock unit, less any applicable withholding taxes, payable in the form of 65% ProLogis common shares and 35% cash.

Material U.S. Federal Income Tax Considerations (see page 86)

The merger is intended to qualify as a reorganization under Section 368(a) of the Internal Revenue Code. Assuming the merger qualifies as a reorganization under the Internal Revenue Code, the tax consequences of the merger are as follows:

ProLogis Shareholders, ProLogis and Catellus. For U.S. federal income tax purposes, ProLogis shareholders, ProLogis and Catellus will not recognize either gain or loss as a result of the merger.

Catellus Stockholders. For U.S. federal income tax purposes, a Catellus stockholder who receives only ProLogis common shares in the merger will not recognize either gain or loss as a result of the exchange of the stockholder s shares of Catellus common stock for ProLogis common shares, except to the extent of any cash received instead of a fractional share. A Catellus stockholder who receives only cash in the merger will recognize gain or loss in an amount equal to the difference between the cash received and such stockholder s tax basis in the Catellus common stock surrendered. A Catellus stockholder who receives cash and ProLogis common shares in the merger will recognize gain, if any, but not loss, on the stockholder s shares of Catellus common stock, although any recognized gain would not exceed the amount of cash received in the merger.

Tax matters are very complicated. The tax consequences of the merger to you will depend on your own situation. You are urged to consult your tax advisor for a full understanding of the U.S. federal, state, local and foreign tax consequences of the merger to you.

Market Prices of ProLogis Common Shares and Catellus Common Stock on Important Dates (see page 22)

ProLogis common shares are traded on the New York Stock Exchange under the symbol PLD. Shares of Catellus common stock are traded on the New York Stock Exchange under the symbol CDX. The following table shows the closing sales prices per ProLogis common share and per share of Catellus common stock and the equivalent price per share of Catellus common stock (which is equal to the closing price of a ProLogis common share on the applicable date multiplied by 0.822, the exchange ratio for the share portion of the merger consideration) on:

June 3, 2005 the last full trading day before ProLogis and Catellus announced the proposed merger; and

, 2005 the last full trading day before the date of this document.

Date	ProLogis Common Share Price	Catellus Common Stock Price	Equivalent Price Per Share of Catellus Common Stock
June 3, 2005	$ 41.37	$ 29.24	$ 34.01
, 2005			

Recommendation of ProLogis Board of Trustees and ProLogis Reasons for the Merger (see page 33)

ProLogis board of trustees has approved the merger agreement and the merger and declared that the merger agreement and the merger are advisable and in the best interests of ProLogis and its shareholders. One ProLogis trustee was not present at the board meeting at which the merger agreement was approved, but has stated that he fully supports the other trustees actions in approving the merger agreement. ProLogis board of trustees unanimously recommends that ProLogis shareholders vote FOR approval of the issuance of ProLogis common shares contemplated by the merger agreement.

You should refer to the factors considered by ProLogis board of trustees in making its decision to approve the merger agreement and the merger and to recommend to ProLogis shareholders the approval of the issuance of ProLogis common shares contemplated by the merger agreement.

On the record date for the ProLogis special meeting a total of , or approximately %, of the outstanding ProLogis common shares entitled to vote at the ProLogis special meeting were held by ProLogis trustees, executive officers and their respective affiliates, all of whom ProLogis expects will vote their shares for the approval of the issuance of ProLogis common shares contemplated by the merger agreement.

Recommendation of Catellus Board of Directors and Catellus Reasons for the Merger (see page 37)

Catellus board of directors has approved the merger agreement and the merger and declared that the merger agreement and the merger are advisable and fair to, and in the best interests of, Catellus and its stockholders. Catellus board of directors unanimously recommends that Catellus stockholders vote FOR the adoption of the merger agreement.

You should refer to the factors considered by Catellus board of directors in making its decision to approve the merger agreement and the merger and to recommend to Catellus stockholders the adoption of the merger agreement.

On the record date for the Catellus special meeting, a total of , or approximately %, of the outstanding shares of Catellus common stock entitled to vote at the Catellus special meeting were held by Catellus directors, executive officers and their respective affiliates. Under a voting agreement with ProLogis, Nelson C. Rising (the Chairman of the Board and Chief Executive Officer of Catellus), Ted R. Antenucci (the President of Catellus Commercial Development Corporation), C. William Hosler (Senior Vice President and Chief Financial Officer of Catellus) and Vanessa L. Washington (Senior Vice President and General Counsel of Catellus), who hold a total of , or approximately %, of the outstanding shares of Catellus common stock entitled to vote at the Catellus special meeting, have agreed to vote all shares of Catellus common stock held by them in favor of the merger. Catellus expects that all of its other directors, executive officers and their respective affiliates will also vote their shares in favor of the merger.

Interests of Catellus Executive Officers and Directors in the Merger **(see page 56)**

You should be aware that some of Catellus executive officers and directors have interests in the merger that are different from, or in addition to, the interests of other Catellus stockholders. These interests include:

- the appointment of Mr. Rising and Ms. Garvey, both of whom are current members of Catellus board of directors, to ProLogis board of trustees upon completion of the merger;
- the potential receipt of change in control payments by Catellus executive officers under existing employment arrangements of approximately $16.37 million in the aggregate (excluding the gross-up payment to be made to Mr. Hosler);
- the execution of an employment agreement between ProLogis and Mr. Antenucci, which provides for the employment of Mr. Antenucci as ProLogis President of Global Development for a term beginning upon completion of the merger and ending on December 31, 2007;
- the acceleration and conversion of all vested and unvested Catellus stock options, restricted stock and restricted stock units into the right to receive a payment in the form of 65% ProLogis common shares and 35% cash, totaling approximately $65.0 million in the aggregate for Catellus executive officers and directors;
- the payout to Catellus employees who are entitled to receive a bonus, including Catellus executive officers, of up to a full-year bonus for 2005, which would result in payments to Catellus executive officers of up to approximately $3.7 million in the aggregate; and
- the continued indemnification of current directors and officers of Catellus under the merger agreement and the provision of directors and officers insurance to these individuals.

ProLogis board of trustees and Catellus board of directors were aware of these interests and considered them, among other matters, in approving the merger agreement and the merger and making their recommendations.

Opinions of Financial Advisors

Opinion of ProLogis Financial Advisor ***(see page 40)***

Banc of America Securities LLC, ProLogis financial advisor in connection with the merger, delivered to ProLogis board of trustees a written opinion, dated June 5, 2005, as to the fairness, from a financial point of view and as of the date of the opinion, to ProLogis of the merger consideration to be paid by ProLogis pursuant to the merger agreement. The full text of the written opinion of Banc of America Securities, which describes, among other things, the assumptions made, procedures followed and limitations on the review undertaken, is attached to this document as Annex B and is incorporated by reference in its entirety into this document. ProLogis shareholders are encouraged to read the opinion carefully in its entirety.

Banc of America Securities provided its opinion to ProLogis board of trustees to assist the board in its evaluation of the merger consideration to be paid by ProLogis pursuant to the merger agreement. The opinion does not address any other aspect of the merger and does not constitute a recommendation to any shareholder as to how to vote at the special meeting.

Opinion of Catellus Financial Advisor ***(see page 47)***

Morgan Stanley & Co. Incorporated, Catellus financial advisor in connection with the merger, delivered to Catellus board of directors a written opinion, dated June 5, 2005, as to the fairness, from a financial point of view and as of the date of the opinion, to the holders of Catellus common stock of the consideration to be received in the merger. The full text of the written opinion of Morgan Stanley is attached to this document as Annex C and is incorporated by reference in its entirety into this document. Catellus stockholders are encouraged to read the opinion carefully in its entirety, as well as the description of the analyses and assumptions on which the opinion was based and the limitations on the reviews undertaken in connection with the opinion in the section of this document entitled The Merger Opinions of Financial Advisors Opinion of Morgan Stanley & Co. Incorporated Financial Advisor to Catellus.

Morgan Stanley s opinion is directed to Catellus board of directors and does not constitute a recommendation to any stockholder as to any matter relating to the merger.

The Merger Agreement

The merger agreement is attached to this document as Annex A. We encourage you to read the merger agreement because it is the legal document that governs the merger. The merger agreement has been included in this document to provide you with information regarding its terms. It is not intended to provide you with any factual information about ProLogis or Catellus.

What We Need to Do to Complete the Merger (see page 74)

ProLogis and Catellus will complete the merger only if the conditions set forth in the merger agreement are satisfied or, in some cases, waived. These conditions include:

- the adoption by Catellus stockholders of the merger agreement;
- the approval by ProLogis shareholders of the issuance of ProLogis common shares contemplated by the merger agreement;
- the approval for listing on the New York Stock Exchange of the ProLogis common shares to be issued as contemplated by the merger agreement;
- the absence of legal prohibitions to the merger;
- the continued effectiveness of the registration statement of which this document is a part;
- the accuracy of each company s representations and warranties;
- the performance by each company of its obligations under the merger agreement;
- the absence of any material adverse effect on ProLogis or Catellus between June 5, 2005 and the date on which the merger is completed; and
- the receipt of legal opinions from counsel to each company as to each of ProLogis , Palmtree Acquisition Corporation s and Catellus qualification as a REIT under the Internal Revenue Code and the treatment of the merger as a reorganization for U.S. federal income tax purposes.

Catellus Prohibited from Soliciting Other Offers (see page 79)

Catellus has agreed not to initiate, solicit, encourage or facilitate (including by way of furnishing nonpublic information or assistance) any inquiries or other action by a third party that may reasonably be expected to lead to a competing transaction, as defined in the merger agreement, including:

- any merger or business combination (other than the merger discussed in this document) involving Catellus,
- any sale of 15% of more of Catellus assets, or
- any tender offer or exchange offer for 15% or more of the voting power in the election of directors exercisable by holders of outstanding equity securities of Catellus.

Termination of the Merger Agreement (see page 82)

ProLogis and Catellus can agree to terminate the merger agreement at any time, even after shareholder approvals have been obtained. In addition, either ProLogis or Catellus can terminate the merger agreement if any of the following occurs:

- the merger is not completed on or before December 31, 2005, other than due to a breach of the merger agreement by the terminating party;

a legal prohibition to the merger has become final and non-appealable;

a breach by the other party of any of its representations, warranties or agreements under the merger agreement such that a condition to completing the merger cannot be satisfied by December 31, 2005; or

the necessary approval of the other party s shareholders is not obtained at the other party s special meeting.

Catellus can also terminate the merger agreement if:

Catellus receives an offer for a superior competing transaction, as defined in the merger agreement;

Catellus has complied fully with its non-solicitation obligations under the merger agreement;

within three days after Catellus notifies ProLogis of a superior competing transaction, ProLogis has not made a counter proposal that Catellus board of directors determines in good faith is at least as favorable to Catellus stockholders as the superior competing transaction;

Catellus board of directors approves or recommends the superior competing transaction and determines in good faith that such action is consistent with its fiduciary duties under law; and

Catellus pays ProLogis a $90 million termination fee plus expenses of $8 million.

ProLogis can also terminate the merger agreement if Catellus board of directors withdraws or modifies its recommendation of the merger to Catellus stockholders in a manner adverse to ProLogis or approves, recommends or enters into a superior competing transaction, as defined in the merger agreement.

Termination Fees and Expenses (see page 83)

If the merger agreement is terminated under specified circumstances involving a competing transaction, Catellus will be required to pay ProLogis a termination fee of $90 million plus expenses of $8 million. Catellus may be required to pay ProLogis expenses of $8 million, but not the $90 million termination fee, if the merger agreement is terminated under other specified circumstances.

If the merger agreement is terminated under specified circumstances, ProLogis may be required to pay Catellus expenses of $20 million.

Other Information

Appraisal Rights (see page 63)

ProLogis shareholders do not have dissenters rights of appraisal in connection with the merger.

If you are a Catellus stockholder, under Delaware law, you have the right to dissent from the adoption of the merger agreement and, in lieu of receiving the merger consideration, obtain payment in cash of the fair value of your shares of Catellus common stock as determined by the Delaware Chancery Court. To exercise appraisal rights, Catellus stockholders must strictly follow the procedures prescribed by Delaware law.

Regulatory Matters (see page 67)

No material federal or state regulatory requirements must be complied with or approvals must be obtained in connection with the merger.

Listing of ProLogis Common Shares on the New York Stock Exchange (see page 82)

ProLogis is required to use its commercially reasonable efforts to cause the ProLogis common shares issued as contemplated by the merger agreement to be approved for listing on the New York Stock Exchange, subject to official notice of issuance.

Accounting Treatment (see page 67)

ProLogis will account for the merger using the purchase method of accounting. Under that method of accounting, the aggregate merger consideration that ProLogis pays to Catellus stockholders will be allocated to Catellus assets and liabilities based on their fair values, with any excess being treated as goodwill. ProLogis currently expects that about $153 million of the aggregate merger consideration will be allocated to goodwill, but that estimate is subject to change.

Differences in ProLogis Shareholders and Catellus Stockholders Rights (see page 103)

The rights of Catellus stockholders are currently governed by Delaware law and Catellus certificate of incorporation and bylaws. Following the merger, the rights of former Catellus stockholders who receive ProLogis common shares will be governed by Maryland law and ProLogis declaration of trust and bylaws. There are important differences in the rights of Catellus stockholders and ProLogis shareholders with respect to voting requirements and various other matters.

Table of Contents

Selected Historical Consolidated Financial Data of ProLogis

The following information is provided to aid you in your analysis of the financial aspects of the merger. This information has been derived from ProLogis audited consolidated financial statements for the years ended December 31, 2000 through 2004 and from ProLogis unaudited consolidated financial statements for the quarters ended March 31, 2004 and 2005.

This information is only a summary. You should read it along with ProLogis historical financial statements and related notes and the section titled Management s Discussion and Analysis of Financial Condition and Results of Operations contained in ProLogis annual reports on Form 10-K or Form 10-K/A, quarterly reports on Form 10-Q, current reports on Form 8-K and other information on file with the Securities and Exchange Commission and incorporated by reference into this document. See the section of this document entitled Additional Information Where You Can Find More Information.

	Years Ended December 31,					Quarters Ended March 31,	
	2004	2003	2002	2001	2000	2005	2004
						(Unaudited)	
	(In thousands, except per share data)						
Consolidated Statement of Earnings Data:							
Operating income	$ 366,008	$ 341,530	$ 365,078	$ 356,517	$ 334,726	$ 97,468	$ 77,785
Earnings from continuing operations	$ 233,428	$ 248,406	$ 247,273	$ 126,435	$ 212,713	$ 71,036	$ 45,872
Net earnings	$ 232,795	$ 250,675	$ 248,881	$ 128,144	$ 214,478	$ 61,428	$ 54,417
Net earnings attributable to common shares	$ 202,813	$ 212,367	$ 216,166	$ 86,038	$ 157,715	$ 55,074	$ 43,497
Net earnings per common share basic:							
Net earnings per common share from continuing operations	$ 1.12	$ 1.17	$ 1.21	$ 0.49	$ 0.95	$ 0.35	$ 0.19
Net earnings per common share	$ 1.11	$ 1.18	$ 1.22	$ 0.50	$ 0.96	$ 0.30	$ 0.24
Weighted average common shares outstanding basic	182,226	179,245	177,813	172,755	163,651	186,154	180,732
Net earnings per common share diluted:							
Net earnings per common share from continuing operations	$ 1.09	$ 1.15	$ 1.19	$ 0.48	$ 0.95	$ 0.34	$ 0.19
Net earnings per common share	$ 1.08	$ 1.16	$ 1.20	$ 0.49	$ 0.96	$ 0.29	$ 0.23
Weighted average common shares outstanding diluted	191,801	187,222	184,869	175,197	164,401	196,180	185,255

	December 31,					March 31,
	2004	2003	2002	2001	2000	2005
						(Unaudited)
	(In thousands, except per share data)					
Consolidated Balance Sheet and Other Data:						
Total assets	$ 7,097,799	$ 6,367,466	$ 5,911,380	$ 5,557,984	$ 5,946,334	$ 7,439,389
Total debt/long-term obligations and redeemable preferred shares	$ 3,763,961	$ 3,465,669	$ 3,131,978	$ 2,978,340	$ 3,369,139	$ 4,111,891
Cash dividends declared per common share	$ 1.46	$ 1.44	$ 1.42	$ 1.38	$ 1.34	$ 0.37

Table of Contents

Selected Historical Consolidated Financial Data of Catellus

The following information is provided to aid you in your analysis of the financial aspects of the merger. This information has been derived from Catellus audited consolidated financial statements for the years ended December 31, 2000 through 2004 and from Catellus unaudited consolidated financial statements for the quarter ended March 31, 2004 and 2005.

This information is only a summary. You should read it along with Catellus historical financial statements and related notes and the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations contained in Catellus annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and other information on file with the Securities and Exchange Commission and incorporated by reference into this document. See the section of this document entitled Additional Information Where You Can Find More Information.

	Years Ended December 31,					Quarters Ended March 31,	
	2004	2003	2002	2001	2000	2005	2004
						(Unaudited)	
	(In thousands, except per share data)						
Consolidated Statement of Earnings Data:							
Operating income	$ 199,633	$ 186,086	$ 140,496	$ 170,643	$ 165,525	$ 42,910	$ 40,704
Earnings from continuing operations	$ 146,484	$ 228,367	$ 85,254	$ 95,861	$ 108,747	$ 32,614	$ 30,408
Net earnings	$ 171,798	$ 234,799	$ 100,656	$ 96,521	$ 111,007	$ 33,318	$ 32,091
Net earnings per common share basic:							
Net earnings per common share from continuing operations	$ 1.42	$ 2.29	$ 0.87	$ 0.87	$ 0.93	$ 0.31	$ 0.30
Net earnings per common share	$ 1.67	$ 2.35	$ 1.03	$ 0.87	$ 0.95	$ 0.32	$ 0.31
Weighted average common shares outstanding basic	103,064	99,941	97,642	110,613	117,216	103,750	102,844
Net earnings per common share diluted:							
Net earnings per common share from continuing operations	$ 1.40	$ 2.24	$ 0.85	$ 0.85	$ 0.91	$ 0.31	$ 0.29
Net earnings per common share	$ 1.64	$ 2.30	$ 1.01	$ 0.85	$ 0.93	$ 0.32	$ 0.31
Weighted average common shares outstanding diluted	104,520	102,171	100,118	113,340	119,672	105,301	104,031

	December 31,	March 31,

	2004	2003	2002	2001	2000	2005
						(Unaudited)
	(In thousands, except per share data)					
Consolidated Balance Sheet and Other Data:						
Total assets	$ 2,708,344	$ 2,595,309	$ 2,695,449	$ 2,415,515	$ 2,274,416	$ 2,472,173
Total debt/long-term obligations	$ 1,440,528	$ 1,378,054	$ 1,500,955	$ 1,310,457	$ 1,134,563	$ 1,255,104
Cash dividends declared per common share	$ 1.53	$ 0.57(1)	$	$	$	$ 0.27

(1) Excludes the special earnings and profits, or E&P, distribution, a one-time distribution of accumulated E&P that was part of Catellus conversion to a REIT effective January 1, 2004. The E&P distribution of $3.83 per share was paid on December 18, 2003 to Catellus stockholders of record at the close of business on November 4, 2003.

Table of Contents

Comparative Per Share Data

The following table presents: (1) historical per share data for ProLogis; (2) unaudited pro forma per share data of the combined company after giving effect to the merger; and (3) historical and unaudited equivalent pro forma per share data for Catellus.

The consolidated company unaudited pro forma per share data was derived by combining information from the historical consolidated financial statements of ProLogis and Catellus using the purchase method of accounting for the merger. The Catellus unaudited equivalent pro forma per share data was derived by multiplying the combined company s unaudited pro forma per share data by the 0.822 exchange ratio for Catellus stockholders who will receive ProLogis common shares in the merger. You should read this table together with the historical consolidated financial statements of ProLogis and Catellus that are filed with the Securities and Exchange Commission and incorporated by reference into this document. See the section of this document entitled Additional Information Where You Can Find More Information. You should not rely on the pro forma per share data as being necessarily indicative of actual results had the merger occurred prior to the dates indicated below.

			Catellus	
	ProLogis Historical	Combined Company Unaudited Pro Forma	Historical	Unaudited Equivalent Pro Forma
Earnings from continuing operations per common share for the year ended December 31, 2004:				
Basic	$ 1.12	$ 0.67	$ 1.42	$ 0.55
Diluted	$ 1.09	$ 0.67	$ 1.40	$ 0.55
Cash dividends declared per common share for the year ended December 31, 2004	$ 1.46	$ 1.46	$ 1.53	$ 1.20
Earnings from continuing operations per common share for the quarter ended March 31, 2005:				
Basic	$ 0.35	$ 0.26	$ 0.31	$ 0.21
Diluted	$ 0.34	$ 0.25	$ 0.31	$ 0.21
Cash dividends declared per common share for the quarter ended March 31, 2005	$ 0.37	$ 0.37	$ 0.27	$ 0.30
Book value per common share as of March 31, 2005	$ 14.71	$ 20.76	$ 7.26	$ 17.06

Table of Contents

Selected Unaudited Pro Forma Condensed Consolidated Financial and Other Data

The following unaudited pro forma condensed consolidated financial information gives effect to the merger using the purchase method of accounting. The pro forma condensed consolidated statement of operations data gives effect to the merger as if it had occurred on January 1, 2004. The pro forma condensed consolidated balance sheet data gives effect to the merger as if it had occurred on March 31, 2005. The information is based upon the historical financial statements of ProLogis and Catellus. The information should be read in conjunction with those historical financial statements, the related notes and other information contained elsewhere or incorporated by reference in this document. Certain items derived from ProLogis and Catellus historical financial statements have been reclassified to conform to the pro forma presentation.

The unaudited pro forma condensed consolidated financial information is presented for illustrative purposes only and is not necessarily indicative of what the actual combined financial position or results of operations would have been had the merger been completed on the dates described above, nor does it give effect to (1) any transaction other than the merger, (2) ProLogis or Catellus results of operations since March 31, 2005, (3) certain cost savings and one-time charges expected to result from the merger or (4) the results of final valuations of the assets and liabilities of Catellus, including property and intangible assets. We are currently developing plans to integrate the operations of the companies, which may involve various costs and other charges that may be material. We will also revise the allocation of the purchase price when additional information becomes available. Accordingly, the pro forma condensed consolidated financial information does not purport to be indicative of the financial position or results of operations as of the date of this document, as of the effective date of the merger, any period ending at the effective date of the merger or as of any other future date or period. The foregoing matters could cause both ProLogis pro forma financial position and results of operations, and ProLogis actual future financial position and results of operations, to differ materially from those presented in the following unaudited pro forma condensed consolidated financial information.

	Year Ended December 31, 2004	Quarter Ended March 31, 2005
	(In thousands, except per share data)	
Pro Forma Condensed Consolidated Statement of Earnings Data:		
Operating income	$ 409,440	$ 117,946
Earnings from continuing operations attributable to common shares	$ 159,498	$ 62,134
Earnings from continuing operations per common share basic	$ 0.67	$ 0.26
Weighted average common shares outstanding basic	237,290	241,752
Earnings from continuing operations per common share diluted	$ 0.67	$ 0.25
Weighted average common shares outstanding diluted	246,865	251,778

	March 31, 2005
	(In thousands, except per share data)
Pro Forma Condensed Consolidated Balance Sheet and Other Data:	
Total assets	$ 12,994,258
Total debt/long-term obligations and redeemable preferred shares	$ 6,817,462
Cash dividends declared per common share	$ 1.46

Table of Contents

RISK FACTORS

In addition to the other information included and incorporated by reference in this document, you should consider carefully the following risk factors before deciding how to vote.

The operations of ProLogis and Catellus may not be integrated successfully, and the intended benefits of the merger may not be realized.

The merger will present challenges to management, including the integration of the operations, properties and personnel of ProLogis and Catellus. The merger will also pose other risks commonly associated with similar transactions, including unanticipated liabilities, unexpected costs and the diversion of management s attention to the integration of the operations of ProLogis and Catellus. Any difficulties that the combined company encounters in the transition and integration processes, and any level of integration that is not successfully achieved, could have an adverse effect on the revenue, level of expenses and operating results of the combined company. The combined company may also experience operational interruptions or the loss of key employees and customers. As a result, notwithstanding our expectations, the combined company may not realize any of the anticipated benefits or cost savings of the merger.

If you receive ProLogis common shares in exchange for your shares of Catellus common stock, the market value of the merger consideration you receive will depend on the market price of ProLogis common shares at the effective time of the merger and may decrease if the market value of ProLogis common shares decreases.

If you receive ProLogis common shares for your shares of Catellus common stock in the merger, the market value of the merger consideration you will receive will depend on the trading price of ProLogis common shares at the effective time of the merger. The 0.822 exchange ratio that determines the number of ProLogis common shares that Catellus stockholders are entitled to receive in the merger is fixed. This means that there is no price protection mechanism in the merger agreement that would adjust the number of ProLogis common shares that Catellus stockholders may receive in the merger as a result of increases or decreases in the trading price of ProLogis common shares. If ProLogis common share price decreases, then the market value of the merger consideration payable to Catellus stockholders will also decrease. For historical and current market prices of ProLogis common shares and Catellus common stock, see the section of this document entitled Market Prices and Dividend Information.

ProLogis and Catellus expect to incur significant costs and expenses in connection with the merger, which could result in the combined company not realizing some of the anticipated benefits of the merger.

ProLogis and Catellus are expected to incur one-time, pre-tax closing costs of approximately $50.8 million in connection with the merger and one-time pre-tax expenses of approximately $39.2 million related to change in control provisions triggered by the merger and severance expenses related to headcount reductions after the merger is completed. These costs and expenses will include investment banking expenses, severance, legal and accounting fees, printing expenses and other related charges incurred by ProLogis and Catellus. Completion of the merger could trigger a mandatory prepayment (including a penalty in some cases) of approximately $542 million of Catellus existing debt unless appropriate lender consents or waivers are received. If those consents and waivers cannot be obtained prior to completion of the merger, Catellus existing debt would need to be prepaid and/or refinanced. ProLogis also expects to incur one-time, pre-tax cash and non-cash costs related to the integration of ProLogis and Catellus, which cannot be estimated at this time. There can be no assurance that the costs incurred by ProLogis and Catellus in connection with the merger will not be higher than expected or that the combined company will not incur additional unanticipated costs and expenses in connection with the merger.

Table of Contents

Catellus executive officers and directors have interests in the merger that may conflict with your interests.

Catellus executive officers and directors have interests in the merger that may be different from, or in addition to, the interests of Catellus stockholders generally. ProLogis board of trustees and Catellus board of directors were aware of these interests and considered them, among other matters, in approving the merger agreement and the merger and making their recommendations. These interests include:

- the merger agreement provides that Nelson C. Rising, the Chairman of the Board and Chief Executive Officer of Catellus, and Christine Garvey, a current member of Catellus board of directors, will be appointed to ProLogis board of trustees upon completion of the merger;

- the executive officers of Catellus are parties to employment agreements or memoranda of understanding with Catellus that entitle them to certain severance and other benefits if their employment terminates following a change in control, which if all of Catellus executive officers (excluding Ted R. Antenucci, President of Catellus Commercial Development Corporation) were terminated would result in aggregate payments to such Catellus executive officers of approximately $16.37 million (excluding the gross-up payment to be made to Mr. Hosler);

- the executive officers and directors of Catellus will receive payments consisting of ProLogis common shares and cash totalling approximately $65.0 million in the aggregate in connection with the cancellation of their Catellus restricted stock, restricted stock units and stock options in accordance with the terms of the merger agreement;

- Mr. Antenucci has entered into an employment agreement with ProLogis, which provides for his employment as ProLogis President of Global Development, that will become effective upon completion of the merger for a term ending on December 31, 2007;

- the merger agreement provides that Catellus may pay to all Catellus employees entitled to receive a bonus, including Catellus executive officers, up to a full-year bonus for 2005, which would result in payments to Catellus executive officers of up to approximately $3.7 million in the aggregate; and

- the merger agreement provides that ProLogis will indemnify Catellus directors and executive officers as described in the section of this document entitled The Merger Agreement Covenants and Other Agreements Indemnification; Directors and Officers Insurance.

See the section of this document entitled The Merger Interests of Catellus Executive Officers and Directors in the Merger for more information about these interests.

ProLogis and Catellus may incur substantial expenses and payments, and may suffer other business disruptions and adverse market reactions, if the merger does not occur.

It is possible that the merger may not be completed. The parties obligations to complete the merger are subject to the satisfaction or waiver of specified conditions, some of which are beyond ProLogis and Catellus control. For example, the merger is conditioned on the receipt of the required approvals of ProLogis shareholders and Catellus stockholders. If these approvals are not received, the merger cannot be completed even if all of the other conditions to the merger are satisfied or waived. If the merger is not completed, ProLogis and Catellus will have incurred substantial expenses without realizing the expected benefits of the merger. In addition, Catellus will be required to pay ProLogis a $90 million termination fee plus expenses of $8 million if the merger agreement is terminated under specified circumstances where a third party seeks to acquire Catellus. Under other specified circumstances, ProLogis will be required to pay Catellus expenses of $20 million. The failure of the merger to occur may also cause other business disruptions for ProLogis and Catellus, including the departure of key managers and employees, the diversion of management attention from ongoing operations, and adverse impacts on relationships with business partners. Adverse reactions to the failure of the merger by investment analysts and investors could have a negative impact on the market price of ProLogis and Catellus shares.

Table of Contents

The termination fees may discourage other companies from trying to acquire Catellus.

Catellus has agreed to pay ProLogis a termination fee of $90 million plus expenses of $8 million under specified circumstances where a third party seeks to acquire Catellus. This provision could discourage other parties from trying to acquire Catellus, even if those parties might be willing to offer a greater amount of consideration to Catellus stockholders than ProLogis is obligated to pay under the merger agreement. For a detailed description of the specific circumstances when termination fees and expenses could be payable by Catellus, see the section of this document entitled The Merger Agreement Termination Fees and Expenses.

Catellus is subject to pending tax audits, which may result in payments in excess of the current liability related to these audits that is reflected in the unaudited pro forma condensed consolidated balance sheet included in this document.

Catellus is subject to pending audits by the IRS and the California Franchise Tax Board of its 1999 through 2002 income tax returns, including certain of its subsidiaries and partnerships. The unaudited pro forma condensed consolidated balance sheet included in this document reflects a liability that is ProLogis management s best estimate of the liabilities that may arise from these audits. Any tax liability will be assumed by ProLogis in the merger, and ProLogis may need to increase or decrease the amount of the pro forma tax liability after the completion of the merger due to changes in circumstances. The audits may result in an adjustment in which the actual liabilities or settlement costs, including interest and potential penalties, may prove to be more than the liability reflected in the unaudited pro forma condensed consolidated balance sheet. If the actual amount proves to be more than the reflected liability, then ProLogis will be required to make payments in an amount in excess of the reflected liability. ProLogis will also need to increase the pro forma liability by an accrual of interest after the completion of the merger. Any change in the liability after the merger (other than accrued interest) will be reflected in goodwill.

There are uncertainties relating to Catellus estimate of its earnings and profits attributable to C-corporation taxable years.

In order to qualify as a REIT, Catellus cannot have at the end of any REIT taxable year any undistributed earnings and profits that are attributable to a C-corporation taxable year. A REIT has until the close of its first full taxable year as a REIT in which it has non-REIT earnings and profits to distribute these accumulated earnings and profits. Because Catellus first full taxable year as a REIT was 2004, Catellus was required to distribute these earnings and profits prior to the end of 2004. Failure to meet this requirement would result in Catellus disqualification as a REIT. Catellus distributed its accumulated non-REIT earnings and profits in December 2003, well in advance of the 2004 year-end deadline, and Catellus believes that this distribution was sufficient to distribute all of its non-REIT earnings and profits. However, the determination of non-REIT earnings and profits is complicated and depends upon facts with respect to which Catellus may have less than complete information or the application of the law governing earnings and profits which is subject to differing interpretations, or both. Consequently, there are substantial uncertainties relating to the estimate of Catellus non-REIT earnings and profits, and we cannot assure you that the earnings and profits distribution requirement has been met. These uncertainties include the possibility that the Internal Revenue Service, or IRS, could upon audit increase the taxable income of Catellus, which would increase the non-REIT earnings and profits of Catellus. Tax counsel to Catellus has not provided any opinion as to the amount of Catellus undistributed earnings and profits and has relied, for purposes of its opinions as to Catellus qualification as a REIT, upon a representation from Catellus that it would not have any undistributed non-REIT earnings and profits as of the close of Catellus first taxable year as a REIT. There can be no assurances that Catellus has satisfied the requirement that it distribute all of its non-REIT earnings and profits by the close of its first taxable year as a REIT.

Catellus and Palmtree Acquisition Corporation may fail to qualify as REITs.

If Catellus did not qualify as a REIT in its 2004 taxable year or its taxable year ending as of the merger closing, Catellus would be liable for, and, as successor to Catellus in the merger, Palmtree Acquisition Corporation would be obligated to pay, any U.S. federal income tax on its income earned in any year that it did not qualify as a REIT. In addition, if Catellus were to fail to qualify as a REIT, Palmtree Acquisition Corporation would be subject to tax if, during the 10 years following the merger, Palmtree Acquisition Corporation disposed of any asset that was acquired from Catellus in the merger. In this event, Palmtree Acquisition Corporation would generally be subject to tax at the highest regular corporate rate on the built-in gain, if any, that existed with respect to such asset at the time of the merger. Furthermore, if Catellus did not qualify as a REIT at the time of the merger, under certain circumstances, including Catellus failure to distribute all of its earnings and profits attributable to C-corporation taxable years, Palmtree Acquisition Corporation could fail to qualify as a REIT after the merger. There can be no assurances that Catellus has satisfied the requirement that it distribute all of its non-REIT earnings and profits.

General economic conditions and other events or occurrences that affect areas in which ProLogis and Catellus properties are geographically concentrated, such as California, may impact financial results and the market price of ProLogis common shares.

ProLogis and Catellus are exposed to the general economic conditions, the local, regional, national and international economic conditions and other events and occurrences that affect the markets in which they own properties. Catellus conducts a majority of its operations in California, primarily in the Los Angeles and San Francisco metropolitan areas, and ProLogis also has significant operations in California. After the merger, approximately 19% of the combined company s North American properties (based on square footage) will be located in California. Properties in California may be more susceptible to certain types of natural disasters, such as earthquakes, brush fires, flooding and mudslides, than properties located in other markets, and a major natural disaster in California could have a material adverse effect on the combined company s operating results. ProLogis also has significant holdings in Atlanta, Chicago, Dallas/ Ft. Worth, Houston, New Jersey, Paris and certain other markets in France and the United Kingdom. Catellus also has significant holdings in Atlanta, Chicago, Dallas/Ft. Worth and Denver. The combined company s operating performance could also be adversely affected if conditions in the markets with concentrations of properties, such as an oversupply of distribution space or a reduction in demand for distribution space, become less favorable. Any material oversupply of distribution space or material reduction in demand for distribution space could adversely affect the combined company s results of operations, distributable cash flow and the market price of ProLogis common shares.

Difficulties associated with contributing properties to funds ProLogis manages or selling properties, including Catellus properties, could limit the combined company s flexibility and adversely affect the anticipated benefits of the merger and the market price of ProLogis common shares.

ProLogis has contributed to property funds or sold to third parties a significant number of distribution properties in recent years and intends to continue to contribute and sell properties as opportunities arise, particularly in its corporate distribution facilities services, or CDFS, business segment. ProLogis believes that many of Catellus future developments will be good candidates for contributions to property funds managed by the combined company. The combined company s ability to contribute or sell properties, including those owned or developed by Catellus, on advantageous terms is dependent upon several factors, some of which are beyond the control of ProLogis management, including competition from other owners of properties. The combined company s ability to complete and lease developed properties will impact its ability to contribute or sell these properties. Continued access to private debt and equity capital by the property funds is necessary in order for ProLogis to continue its strategy of contributing properties to property funds. If the combined company does not have sufficient properties available to meet the investment criteria of current or future property funds, or if the property funds do not have access, or have limited access, to capital on favorable terms, then there could be adverse effects on the combined

Table of Contents

company s liquidity and ability to meet projected earnings levels. The combined company s failure to meet projected earnings levels could have an adverse effect on the market price of ProLogis common shares. Further, the inability to reinvest cash from the CDFS business segment in accordance with ProLogis investment strategy could have an adverse effect on the combined company s results of operations and financial position.

ProLogis historically has not owned non-industrial assets, and the market price of ProLogis common shares may decline if ProLogis fails to successfully operate the non-industrial assets acquired in the merger.

Catellus owns and leases non-industrial assets, such as office, hotel, residential and retail properties, that ProLogis does not have significant experience owning and operating. If ProLogis fails to successfully operate these non-industrial assets, the market price of ProLogis common shares may decline. In addition, if ProLogis determines to dispose of these non-industrial assets over time, it may not be successful in doing so or may not do so at attractive prices, which could also adversely affect the market price of ProLogis common shares.

Real property investments are subject to risks that could cause the market value of ProLogis common shares to decline.

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

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

ProLogis and Catellus investments are, and the combined company s investments will be, concentrated in the industrial sector, which means that the combined company will be more adversely affected by an economic downturn in that sector than it would be if more of its investments were in other sectors.

ProLogis property operations and CDFS business segments are concentrated in the industrial distribution sector. A majority of Catellus properties are also industrial properties. This concentration may expose the combined company to the risk of economic downturns in the industrial sector to a greater extent than if its business activities included a more significant portion of other sectors of the real estate industry.

ProLogis real estate development strategies may not be successful.

ProLogis and Catellus have developed a significant number of distribution properties since their inception, and ProLogis intends to continue to pursue development activities after the merger as opportunities arise. These development activities generally require various government and other approvals, and ProLogis may not receive those approvals. ProLogis and Catellus are, and the combined company will continue to be, subject to risks associated with such development activities, including:

- development opportunities may be abandoned and the related investments may be written off;
- construction costs of a property may exceed the original estimates or construction may not be concluded on schedule, which could make the project less profitable than originally estimated (specific risks include the possibility of contract default, the effects of local weather conditions, the possibility of local or national strikes and the possibility of shortages in materials, building supplies or energy and fuel for equipment); and
- occupancy levels and the rents that can be charged for a completed project may not make the project as profitable as originally estimated.

The combined company s growth will depend on future acquisitions of distribution properties, which involves risks that could adversely affect the combined company s operating results and the market price of ProLogis common shares.

ProLogis and Catellus acquire, and after the merger the combined company will continue to acquire, distribution properties from time to time. The acquisition of properties involves risks, including the risk that the acquired property will not perform as anticipated and the risk that any actual costs for rehabilitation, repositioning, renovation and improvements identified in the pre-acquisition due diligence process will exceed estimates. There is, and it is expected 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.

The combined company s operating results and distributable cash flow will depend on the continued generation of lease revenues from tenants.

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

The fact that real estate investments are not as liquid as other types of assets may reduce economic returns to investors.

Real estate investments are not as liquid as other types of investments. This lack of liquidity may limit the combined company s ability to react promptly to changes in economic or other conditions. In addition, significant expenditures associated with real estate investments, such as mortgage payments, real estate taxes and maintenance costs, are generally not reduced when circumstances cause a reduction in income from the investments. Like other companies qualifying as REITs under the Internal Revenue Code, the combined company s ability at any time to sell assets, or contribute assets to property funds or other entities in which it has an ownership interest may be restricted.

ProLogis and Catellus insurance coverage does not, and the combined company s insurance coverage will not, cover all potential losses.

ProLogis, Catellus and their unconsolidated investees currently carry comprehensive insurance coverage including property, liability, fire, flood, earthquake, environmental, terrorism, extended coverage and rental loss. The insurance coverage contains policy specifications and insured limits customarily carried for similar properties, business activities and markets. There are certain losses, including losses from floods, earthquakes, acts of war, acts of terrorism or riots, that are not generally insured against or that are not generally fully insured against because it is not deemed to be economically feasible or prudent to do so. If an uninsured loss or a loss in excess of insured limits occurs with respect to one or more of ProLogis or the combined company s properties, ProLogis or the combined company could experience a significant loss of capital invested and potential revenues in these properties and could potentially remain obligated under any recourse debt associated with the property.

ProLogis and Catellus are, and the combined company will be, exposed to various environmental risks that may result in unanticipated losses that could affect the combined company s operating results and financial condition.

Under various federal, state and local laws, ordinances and regulations, a current or previous owner, developer or operator of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances at, on, under or in its property. Catellus is, and the combined company will be, involved in projects that require a substantial amount of environmental remediation. The presence of hazardous or toxic substances on ProLogis or Catellus real estate investments, or the failure to remedy environmental hazards properly, may adversely affect ProLogis or Catellus ability to sell or lease those investments or to borrow money using those investments as collateral and may also have an adverse effect on the combined company s distributable cash flow. Future environmental costs are difficult to estimate because of such factors as the unknown magnitude of possible contamination, the unknown timing and extent of the corrective actions that may be required, the determination of ProLogis or Catellus potential liability in proportion to that of other potentially responsible parties, and the extent to which such costs are recoverable from insurance. Laws governing remediation 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 costs of removal or remediation of such substances could be substantial. While neither ProLogis nor Catellus has been notified nor are they aware of any environmental conditions with respect to their real estate assets that are likely to be material to the combined company s operating results or financial condition, there can be no assurances that such conditions do not exist or may not arise in the future.

Rising interest rates will increase the combined company s costs and could affect the market price of ProLogis common shares.

It is expected that the combined company will continue to incur debt in the future. Accordingly, if interest rates increase, the combined company s interest costs will also increase. An increase in market interest rates may also lead investors to demand a higher annual distribution rate, which could adversely affect the market price of ProLogis common shares.

The depreciation in the value of the foreign currency in countries where ProLogis has a significant investment may adversely affect the combined company s results of operations and financial position.

ProLogis has pursued and will 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, and the combined company will be, subject to foreign currency risk due to potential fluctuations in exchange rates between foreign currencies and the U.S. dollar. A significant depreciation in the value of the foreign currency of one or more countries where ProLogis has a significant investment may have a material adverse effect on ProLogis results of operations and financial position. Although ProLogis attempts, and the combined company will attempt, to mitigate adverse effects by borrowing under debt agreements denominated in foreign currencies and through the use of foreign currency put option contracts, there can be no assurance that those attempts to minimize foreign currency risk will be successful.

The combined company s operating results and financial condition could be adversely affected if it does not continue to have access to capital on favorable terms.

ProLogis and Catellus, as REITs, are required to distribute at least 90% of their REIT taxable income to their respective shareholders. Consequently, ProLogis and Catellus are, as are all REITs, largely dependent on external capital to fund their development and acquisition activities. ProLogis has been accessing private debt and equity capital through the establishment of property funds that acquire properties from ProLogis. ProLogis ability to access private debt and equity capital through its property funds on favorable terms, or at all, is dependent upon a number of factors, including general market conditions and competition from other real estate companies. ProLogis also generates significant profits as a result of the contributions of properties to the property funds. To the extent that private capital is not available to the property funds to allow them to acquire properties from the combined company, these profits may not be realized or their realization may be delayed, which could result in an earnings stream that is less predictable than that of some of the combined company s competitors and result in ProLogis not meeting its projected earnings levels in a particular reporting period. Failure to meet projected earnings levels in a particular reporting period could have an adverse effect on the market price of ProLogis common shares.

ProLogis is committed to offer to contribute all of its stabilized development properties available in specific markets in Europe to ProLogis European Properties Fund through September 2019 and all of its stabilized development properties available in Japan to ProLogis Japan Properties Fund through June 2006. These property funds are committed to acquire such properties, subject to the property meeting certain specified criteria, including leasing criteria, and having available capital. ProLogis believes that, while the current capital commitments and borrowing capacities of these property funds may be expended prior to the expiration dates of these commitments, each property fund has sufficient capital to acquire the properties that ProLogis expects to have available during 2005.

ProLogis North American Properties Fund V has the right of first offer with respect to all of ProLogis stabilized development properties in North America (except those properties that are subject to an agreement with ProLogis California) through the end of 2005. Properties subject to the right of first offer must meet certain specified leasing and other criteria. While ProLogis North American Properties Fund V s majority owner is a listed property trust in Australia that is able to raise capital in the public market, there can be no assurance that ProLogis North American Properties Fund V will have the available capital to acquire additional properties from ProLogis in 2005 or, if capital is available, that ProLogis North American Properties Fund V will want to use its capital to acquire properties from ProLogis. Should ProLogis North American Properties Fund V choose not to acquire, or not have sufficient capital available to acquire, a property that meets the specified criteria, its rights under the agreement will terminate.

ProLogis ability to contribute or sell assets will be jeopardized and ProLogis ability to meet its projected earnings levels and generate distributable cash flow will be adversely affected should the existing equity commitments not be available (due to investor default or otherwise) such that these property funds cannot acquire the properties that ProLogis expects to have available for contribution. This impact would occur in the short-term and would continue until ProLogis is able to sell the properties to third parties or until ProLogis could secure another source of private equity capital to form a new property fund.

ProLogis and Catellus are, and the combined company will be, dependent on key personnel.

Our success depends on our executive officers and other members of our management team. The ability of the combined company to retain its management group or to attract suitable replacements should any members of the management group leave is dependent on the competitive nature of the employment market. The loss of services from key members of the management group or a limitation in their availability could adversely impact the combined company s financial condition and cash flow. Such losses could also be negatively perceived in the capital markets, which could adversely affect the market price of ProLogis common shares.

ProLogis and Catellus are, and the combined company will be, subject to governmental regulations and actions that affect operating results and financial condition.

There are many laws and governmental regulations that are applicable to ProLogis, Catellus, their unconsolidated investees and their properties. Changes in these laws and governmental regulations, or their interpretation by agencies or the courts, could occur that would adversely affect ProLogis, Catellus or the combined company. 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.

ProLogis failure to qualify as a REIT would require ProLogis to be taxed as a corporation, which would significantly lower funds available for shareholder distributions and adversely affect ProLogis shareholders.

ProLogis elected to be taxed as a REIT under the Internal Revenue Code commencing with its taxable year ended December 31, 1993. To maintain its 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 and investments of a REIT are largely real estate related, that the REIT s ownership is not overly concentrated and that a REIT distributes substantially all its ordinary taxable income to shareholders on a current basis. If ProLogis fails to make a required distribution as a result of an adjustment to its tax return by the IRS, ProLogis may retroactively cure the failure by paying a deficiency dividend, plus applicable penalties and interest, within a specified period. Due to the complex nature of these rules, the available guidance concerning interpretation of the rules, the importance of ongoing factual determinations and the possibility of adverse changes in the law, administrative interpretations of the law and changes in ProLogis business, there can be no assurance 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 ProLogis shareholders will not be deductible in computing ProLogis taxable income. The resulting corporate income tax liabilities could materially reduce the distributable cash flow to ProLogis shareholders or funds available for reinvestment. Further, ProLogis might not be able to elect to be treated as a REIT for the four taxable years after the year during which it 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 ProLogis shareholders in an amount equal to any earnings accumulated during the period of non-REIT status. In the absence of REIT status, distributions to ProLogis shareholders would no longer be required.

The failure of Palmtree Acquisition Corporation, which will be the successor to Catellus as a result of the merger, to qualify as a REIT could also cause ProLogis to fail to qualify as a REIT.

Following completion of the merger, Palmtree Acquisition Corporation (which will be the successor to Catellus as a result of the merger) will operate as a subsidiary REIT of ProLogis. Palmtree Acquisition Corporation therefore will need to satisfy the REIT tests discussed in this document. The failure of Palmtree Acquisition Corporation to qualify as a REIT could cause ProLogis to fail to qualify as a REIT because ProLogis would then own more than 10% of the securities of an issuer that was not a REIT, a qualified REIT subsidiary or a taxable REIT subsidiary.

Annual distribution requirements limit ProLogis ability to accumulate capital and may require that ProLogis borrow funds or sell properties on adverse terms in order to maintain its REIT status.

To maintain its REIT status, ProLogis must annually distribute to its 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 these distribution requirements due to competing demands for funds or due 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 or the IRS may make a determination that adjusts reported income. In these situations, ProLogis may be required to borrow funds or sell properties on adverse terms in order to meet the distribution requirements. If ProLogis fails to make a required distribution, it would cease to qualify as a REIT for federal income tax purposes. If ProLogis fails to make a required distribution as a result of an adjustment to its tax return by the IRS, ProLogis may retroactively cure the failure by paying a deficiency dividend, plus applicable penalties and interest, within a specified period.

Prohibited transaction income could result from certain property transfers by ProLogis or Catellus.

ProLogis contributes properties to property funds and sells properties to third parties. Catellus has conducted third-party land sales as part of its third-party development business. Some of these contributions and sales are made by ProLogis or Catellus taxable subsidiaries. Under the Internal Revenue Code, if the disposition 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 IRS could contend that certain contributions or sales by ProLogis or Catellus are prohibited transactions. Although ProLogis and Catellus do not believe that the IRS would prevail in such a dispute, if the matter were successfully argued by the IRS, the 100% penalty tax could be assessed against ProLogis or Catellus profits from these transactions. In addition, any income from a prohibited transaction could adversely affect ProLogis and Catellus ability to satisfy the income tests for qualification as a REIT.

Recent U.S. federal income tax developments could affect the desirability of investing in ProLogis for individual taxpayers.

In May 2003, federal legislation was enacted that reduced the maximum tax rate for dividends payable to individual taxpayers generally from 38.6% to 15% (from January 1, 2003 through 2008). However, dividends payable by REITs are not eligible for this treatment, except in limited circumstances. Although this legislation did not have a direct adverse effect on the taxation of REITs or dividends paid by REITs, the more favorable treatment for non-REIT dividends could cause individual investors to consider investments in non-REIT corporations as more attractive relative to an investment in a REIT such as ProLogis.

U.S. federal income tax treatment of REITs and investments in REITs may change, which may cause ProLogis to lose the tax benefits of operating as a REIT.

The present U.S. federal income tax treatment of a REIT and an investment in a REIT may be modified by legislative, judicial or administrative action at any time. Revisions in U.S. federal income tax laws and interpretations of these laws could adversely affect ProLogis and the tax consequences of an investment in ProLogis common shares.

There are potential deferred and contingent tax liabilities that could affect the combined company s operating results or financial condition.

Palmtree Acquisition Corporation, as the surviving corporation of the merger, will be subject to a federal corporate level tax at the highest regular corporate rate (currently 35%) and potential state taxes on any gain recognized within ten years of Catellus conversion to a REIT from a disposition of any assets that Catellus held at the effective time of its election to be a REIT, but only to the extent of the built-in-gain based on the fair market value of those assets on the effective date of the REIT election (which was January 1, 2004). Gain from a sale of an asset occurring more than 10 years after the REIT conversion will not be subject to this corporate-level tax. ProLogis does not currently expect to dispose of any asset of the surviving corporation in the merger if such a disposition would result in the imposition of a material tax liability unless ProLogis can effect a tax-deferred exchange of the property. However, certain assets are subject to third party purchase options that may require ProLogis to sell such assets, and those assets may carry deferred tax liabilities that would be triggered on such sales. There can be no assurances that ProLogis plans in this regard will not change and, if such plans do change or if a purchase option is exercised, that ProLogis will be successful in structuring a tax-deferred exchange.

Table of Contents

THE COMPANIES

ProLogis

ProLogis is a REIT that operates a global network of industrial distribution properties located in 75 markets in North America, Europe and Asia. ProLogis business strategy is designed to achieve long-term sustainable growth in cash flow and sustain a high return on equity for its shareholders.

ProLogis business is organized into two operating segments: property operations and the corporate distribution facilities services, or CDFS, business. The property operations segment represents the long-term ownership, management and leasing of industrial distribution properties, either directly or through unconsolidated investees. The property operations segment primarily generates income from rents and reimbursement of property operating expenses from unaffiliated customers who lease ProLogis distribution space. ProLogis proportionate share of the earnings of 15 unconsolidated property funds, and the fee income that it receives for managing the properties owned by those property funds, is also included in the property operations segment. In addition to the property and asset management fees it earns, ProLogis earns fees for performing other services on behalf of the property funds, including, but not limited to, development, leasing and acquisition activities.

The CDFS business segment encompasses those activities that ProLogis engages in that are not primarily associated with the long-term ownership, management and leasing of industrial distribution properties. Within this operating segment, ProLogis develops distribution properties that either are contributed to property funds in which it maintains an ownership interest and acts as manager or are sold to unaffiliated third parties. In this segment, ProLogis also acquires distribution properties that are subsequently contributed to property funds generally after those properties are rehabilitated and/or repositioned. Income from the CDFS business segment consists primarily of the net gains and losses recognized from the contributions and sales of developed properties to property funds and third parties and from the contribution of operating properties that were acquired with the intent to contribute the property to a property fund.

Catellus Development Corporation

Catellus is a real estate development company that began operating as a REIT effective January 1, 2004. It is focused on operating and developing predominately industrial rental property in many of the country s major distribution centers and industrial corridors, including California, Dallas, Chicago, Denver, northern New Jersey and Atlanta. Catellus principal business objective is to sustain long-term growth in earnings, which it seeks to achieve by applying the following strategic resources: a lower-risk/higher-return portfolio, a focus on expanding that portfolio through development and the deployment of its proven land development skills to select opportunities that may not always be industrial, particularly projects that may not require significant capital investment on its part.

Catellus business is organized into two primary reporting segments. The first segment is its core segment, which reflects the part of Catellus business that is ongoing and central to Catellus future operations. The second segment is its urban, residential and other segment, which reflects Catellus non-core businesses, including residential lot development, urban development and desert land sales, which Catellus has been transitioning out of since March 2003.

Table of Contents

MARKET PRICES AND DIVIDEND INFORMATION

ProLogis common shares are traded on the New York Stock Exchange under the symbol PLD. Catellus common stock is traded on the New York Stock Exchange under the symbol CDX. The following table sets forth, for the periods indicated, the range of high and low sales prices per ProLogis common share and share of Catellus common stock, as well as information concerning quarterly cash dividends or distributions paid on those shares. The sales prices are as reported in published financial sources.

	ProLogis Common Shares			Shares of Catellus Common Stock		
	High	Low	Dividends/ Distributions	High	Low	Dividends/ Distributions
2003						
First Quarter	$ 26.60	$ 23.63	$ 0.36	$ 21.70	$ 18.85	
Second Quarter	$ 28.60	$ 25.60	$ 0.36	$ 23.35	$ 20.92	
Third Quarter	$ 30.39	$ 26.97	$ 0.36	$ 24.75	$ 22.00	$ 0.30
Fourth Quarter	$ 32.62	$ 28.34	$ 0.36	$ 26.61	$ 21.75	$ 4.10(1)
2004						
First Quarter	$ 36.00	$ 30.80	$ 0.365	$ 27.35	$ 23.95	$ 0.27
Second Quarter	$ 36.39	$ 27.62	$ 0.365	$ 26.43	$ 20.46	$ 0.27
Third Quarter	$ 36.95	$ 32.74	$ 0.365	$ 27.87	$ 24.26	$ 0.27
Fourth Quarter	$ 43.33	$ 35.30	$ 0.365	$ 32.20	$ 26.65	$ 0.72(2)
2005						
First Quarter	$ 43.50	$ 36.68	$ 0.37	$ 30.78	$ 26.29	$ 0.27
Second Quarter	$ 42.34	$ 36.50	$ 0.37	$ 34.20	$ 26.25	$ 0.27
Third Quarter (through , 2005)						

(1) Includes a regular cash dividend of $0.27 for the fourth quarter ended December 31, 2003 and a one-time special distribution of $3.83 of accumulated earnings and profits, or E&P, paid on December 18, 2003 to Catellus stockholders of record on November 4, 2003 in connection with Catellus conversion to a REIT. Because a REIT is not permitted to retain E&P accumulated during the years when it or its predecessor was taxed as a C-corporation, Catellus paid a one-time special distribution to distribute all of its accumulated E&P.

(2) Includes a regular cash dividend of $0.27 for the fourth quarter ended December 31, 2004 and a special dividend of $0.45 in connection with the sale of certain non-core assets and other taxable REIT subsidiary activities, which were both paid on January 18, 2005 to Catellus stockholders of record on December 28, 2004.

THE SPECIAL MEETINGS

	ProLogis	Catellus
Time, Place and Date	, 2005 a.m., Mountain time [Address] The special meeting may be adjourned or postponed to another date or place for proper purposes, including for the purpose of soliciting additional proxies. See the section of this document entitled The Merger Agreement Covenants and Other Agreements Other Agreements Relating to the Period Before the Effective Time.	, 2005 a.m., Pacific time [Address] The special meeting may be adjourned or postponed to another date or place for proper purposes, including for the purpose of soliciting additional proxies. See the section of this document entitled The Merger Agreement Covenants and Other Agreements Other Agreements Relating to the Period Before the Effective Time.
Purposes	To consider and vote on the approval of the issuance of ProLogis common shares of beneficial interest contemplated by the Agreement and Plan of Merger, dated as of June 5, 2005, by and among ProLogis, Palmtree Acquisition Corporation and Catellus; and To transact any other business as may properly come before the special meeting or any adjournments or postponements of the special meeting. At the present time, ProLogis knows of no other matters that will be presented for consideration at the special meeting.	To consider and vote on the adoption of the Agreement and Plan of Merger, dated as of June 5, 2005, by and among ProLogis, Palmtree Acquisition Corporation and Catellus, pursuant to which Catellus will merge with and into Palmtree Acquisition Corporation; and To transact any other business as may properly come before the special meeting or any adjournments or postponements of the special meeting. At the present time, Catellus knows of no other matters that will be presented for consideration at the special meeting.
Quorum	Presence, in person or by proxy, of a majority of the holders of the outstanding ProLogis common shares entitled to vote at the special meeting. Abstentions and broker non-votes represented at the meeting will be counted for determining whether a quorum is present.	Presence, in person or by proxy, of stockholders holding a majority of the shares of Catellus common stock entitled to vote at the special meeting. Abstentions and broker non-votes represented at the meeting will be counted for determining whether a quorum is present.
Record Date	Close of business on , 2005.	Close of business on , 2005.

[Table of Contents](#)

	ProLogis	Catellus
Shares Entitled to Vote	You may vote at the ProLogis special meeting if you owned ProLogis common shares as of the record date. You may cast one vote for each ProLogis common share that you owned on the record date.	You may vote at the Catellus special meeting if you owned Catellus common stock as of the record date. You may cast one vote for each share of Catellus common stock that you owned on the record date.
Recommendations of the Boards	*ProLogis board of trustees has approved the merger agreement and the merger and declared that the merger agreement and the merger are advisable and in the best interests of ProLogis and its shareholders. One ProLogis trustee was not present at the board meeting at which the merger agreement was approved but has stated that he fully supports the other trustees actions in approving the merger agreement. ProLogis board of trustees unanimously recommends that ProLogis shareholders vote FOR approval of the issuance of ProLogis common shares contemplated by the merger agreement.*	*Catellus board of directors has approved the merger agreement and the merger and declared that the merger agreement and the merger are advisable and fair to, and in the best interests of, Catellus and its stockholders. Catellus board of directors unanimously recommends that Catellus stockholders vote FOR the adoption of the merger agreement.*
Votes Required	*Approval of the Issuance of ProLogis Common Shares* The affirmative vote of the holders of at least a majority of the votes cast in person or by proxy is required to approve the issuance of ProLogis common shares contemplated by the merger agreement, provided that the total votes cast represent at least a majority of the ProLogis common shares entitled to vote.	*Adoption of the Merger Agreement* The affirmative vote in person or by proxy of the holders of at least a majority of the outstanding shares of Catellus common stock is required to adopt the merger agreement. Abstentions will have the same effect as votes against the adoption of the merger agreement.

Table of Contents

	ProLogis	Catellus
Votes Required (continued)	Abstentions will not affect the outcome of the vote with respect to the issuance of ProLogis common shares contemplated by the merger agreement, unless the holders of less than a majority of the ProLogis common shares vote, in which case abstentions will have the effect of a vote against the proposal. Assuming a quorum is present, the failure of a ProLogis shareholder to vote in person or by proxy will not affect the outcome of the ProLogis vote.	The failure of a Catellus stockholder to vote in person or by proxy will also have the effect of a vote against the adoption of the merger agreement.
Shares Outstanding	As of the record date, there were ProLogis common shares outstanding and entitled to vote.	As of the record date, there were shares of Catellus common stock outstanding and entitled to vote.
Voting Procedures	A proxy card will be sent to each ProLogis shareholder and Catellus stockholder of record. If submitted your proxy, clearly indic revoked your proxy, your shares wil have timely and properly submitted indicated your vote, your shares wi to approve the issuance of ProLogis the merger agreement, in the case o FOR the proposal to adopt the m Catellus stockholders.	you have timely and properly ated your vote and have not l be voted as indicated. If you your proxy but have not clearly ll be voted FOR the proposal common shares contemplated by f ProLogis shareholders, and erger agreement, in the case of
	If any other matters are properly presented at the meeting for consideration, the persons named in your proxy will have the discretion to vote on these matters in accordance with their best judgment. Proxies voted against the proposals related to the merger will not be voted in favor of any adjournment or postponement of the meeting for the purpose of soliciting additional proxies.	
	Voting by ProLogis Shareholders ProLogis shareholders may vote, or instruct the proxy holder how to vote, using any of the following methods: phone the toll-free number listed on your proxy card and follow the recorded instructions;	*Voting by Catellus Stockholders* Catellus stockholders may vote, or instruct the proxy holder how to vote, using any of the following methods: phone the toll-free number listed on your proxy card and follow the recorded instructions;

Table of Contents

	ProLogis	Catellus
Voting Procedures (continued)	go to the internet website listed on your proxy card and follow the instructions provided;	go to the internet website listed on your proxy card and follow the instructions provided;
	complete, sign and mail your proxy card in the postage-paid envelope; or	complete, sign and mail your proxy card in the postage-paid envelope; or
	attend the special meeting and vote in person.	attend the special meeting and vote in person.
	Revocation or Change of Proxy	*Revocation or Change of Proxy*
	ProLogis shareholders may revoke or change their proxy at any time prior to its exercise by:	Catellus stockholders may revoke or change their proxy at any time prior to its exercise by:
	giving written notice of revocation to the Secretary of ProLogis;	giving written notice of revocation to the Secretary of Catellus;
	appearing and voting in person at the ProLogis special meeting;	appearing and voting in person at the Catellus special meeting;
	phoning the toll-free number listed on your proxy card and following the recorded instructions (no later than 11:59 p.m., Eastern time, on);	phoning the toll-free number listed on your proxy card and following the recorded instructions (no later than 11:59 p.m., Eastern time, on);
	going to the internet website listed on your proxy card and following the instructions provided (no later than 11:59 p.m., Eastern time, on); or	going to the internet website listed on your proxy card and following the instructions provided (no later than 11:59 p.m., Eastern time, on); or
	properly completing and executing a later dated proxy and delivering it to the Secretary of ProLogis at or before the ProLogis special meeting.	properly completing and executing a later dated proxy and delivering it to the Secretary of Catellus at or before the Catellus special meeting.
	Your presence, without voting at the meeting, will not automatically revoke your proxy, and any revocation during the meeting will not affect votes previously taken.	Your presence, without voting at the meeting, will not automatically revoke your proxy, and any revocation during the meeting will not affect votes previously taken.

Table of Contents

	ProLogis	Catellus
Voting Procedures (continued)	*Validity* The independent inspectors of election will determine all questions as to the validity, form, eligibility (including time of receipt) and acceptance of proxies. Their determination will be final and binding. ProLogis board of trustees has the right to waive any irregularities or conditions as to the manner of voting. ProLogis may accept your proxy by any form of communication permitted by Maryland law so long as ProLogis is reasonably assured that the communication is authorized by you.	*Validity* The independent inspectors of election will determine all questions as to the validity, form, eligibility (including time of receipt) and acceptance of proxies. Their determination will be final and binding. Catellus board of directors has the right to waive any irregularities or conditions as to the manner of voting. Catellus may accept your proxy by any form of communication permitted by Delaware law so long as Catellus is reasonably assured that the communication is authorized by you.
Solicitation of Proxies	The accompanying proxy is being solicited on behalf of ProLogis board of trustees. Each of ProLogis and Catellus will pay one-half of the expense of preparing, printing and mailing the proxy and materials used in the solicitation. Georgeson Shareholder Services has been retained by ProLogis and Catellus to aid in the solicitation of proxies from their respective shareholders for an aggregate fee of $25,000 and the reimbursement of out-of-pocket expenses. Proxies may also be solicited from ProLogis shareholders by personal interview, telephone and telegram by ProLogis trustees, officers and employees, who will not receive additional compensation for performing that service. Arrangements also will be made with brokerage houses and other custodians, nominees and fiduciaries for the forwarding of proxy materials to the beneficial owners of ProLogis shares held by those persons, and ProLogis will reimburse them for any reasonable expenses that they incur.	The accompanying proxy is being solicited on behalf of Catellus board of directors. Each of ProLogis and Catellus will pay one-half of the expense of preparing, printing and mailing the proxy and materials used in the solicitation. Georgeson Shareholder Services has been retained by ProLogis and Catellus to aid in the solicitation of proxies from their respective shareholders for an aggregate fee of $25,000 and the reimbursement of out-of- pocket expenses. Proxies may also be solicited from Catellus stockholders by personal interview, telephone and telegram by Catellus directors, officers and employees, who will not receive additional compensation for performing that service. Arrangements also will be made with brokerage houses and other custodians, nominees and fiduciaries for the forwarding of proxy materials to the beneficial owners of Catellus shares held by those persons, and Catellus will reimburse them for any reasonable expenses that they incur.

Table of Contents

	ProLogis	Catellus
Shares Held in Street Name	*General* If you hold your shares in the name of a bank, broker or other nominee, you should follow the instructions provided by your bank, broker or other nominee when voting your shares or when granting or revoking your proxy. Absent specific instructions from you, your broker is **NOT** empowered to vote your shares, also known as broker non-votes.	
	Effect of Broker Non-Votes Broker non-votes will be counted as present and represented at the ProLogis special meeting and will not affect the outcome of the vote regarding the issuance of ProLogis common shares contemplated by the merger agreement, assuming that the holders of at least a majority of the ProLogis common shares vote.	*Effect of Broker Non-Votes* Broker non-votes will be counted as present and represented at the Catellus special meeting and will have the same effect as a vote against the adoption of the merger agreement.
Independent Registered Public Accounting Firm	KPMG LLP serves as ProLogis independent registered public accounting firm. Representatives of KPMG LLP plan to attend the ProLogis special meeting and will be available to answer appropriate questions. Its representatives will also have an opportunity to make a statement at the special meeting if they so desire, although it is not expected that any such statement will be made.	PricewaterhouseCoopers LLP serves as Catellus independent registered public accounting firm. Representatives of PricewaterhouseCoopers LLP plan to attend the Catellus special meeting and will be available to answer appropriate questions. Its representatives will also have an opportunity to make a statement at the special meeting if they so desire, although it is not expected that any such statement will be made.

Table of Contents

THE MERGER

Background of the Merger

In pursuing their strategies for enhancing shareholder value, each of ProLogis and Catellus have from time to time considered opportunities for acquisitions, joint ventures and other strategic alliances.

During 2002, Catellus explored several strategic alternatives, including the conversion from a C-corporation to a REIT, the sale or merger of Catellus to or with a REIT and continued operations as a C-corporation. In connection with this strategic review, Catellus retained Morgan Stanley. In April 2002, Nelson C. Rising, Chairman of the Board and Chief Executive Officer of Catellus, met with K. Dane Brooksher, who was Chairman and Chief Executive Officer of ProLogis at the time, and discussed the possibility of a strategic transaction between the two companies.

In late 2002, the chief executive officers of two REITs, including ProLogis, separately contacted Mr. Rising about possible strategic transactions between Catellus and their respective REITs. After the execution of confidentiality agreements, some preliminary discussions with the two REITs and the exchange of some confidential information, each of the two REITs in early 2003 advised Catellus that it had decided not to proceed further with discussions. In early 2003, Catellus board of directors instructed Catellus management to proceed with the REIT conversion. In March 2003, Catellus announced its intent to convert to a REIT focused on industrial property and to recycle capital from the sale of non-core assets. The REIT conversion was approved by Catellus stockholders on September 26, 2003 and was effective as of January 1, 2004.

In early 2004, Mr. Rising was contacted on behalf of ProLogis by Banc of America Securities, ProLogis financial advisor in connection with the proposed merger, regarding a potential business combination between ProLogis and Catellus. Mr. Rising met with Mr. Brooksher, Irving F. Lyons, III, who was Vice Chairman and Chief Investment Officer of ProLogis at the time, and representatives of Banc of America Securities to discuss ProLogis interest in a possible business combination with Catellus. Subsequently, ProLogis and Catellus extended the confidentiality agreement that they had entered into in late 2002, and Catellus then provided additional confidential information to ProLogis. Mr. Rising updated Catellus board of directors on these developments at its meeting in May 2004.

In the second quarter of 2004, Ted R. Antenucci, President of Catellus Commercial Development Corporation, and Timothy Beaudin, who was the Executive Vice President of Catellus at the time, were contacted by a third party that expressed an interest in acquiring Catellus. Catellus entered into a confidentiality agreement with this third party and provided certain confidential information to this third party. This third party did not indicate a price at the time.

On May 18, 2004, ProLogis board of trustees received an update on the current status of discussions with Catellus.

In June 2004, Catellus management met with ProLogis management to continue discussions regarding a possible business combination. At that time, ProLogis had indicated to Catellus its desire for a financial partner in the potential transaction and that it also required that certain assets of Catellus be sold prior to a transaction being consummated. ProLogis did not indicate a price at the time. Catellus also authorized Morgan Stanley to contact other parties that had previously expressed an interest in acquiring Catellus.

On July 20-21, 2004, Catellus board of directors received an update on the current state of discussions between Morgan Stanley and the representatives of several parties that had expressed an interest in acquiring Catellus. Morgan Stanley also presented its views on real estate fundamentals and the capital markets environment, the valuation of Catellus and strategic alternatives available to Catellus. Representatives of Morgan Stanley discussed several alternative strategies for Catellus, including continuing with its operating plan as an independent company, an immediate exit of non-core operations and a sale or merger of Catellus with a public or private company. Catellus management also presented to Catellus board of directors an overview of a proposed sale of a substantial portion of the non-core assets to a third party in accordance with a long-term strategic plan to focus on Catellus core industrial assets.

Catellus management and representatives of Morgan Stanley also gave Catellus board of directors an update on discussions with parties with respect to possible strategic transactions.

On August 6, 2004, Catellus board of directors approved the proposed sale of a substantial portion of the non-core assets to the third party.

During August 2004, Morgan Stanley and Catellus management continued to have preliminary discussions with numerous parties, particularly with respect to valuation. During this time, Catellus communicated to ProLogis an outline of the approved sale of a substantial portion of the non-core assets to the third party. Morgan Stanley met with ProLogis and its advisors, and ProLogis expressed discomfort with the transaction described for the non-core assets as it did not create a complete separation of the non-core assets and would result in Catellus maintaining a retained interest in the non-core assets. None of these discussions resulted in serious negotiations or a bid for a transaction with Catellus.

On August 10, 2004, ProLogis board of trustees received an update on the current status of discussions with Catellus.

Preliminary discussions continued between ProLogis and Catellus management in September 2004. Jeffrey H. Schwartz, who is now the Chief Executive Officer of ProLogis, updated ProLogis board of trustees on these discussions at its meeting on September 23, 2004. On October 7, 2004, in a meeting between ProLogis and Catellus senior management and their financial advisors, ProLogis stated that it would be interested in acquiring Catellus income producing portfolio, but indicated that ProLogis would not be prepared to enter into a definitive agreement regarding the transaction or negotiate the material terms of the transaction without an equity partner.

On October 12-13, 2004, Catellus board of directors received an update on the discussions that Morgan Stanley and Catellus management had conducted over the past several months with the parties that Catellus believed were interested in a possible strategic transaction. Representatives of Morgan Stanley also discussed the current real estate capital market conditions and valuation of Catellus in light of the current environment. The representatives of Morgan Stanley then summarized recent discussions with ProLogis in which ProLogis had expressed an interest in a possible transaction. It was noted, however, that based on its discussions with ProLogis, Catellus management believed that such a transaction probably would have required that Catellus dispose of certain assets prior to completion of the transaction, that ProLogis probably would have required an equity partner before it was willing to enter into a definitive agreement regarding the transaction, and that there was no likelihood of a significant premium to Catellus stockholders in the transaction.

In October 2004, Catellus management ceased discussions with the parties, including with ProLogis, with respect to a possible strategic transaction because none of the parties had indicated a preliminary price that either Catellus management or Catellus board of directors believed worth pursuing.

On November 11, 2004, Mr. Schwartz updated ProLogis board of trustees and informed the board that Catellus had ceased discussions.

In November 2004, in accordance with its strategic plan to focus on industrial real estate, Catellus sold a substantial portion of its non-core assets to an affiliate of Farallon Capital Management.

On December 1, 2004, Catellus board of directors continued to discuss Catellus long-term strategic plan to focus on its core industrial assets.

On December 14, 2004, ProLogis board of trustees received a brief update from Mr. Schwartz regarding Catellus business, including that it had sold a substantial portion of its non-core assets. ProLogis board of trustees concurred with Mr. Schwartz s view that ProLogis should continue to monitor developments in Catellus business and the possibility of a strategic transaction between the two companies.

In February 2005, Catellus board of directors continued to discuss Catellus long-term strategic plan.

In April 2005, Mr. Schwartz contacted Mr. Rising and Mr. Antenucci to discuss a potential business combination. On April 11, 2005, Mr. Schwartz and Mr. Antenucci met to discuss the general terms of a potential business combination. On April 26, 2005, Messrs. Schwartz, Rising, Antenucci and C. William

Table of Contents

Hosler, Senior Vice President and Chief Financial Officer of Catellus, met again to discuss the general terms of a potential business combination. In these meetings, Mr. Schwartz indicated that ProLogis was interested in a combination with Catellus and that ProLogis planned on expanding its land development activities in the United States. Mr. Schwartz also indicated that (1) ProLogis was prepared to pay a premium to acquire Catellus, (2) Mr. Schwartz envisioned the consideration in the transaction would consist of approximately 70% ProLogis common shares and 30% cash and (3) it would be desirable from ProLogis perspective for Mr. Rising to join ProLogis board of trustees in connection with the transaction. Mr. Rising responded that he believed the premium would need to be significant for a combination to be of interest to Catellus board of directors and that a higher cash component would be desirable.

Mr. Rising updated Catellus board of directors with respect to discussions with ProLogis at a Catellus board meeting on May 3-4, 2005. Catellus board of directors concurred with Mr. Rising s view that Catellus management should continue the discussions with ProLogis. From May 4 to May 10, 2005, ProLogis and Catellus held numerous meetings and conference calls to discuss and coordinate the performance of financial and legal due diligence.

On May 11, 2005, Messrs. Antenucci and Hosler and Michael Wenzell, Vice President of Corporate Strategic Initiatives of Catellus, met in Denver, Colorado with ProLogis management and representatives of Banc of America Securities and Morgan Stanley to discuss confidential financial information. ProLogis and Catellus also held numerous conference calls during the following week to discuss confidential financial information.

On May 18, 2005, ProLogis board of trustees met and authorized ProLogis management to pursue a transaction with Catellus. On that same day, Mr. Schwartz delivered a letter to Mr. Rising containing a proposal for an acquisition of Catellus by ProLogis in which Catellus stockholders could elect to receive either 0.812 of a ProLogis common share or $32.85 in cash for each share of Catellus common stock (representing a total implied value of $32.85 per share of Catellus common stock based on the closing sales price of ProLogis common shares on May 17, 2005), with Catellus stockholder elections to be prorated to limit the aggregate consideration to 65% ProLogis common shares and 35% cash. The letter also proposed that the combined company s board of trustees would consist of the 12 current ProLogis trustees, Mr. Rising and one other current Catellus director to be agreed upon by the parties.

After discussions with Catellus management and its legal and financial advisors and an informal polling of several Catellus board members, Mr. Rising contacted Mr. Schwartz regarding the initial proposal and, as a result of those discussions, Mr. Schwartz advised Mr. Rising that ProLogis would increase its proposal to an implied value of $33.81 per share of Catellus common stock based on the closing sales price of ProLogis common shares on May 18, 2005, meaning that Catellus stockholders could elect to receive either 0.822 of a ProLogis common share or $33.81 in cash for each share of Catellus common stock they owned. Mr. Schwartz and Mr. Rising, other members of ProLogis and Catellus management and ProLogis and Catellus legal and financial advisors also held numerous discussions on May 18 and 19, 2005 regarding the amount of the termination fee that would be payable by Catellus if the merger agreement were terminated under certain circumstances involving a competing transaction, the circumstances under which a termination fee would be payable and the circumstances under which Catellus would be able to terminate the merger agreement to accept a superior competing proposal. On May 19, 2005, Mr. Schwartz delivered a revised letter to Mr. Rising reflecting the increased price and proposing a termination fee of $90 million.

From May 19 to May 23, 2005, ProLogis and Catellus held numerous meetings and conference calls to discuss confidential financial information in connection with the performance of financial and legal due diligence.

On May 23, 2005, Catellus board of directors held a telephonic meeting to discuss the revised proposal from ProLogis and to review information regarding the proposal prepared by Morgan Stanley. After receiving the Catellus board s view that Catellus management should continue exploring a possible transaction with ProLogis, Catellus discussed with ProLogis the process and schedule for completing the due diligence of each of their businesses and the drafting and negotiation of a definitive merger agreement.

Over the next two weeks, ProLogis and Catellus and their respective legal advisors held numerous meetings and conference calls to review and negotiate the terms of the merger agreement, including representations and warranties, closing conditions, the circumstances under which the termination fee would be payable and under what circumstances Catellus would be entitled to terminate the merger agreement to accept a superior competing proposal. During this period, the parties and their respective advisors also continued to perform financial and legal due diligence on each of their businesses.

On May 27, 2005, at a meeting of Catellus board of directors attended by Catellus management, representatives of O Melveny & Myers LLP and Morgan Stanley, Mr. Rising updated the full board on the status of discussions with ProLogis. Morgan Stanley also gave a presentation to Catellus board of directors summarizing the proposal from ProLogis, as well as a valuation analysis of Catellus. After a full discussion of the ProLogis proposal, the Morgan Stanley analysis, certain negotiation issues and other aspects of the proposed transaction, Catellus board of directors authorized Catellus management to continue discussions with ProLogis.

On May 30, 2005, Catellus board of directors held a telephonic meeting to continue its deliberations regarding the proposed transaction with ProLogis. Catellus board of directors received an update from Mr. Rising regarding the status of the negotiations with ProLogis and the due diligence being conducted by both parties and their advisors. The board also continued its discussion from the May 27th board meeting regarding certain issues in the negotiations, as well as the overall merits of the ProLogis proposal. The independent directors also held an executive session to discuss the proposed transaction.

From May 30 to June 5, 2005, the parties continued to negotiate the terms of the merger agreement and perform due diligence.

On June 1, 2005, the compensation and benefits committee of Catellus board of directors met to discuss compensation issues arising out of the proposed transaction with ProLogis. The compensation and benefits committee received a presentation from representatives of Mercer Human Resource Consulting analyzing the cash cost to Catellus of its existing and proposed change in control arrangements. Mercer stated that the maximum cash cost to Catellus of these arrangements would be approximately $44 million, or less than 1.5% of the equity value of the proposed transaction. Mercer viewed this amount to be at the low end of the typical range in similar transactions. Mercer also reviewed with the compensation and benefits committee other compensation arrangements proposed in light of the transaction, consisting of change in control severance and retention plans and new or amended arrangements with certain executives due to their importance to the proposed transaction. Mercer stated its view that these arrangements were reasonable under the circumstances. After discussion, the compensation and benefits committee decided to recommend the proposed arrangements to Catellus full board of directors.

On June 5, 2005, ProLogis board of trustees held a special meeting at which all of the ProLogis trustees, other than Mr. Teixeira, were present in person or by telephone. Also present in person or by telephone were members of ProLogis management and representatives of Banc of America Securities and Mayer, Brown, Rowe & Maw LLP. The special meeting was held in order for ProLogis board of trustees to consider and act upon the proposed transaction. At this meeting, ProLogis senior management reviewed with the board the financial and business terms of the proposed transaction and summarized for the board the results of their due diligence investigation of Catellus. Mayer, Brown, Rowe & Maw LLP discussed the board s fiduciary duties in considering the proposed transaction and explained the material terms of the proposed merger agreement, including closing conditions, termination rights and provisions regarding termination fees. Also at that meeting, Banc of America Securities reviewed with ProLogis board of trustees its financial analysis of the merger consideration and delivered to ProLogis board of trustees its oral opinion, which was confirmed by delivery of a written opinion dated June 5, 2005, to the effect that, based on and subject to the various assumptions and limitations described in its opinion, the merger consideration to be paid by ProLogis pursuant to the merger agreement was fair, from a financial point of view, to ProLogis.

After discussion among ProLogis board of trustees concerning, among other things, the matters described below under Recommendation of ProLogis Board of Trustees and ProLogis Reasons for the

Table of Contents

Merger, by unanimous vote of those present at the special meeting, ProLogis board of trustees concluded that the proposed merger agreement and the merger were advisable and in the best interests of ProLogis and its shareholders and approved the merger agreement and the merger on the terms discussed at the meeting. ProLogis board of trustees also resolved to recommend that ProLogis shareholders approve the issuance of ProLogis common shares contemplated by the merger agreement and authorized ProLogis management to execute and deliver the merger agreement and the agreements contemplated thereby. ProLogis notified Catellus that its board had approved the transaction shortly after the conclusion of the special meeting.

In an afternoon session on June 5, 2005, Catellus board of directors met in person to consider the terms of the proposed merger and merger agreement. Also participating in the meeting were members of Catellus management and representatives of Morgan Stanley, O Melveny & Myers LLP, PricewaterhouseCoopers LLP and Mercer Human Resource Consulting. Morgan Stanley presented its views on the valuation of Catellus, ProLogis and the combined company. Catellus management, PricewaterhouseCoopers and O Melveny & Myers then summarized for the board the results of their due diligence investigation of ProLogis. Representatives of O Melveny & Myers also reviewed the fiduciary duties of the board in light of the proposed transaction and summarized the material terms of the merger agreement, including closing conditions, non-solicitation and fiduciary out provisions, as well as termination rights and termination fees, and answered questions from the Catellus directors regarding various aspects of the merger agreement. At the meeting, Morgan Stanley provided its oral opinion (which was subsequently confirmed in writing) to the effect that, as of that date and subject to and based on the assumptions made, procedures followed, matters considered and limitations of the review undertaken as set forth in its opinion, the consideration to be received by holders of shares of Catellus common stock pursuant to the merger agreement was fair, from a financial point of view, to such holders. Mercer representatives also reviewed with Catellus board of directors the various compensation arrangements proposed to be entered into in connection with the transaction and stated its view that such arrangements were reasonable. The Catellus directors then met separately and, following discussion and consideration of the proposed merger, Catellus board of directors, by unanimous vote, approved the merger agreement and the merger. Catellus board of directors also resolved to recommend that Catellus stockholders adopt the merger agreement and authorized Catellus management to execute and deliver the merger agreement and the agreements contemplated thereby. Catellus board of directors also approved the various compensation arrangements recommended by the compensation and benefits committee.

Following Catellus board meeting on June 5, 2005, ProLogis, Palmtree Acquisition Corporation and Catellus executed the merger agreement.

On the morning of June 6, 2005 before the opening of the New York Stock Exchange, ProLogis and Catellus issued a joint press release announcing the execution of the merger agreement.

Recommendation of ProLogis Board of Trustees and ProLogis Reasons for the Merger

Recommendation of ProLogis Board of Trustees. *ProLogis Board of Trustees has approved the merger agreement and the merger and declared that the merger agreement and the merger are advisable and in the best interests of ProLogis and its shareholders. One ProLogis trustee was not present at the board meeting at which the merger agreement was approved but has stated that he fully supports the other trustees actions in approving the merger agreement. ProLogis board of trustees unanimously recommends that ProLogis shareholders vote FOR approval of the issuance of ProLogis common shares contemplated by the merger agreement.*

ProLogis Reasons for the Merger. The merger is part of ProLogis overall business strategy for growth through the acquisition and development of new properties and through strategic mergers and acquisitions. In reaching its decision to approve the merger agreement, ProLogis board of trustees consulted with ProLogis management, as well as its legal and financial advisors, and considered a number of factors, including the following principal positive factors (the order does not reflect the relative significance):

Larger Size. The combined company will have an estimated total market capitalization of $18 billion and is expected to be the sixth largest REIT overall by enterprise value (not including residential mortgage REITs) and about three times the size of the next-largest industrial REIT (as measured by square footage). The combined company will have total assets owned and under management in excess of $21 billion, representing over 350 million square feet. As a result of the larger size:

the combined company is expected to have greater operating and financial flexibility and better access to capital markets;

the combined company should be better positioned for future growth through development, fund contributions, management fees and free cash flow; and

the combined company should be able to consider future transactions that would not otherwise be possible.

Enhanced North American Property Portfolio in Key Markets. Catellus property portfolio includes a significant number of high quality bulk distribution assets that will increase ProLogis presence in the top six distribution markets in the United States (Northern California, Southern California, Chicago, Northern New Jersey, Dallas and Atlanta). Approximately 82% of Catellus industrial properties are located in those six markets, as compared to approximately 39% of ProLogis North American portfolio. After the merger, approximately 45% of the combined company s North American industrial portfolio square footage will be located in those six markets.

Increased Development Property Base and Capabilities. Catellus owns a significant number of development properties, including land positions that would support approximately 29 million buildable square feet in the United States. ProLogis believes that many of these properties are, or will be, good candidates for future delivery to property funds managed by the combined company. ProLogis also believes that the Catellus employees who are expected to continue with the combined company, including Ted R. Antenucci (currently the President of Catellus Commercial Development Corporation), will deepen and enhance ProLogis development capabilities.

Improved Overall Property Portfolio Age. As of December 31, 2004, the average age of Catellus industrial property portfolio was 7.2 years, with approximately 73% of its industrial properties having been built since 1995. ProLogis current wholly owned industrial property portfolio in North America has an average age of over 21 years. The disposition of $200 million to $400 million of ProLogis older, less strategic assets and the addition of Catellus newer industrial properties is consistent with ProLogis strategy to upgrade the quality of its property portfolio.

Deeper Customer Relationships. ProLogis believes that the merger will deepen its relationships with large, repeat multi-national customers. There is a significant overlap between Catellus existing customer base and ProLogis existing customer base, including eight of Catellus top ten customers (based on revenue generated by Catellus in 2004). ProLogis expects that this will provide the combined company with additional development demand and leasing opportunities.

Per Share Accretion. ProLogis expects that the merger will be accretive to its per share funds from operations (FFO) beginning in 2006. ProLogis believes that this accretion will primarily be due to general and administrative cost savings from the merger and the positive impact of integrating Catellus development operations into ProLogis property fund management business. ProLogis anticipates that significant cost savings will be realized from the merger, primarily from reductions of employee-related costs for asset management and corporate headcount. ProLogis estimates that cost savings achieved from the merger will be between $35 million and $39 million on a full-year basis following completion of the integration.

Table of Contents

Exchange Ratio; Cash Consideration. ProLogis believes that the 0.822 exchange ratio for the portion of the merger consideration that will be paid in ProLogis common shares and the $33.81 per share in cash, without interest, for the cash portion of the merger consideration represent a fair valuation of Catellus from ProLogis perspective. ProLogis also believes it is beneficial that both the exchange ratio and the per share cash consideration are fixed and that neither will fluctuate as a result of changes in the price of ProLogis common shares or Catellus common stock.

Opinion of Financial Advisor. ProLogis board of trustees also considered the financial presentation of Banc of America Securities, including its opinion, dated June 5, 2005, as to the fairness, from a financial point of view and as of the date of the opinion, to ProLogis of the merger consideration to be paid by ProLogis pursuant to the merger agreement, as more fully described elsewhere in this document.

ProLogis board of trustees recognized that there are risks associated with the merger and the merger agreement, including the following risks (the order does not reflect the relative significance):

Integration Risks. The operations, technologies and personnel of the two companies may not be successfully integrated. The merger will include risks commonly associated with similar transactions, including unanticipated liabilities, unanticipated costs and diversion of management s attention. The combined company may also experience operational interruptions or the loss of key employees or customers.

Tax Considerations Related to Catellus Prior Years Returns. Catellus is subject to pending audits by the IRS and the California Franchise Tax Board of its 1999 through 2002 income tax returns, including certain of its subsidiaries and partnerships. The unaudited pro forma condensed consolidated balance sheet included in this document reflects a liability that is ProLogis management s best estimate of the liabilities that may arise from these audits. Any tax liability will be assumed by ProLogis in the merger, and ProLogis may need to increase or decrease the amount of the pro forma tax liability after the completion of the merger due to changes in circumstances. The audits may result in an adjustment in which the actual liabilities or settlement costs, including interest and potential penalties, may prove to be more than the liability reflected in the unaudited pro forma condensed consolidated balance sheet. If the actual amount proves to be more than the reflected liability, then ProLogis will be required to make payments in an amount in excess of the reflected liability. ProLogis will also need to increase the pro forma liability by an accrual of interest after the completion of the merger. Any change in the liability after the merger (other than accrued interest) will be reflected in goodwill.

Tax Considerations Related to Catellus Recent Conversion to a REIT. Palmtree Acquisition Corporation, as the surviving corporation of the merger, will be subject to a federal corporate level tax at the highest regular corporate rate (currently 35%) on any gain recognized within ten years of Catellus conversion to a REIT from a sale of any assets that Catellus held at the effective time of its election to be a REIT, but only to the extent of the built-in-gain based on the fair market value of those assets on the effective date of the REIT election (which was January 1, 2004). ProLogis does not currently expect to dispose of any of those assets during that ten-year period if such a disposition would result in the imposition of a material tax liability unless ProLogis can elect a tax-deferred exchange of the property. However, certain assets are subject to third party purchase options that may require ProLogis to sell such assets, and those assets may carry deferred tax liabilities that would be triggered on such sales. Further, ProLogis plans may change, and, if such plans do change or if a purchase option is exercised, ProLogis may not be successful in structuring a tax-deferred exchange.

Uncertainty as to Accretion. The combined company may not realize the accretion to per share FFO that ProLogis expects from the merger. It is possible that the merger may be dilutive to per share FFO or one or more other measures of the combined company s financial performance in the

Table of Contents

future. Future events that could reduce or eliminate such accretion or cause such dilution include adverse changes in:

the expected costs of the merger and the expected costs of integrating Catellus business with ProLogis business;

the combined company s ability to contribute, and the timing of contribution of, certain of Catellus development properties into property funds managed by the combined company and recognition of the gains related to those contributions;

the combined company s ability to achieve anticipated cost savings from the merger;

the pending IRS and California Franchise Tax Board audits of Catellus prior years tax returns or the resolution or settlement of any issues that may arise from those audits;

competitive conditions;

environmental remediation costs and compliance expenses related to the combined company s properties;

costs to develop existing and future properties; and

general economic conditions and their effect on the REIT industry, including the combined company.

Expenses of the Merger. ProLogis and Catellus are expected to incur one-time, pre-tax closing costs of approximately $50.8 million in connection with the merger and one-time pre-tax expenses of approximately $39.2 million related to change in control provisions triggered by the merger and severance expenses related to headcount reductions after the merger is completed. ProLogis also expects to incur one-time, pre-tax cash and non-cash costs related to the integration of ProLogis and Catellus, which cannot be estimated at this time. The combined company may incur additional unanticipated costs and expenses in connection with the merger.

Possible Repayment/ Refinancing of Catellus Existing Debt. Completion of the merger could trigger a mandatory prepayment (including a penalty in some cases) of approximately $542 million of Catellus existing debt unless appropriate lender consents or waivers are received. If those consents and waivers cannot be obtained prior to completion of the merger, Catellus existing debt might need to be repaid and/or refinanced. This may result in higher-than-anticipated transaction expenses to ProLogis.

Fixed Merger Consideration. The exchange ratio and the per share cash consideration in the merger are fixed and will not fluctuate as a result of changes in the price of ProLogis common shares or Catellus common stock. While ProLogis believes that the merger consideration represents a fair valuation of Catellus from ProLogis perspective and that the fixed nature of the merger consideration is beneficial, it is possible that changes in the price of ProLogis common shares and/or Catellus common stock could cause the premium being paid by ProLogis to acquire Catellus to increase.

Investors and Analysts View of the Merger. The merger might be viewed negatively by investors or analysts. This could adversely affect the market price of ProLogis common shares before the merger or the combined company s share price after the merger.

Non-Industrial Assets. Catellus owns and leases non-industrial assets, such as office, hotel, residential and retail properties, that ProLogis does not have significant experience owning and operating. If ProLogis fails to successfully operate these non-industrial assets, the market price of ProLogis common shares may decline. In addition, if ProLogis determines to sell these non-industrial assets over time, it may not be successful in doing so or may not do so at attractive prices, which could also adversely affect the market price of ProLogis common shares.

Table of Contents

Closing Conditions May Not Be Satisfied. The merger might not be completed as a result of a failure to satisfy the conditions contained in the merger agreement or other reasons. Neither ProLogis nor Catellus is obligated to complete the merger unless the conditions in the merger agreement are satisfied or, in some cases, waived.

Other Risks. ProLogis board of trustees also considered the other factors described in the section of this document entitled Risk Factors.

The above discussion of the factors considered by ProLogis board of trustees is not intended to be exhaustive, but does set forth the principal positive and negative factors considered by ProLogis board of trustees. ProLogis board of trustees approved the merger agreement and the merger and recommended approval by ProLogis shareholders of the issuance of ProLogis common shares contemplated by the merger agreement in light of the various factors described above and other factors that each member of the ProLogis board felt were appropriate.

In view of the wide variety of factors considered by ProLogis board of trustees in connection with its evaluation of the merger and the complexity of these matters, ProLogis board of trustees did not consider it practical and did not attempt to quantify, rank or otherwise assign relative weights to the specific factors it considered in reaching its decision. Rather, ProLogis board of trustees made its recommendation based on the totality of information presented to and the investigation conducted by it. In considering the factors discussed above, individual trustees may have given different weights to different factors.

Recommendation of Catellus Board of Directors and Catellus Reasons for the Merger

Recommendation of Catellus Board of Directors. *Catellus board of directors has approved the merger agreement and the merger and declared that the merger agreement and the merger are advisable and fair to, and in the best interests of, Catellus and its stockholders. Catellus board of directors unanimously recommends that Catellus stockholders vote FOR the adoption of the merger agreement.*

In determining whether to vote FOR the adoption of the merger agreement, Catellus stockholders should be aware that some members of Catellus board of directors, as well as some Catellus executive officers, have or may have interests in the merger that may differ from, or are in addition to, the interests of Catellus stockholders generally. See the section in this document entitled The Merger Interests of Catellus Executive Officers and Directors in the Merger.

Catellus Reasons for the Merger. In determining whether to approve the merger agreement, Catellus board of directors considered a variety of factors that might impact the long-term as well as short-term interests of Catellus and its stockholders. As part of its deliberations, Catellus board of directors took into consideration the support of the merger by Catellus senior management and considered the historical, recent and prospective financial condition, results of operations, property holdings, share price, capitalization, and operating, strategic and financial risks of Catellus and ProLogis, considered separately for each entity and on a combined basis for the combined company. Catellus board of directors also considered the respective lines of business and personnel of the two companies.

In making the determination described above, Catellus board of directors consulted with Catellus legal advisors, accountants and financial advisors. Catellus board of directors considered a number of factors, including the following principal positive factors (the order does not reflect the relative significance):

- the premium, which is approximately 16.1% based on the closing sales price per share of Catellus common stock on June 3, 2005 (the last full trading day before the proposed merger was announced), that Catellus stockholders would receive for their shares of Catellus common stock in the merger;

- the Catellus board of directors belief that the combination of Catellus and ProLogis allows Catellus stockholders to participate in a stronger combined company based on the anticipated greater operational and financial flexibility of the combined company;

the expected increase in dividends to Catellus stockholders who receive ProLogis common shares, which based on the current dividend rate of each company would be about 13% per share per year;

the right of Catellus stockholders to elect merger consideration in the form of ProLogis common shares or cash, subject to the restriction that no more than $1.255 billion (or approximately 35%) of the Catellus common stock will be exchanged for cash;

the Catellus board of directors belief that the combined company will have greater access to capital than Catellus currently has in view of:

ProLogis demonstrated access to the public preferred and common equity capital markets, as well as global private capital markets through its property funds;

ProLogis investment grade credit ratings (BBB+/ Baa1) and strong borrowing capacity; and

the fact that ProLogis has a larger credit facility than Catellus;

the geographic and tenant diversification and customer and other synergies that are expected by combining the two companies, as well as the additional revenue opportunities afforded by ProLogis fund model;

the expectation that the combined company will offer the world s largest networks of distribution facilities and services, resulting in the opportunity to deepen relationships with multinational customers;

the Catellus board of directors familiarity with Catellus business and industry, and its belief, after consultation with its financial advisor, that it was unlikely that another party would have the ability to meet or exceed the economic and other terms being offered by ProLogis;

the increased liquidity resulting from ProLogis having significantly larger trading volumes than Catellus and the larger, more diverse stockholder base of the combined company;

other terms of the merger agreement, including:

Catellus board of directors has the right to respond to, and engage in discussions or negotiations regarding, unsolicited third party proposals for competing transactions under specified circumstances if the Catellus board concludes in good faith that the proposal is reasonably likely to result in a superior competing transaction;

as a condition to closing, the merger must qualify as a tax-free reorganization under the Internal Revenue Code with respect to holders of shares of Catellus common stock (see the section of this document entitled Material U.S. Federal Income Tax Considerations);

the fact that the completion of the merger is not conditioned on ProLogis obtaining third party consents or financing; and

the requirement for ProLogis to pay termination expenses to Catellus of $20 million if the merger agreement is terminated because of a breach by ProLogis or if the required ProLogis shareholder approval is not obtained;

the fact that ProLogis agreed to appoint Nelson C. Rising and one other member of Catellus board of directors to ProLogis board of trustees;

the opinion of Morgan Stanley that, as of the date of the opinion, and subject to and based on the assumptions made, procedures followed, matters considered and limitations of the review undertaken as set forth in its opinion, the consideration to be received by holders of Catellus common stock pursuant to the merger agreement was fair, from a financial point of view, to such holders;

the results of the due diligence review of, among other things, ProLogis business and operations, financial condition and management practices and procedures, conducted on behalf of Catellus board of directors by Catellus financial, accounting and legal advisors, as well as senior management; and

the compensation and severance arrangements proposed to be entered into in connection with the merger were viewed as reasonable and at the low end of the typical cost range by Mercer Human Resource Consulting.

Catellus board of directors also considered the following potentially negative factors, among others, in determining whether to approve the merger agreement and the merger (the order does not reflect the relative significance):

a significant portion of the consideration to be received by Catellus stockholders will be in the form of ProLogis common shares at a conversion rate that does not adjust to account for fluctuations in the market price of ProLogis common shares between signing and closing;

the potential negative effect on Catellus ability to retain key employees as a result of the public announcement of the merger or, possibly, the termination of the merger agreement;

the risk that the anticipated strategic and financial benefits of the merger may not be realized;

the potential for significant loss of value by Catellus stockholders, as well as the potential negative impact upon the operations and prospects of an independent Catellus, in the event that the merger is not completed, resulting from, among other things:

the significant costs and substantial management time and effort to effectuate the merger;

the requirement for Catellus to pay a termination fee of $90 million to ProLogis under certain specified circumstances; and

the requirement for Catellus to pay termination expenses to ProLogis of $8 million if, among other circumstances, the merger agreement is terminated because of a breach by Catellus or if the required Catellus stockholder approval is not obtained; and

the potential benefits to some of Catellus directors and executive officers, including severance payments and acceleration of vesting of stock options, restricted stock and restricted stock units (see the section of this document entitled The Merger Interests of Catellus Executive Officers and Directors in the Merger).

The above discussion of the factors considered by Catellus board of directors is not intended to be exhaustive, but does set forth the principal positive and negative factors considered by Catellus board of directors. Catellus board of directors unanimously approved the merger agreement and the merger and recommended the adoption of the merger agreement by Catellus stockholders in light of the various factors described above and other factors that each member of the Catellus board felt were appropriate.

In view of the wide variety of factors considered by Catellus board of directors in connection with its evaluation of the merger and the complexity of these matters, Catellus board of directors did not consider it practical and did not attempt to quantify, rank or otherwise assign relative weights to the specific factors it considered in reaching its decision. Rather, Catellus board of directors made its recommendation based on the totality of information presented to and the investigation conducted by it. In considering the factors discussed above, individual directors may have given different weights to different factors.

Opinions of Financial Advisors

Opinion of Banc of America Securities LLC Financial Advisor to ProLogis

ProLogis retained Banc of America Securities as its financial advisor in connection with the merger. Banc of America Securities is an internationally recognized investment banking firm which is regularly engaged in the valuation of businesses and securities in connection with mergers and acquisitions, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. ProLogis selected Banc of America Securities to act as its

financial advisor in connection with the merger on the basis of Banc of America Securities experience in transactions similar to the merger, its reputation in the REIT sector and investment community and its familiarity with ProLogis and its business.

On June 5, 2005, at a meeting of ProLogis board of trustees held to evaluate the merger, Banc of America Securities delivered to ProLogis board of trustees an oral opinion, which was confirmed by delivery of a written opinion dated June 5, 2005, to the effect that, as of the date of the opinion and based on and subject to various assumptions and limitations described in the opinion, the merger consideration to be paid by ProLogis pursuant to the merger agreement was fair, from a financial point of view, to ProLogis.

The full text of Banc of America Securities written opinion to ProLogis board of trustees, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, is attached as Annex B to this document and is incorporated by reference in its entirety into this document. ProLogis shareholders are encouraged to read the opinion carefully in its entirety. The following summary of Banc of America Securities opinion is qualified in its entirety by reference to the full text of the opinion. Banc of America Securities delivered its opinion to ProLogis board of trustees for the benefit and use of ProLogis board of trustees in connection with and for purposes of its evaluation of the merger consideration to be paid by ProLogis pursuant to the merger agreement. Banc of America Securities opinion does not address any other aspect of the merger and does not constitute a recommendation to any shareholder as to how to vote at the special meeting.

For purposes of its opinion, Banc of America Securities:

- reviewed publicly available financial statements and other business and financial information of ProLogis and Catellus, respectively;
- reviewed internal financial statements and other financial and operating data concerning ProLogis and Catellus, respectively;
- reviewed financial forecasts relating to ProLogis and Catellus provided to or discussed with Banc of America Securities by the managements of ProLogis and Catellus, respectively;
- reviewed and discussed with ProLogis senior executives information relating to cost savings and strategic, financial and operational benefits anticipated by ProLogis management to result from the merger;
- discussed with ProLogis senior executives the past and current operations and financial condition of ProLogis and Catellus and their prospects, and discussed with Catellus senior executives the past and current operations, financial condition and prospects of Catellus;
- reviewed the potential pro forma financial impact of the merger on ProLogis funds from operations per share and financial ratios;
- reviewed the reported prices and trading activity for ProLogis common shares and Catellus common stock;
- compared the financial performance of ProLogis and Catellus and the prices and trading activity of ProLogis common shares and Catellus common stock with each other and with that of certain other publicly traded companies which Banc of America Securities deemed relevant;
- compared financial terms of the merger to financial terms, to the extent publicly available, of certain other business combination transactions which Banc of America Securities deemed relevant;

participated in discussions and negotiations among representatives of ProLogis, Catellus and their respective advisors;

Table of Contents

reviewed the merger agreement; and

performed other analyses and considered other factors as Banc of America Securities deemed appropriate.

Banc of America Securities assumed and relied on, without independent verification, the accuracy and completeness of the financial and other information reviewed by it for the purposes of its opinion. Banc of America Securities also assumed, at ProLogis direction, that the financial forecasts relating to ProLogis provided to or discussed with Banc of America Securities by ProLogis management, including information relating to cost savings and strategic, financial and operational benefits anticipated by ProLogis management to result from the merger, were reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of ProLogis management as to ProLogis future financial performance and the other matters covered by such forecasts. Banc of America Securities further assumed, upon Catellus advice and at ProLogis direction, that the financial forecasts relating to Catellus provided to or discussed with Banc of America Securities by Catellus management were reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of Catellus management as to Catellus future financial performance. Banc of America Securities relied, at ProLogis direction, on the assessments of ProLogis management as to ProLogis ability to achieve the cost savings and strategic, financial and operational benefits anticipated by ProLogis management to result from the merger, and Banc of America Securities assumed, at ProLogis direction, that such cost savings and strategic, financial and operational benefits would be realized in the amounts and at the times projected. In addition, Banc of America Securities assumed, with ProLogis consent, that the merger would qualify for federal income tax purposes as a reorganization under the provisions of Section 368(a) of the Internal Revenue Code and that the merger would be consummated as provided in the merger agreement, with full satisfaction of all covenants and conditions contained in the merger agreement and without any waivers. Banc of America Securities was advised by the managements of ProLogis and Catellus that each of ProLogis and Catellus has operated in conformity with the requirements for qualification as a REIT for U.S. federal income tax purposes since its formation as a REIT, and Banc of America Securities further assumed, with ProLogis consent, that the merger would not adversely affect the status or operations of ProLogis or Catellus as a REIT.

Banc of America Securities did not make any independent valuation or appraisal of ProLogis assets or liabilities (tax, contingent or otherwise), and Banc of America Securities was not furnished with any such valuations or appraisals. Banc of America Securities expressed no view or opinion as to any terms or aspects of the transactions contemplated by the merger agreement other than the merger consideration to the extent expressly specified in its opinion, including the form or structure of the merger or any election, proration or allocation procedures contained in the merger agreement. In addition, Banc of America Securities expressed no opinion as to the relative merits of the merger in comparison to other transactions available to ProLogis or in which ProLogis might engage or as to whether any transaction might be more favorable to ProLogis as an alternative to the merger, nor did Banc of America Securities express any opinion as to the underlying business decision of ProLogis board of trustees to proceed with or effect the merger. Banc of America Securities expressed no opinion as to what the value of ProLogis common shares would be when issued in the merger or the prices at which ProLogis common shares or Catellus common stock would trade at any time. Except as described above, ProLogis imposed no limitations on the investigations made or procedures followed by Banc of America Securities in rendering its opinion.

Banc of America Securities opinion was necessarily based on economic, market and other conditions as in effect on, and the information made available to Banc of America Securities as of, the date of its opinion. Accordingly, although subsequent developments may affect its opinion, Banc of America Securities did not assume any obligation to update, revise or reaffirm its opinion.

The following represents a summary of the material financial analyses presented by Banc of America Securities to ProLogis board of trustees in connection with its opinion. **The financial analyses summarized below include information presented in tabular format. In order to fully understand the financial analyses performed by Banc of America Securities, the tables must be read together with the text of each**

summary. The tables alone do not constitute a complete description of the financial analyses performed by Banc of America Securities. Considering the data in the tables below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses performed by Banc of America Securities. For purposes of the analyses summarized below, the implied blended per share value of the merger consideration was calculated based on ProLogis closing share price on June 2, 2005 of $41.32, assuming the issuance of approximately 56.9 million ProLogis common shares and the payment of approximately $1.3 billion in aggregate cash consideration in the merger. For purposes of calculating implied per share equity reference ranges for Catellus in the Analysis of Selected Publicly Traded Companies and Analysis of Selected Precedent Transactions, and to derive funds from operations, or FFO, multiples for Catellus in the Trading Multiples Analysis, each as described below, Banc of America Securities utilized an estimated value for Catellus non-income producing assets and excess land of $2.08 per share, which was the midpoint of the range of values for these assets calculated by Banc of America Securities based on, in the case of excess land, book values as reflected on Catellus balance sheet as of March 31, 2005 (adjusted by applying a premium of 10% to 25% to such book values and assuming an excess land inventory percentage of between 20% and 30%) and, in the case of other non-income producing assets of Catellus, guidance from ProLogis and Catellus managements.

Catellus Analyses

Net Asset Valuation Analysis. Banc of America Securities performed a net asset valuation of Catellus based on a valuation of Catellus income producing properties by asset type on a portfolio basis and a valuation of Catellus other assets and liabilities on Catellus March 31, 2005 balance sheet based on guidance from ProLogis and Catellus managements. The estimated value of Catellus income-producing properties was generally calculated by applying a range of weighted average capitalization rates of 5.9% to 6.4% to Catellus estimated annualized first quarter 2005 net operating income for such properties. Estimated financial data for Catellus income-producing properties were based on internal estimates provided to or discussed with Banc of America Securities by Catellus management. Other asset values were based on, in the case of certain development assets and core land, book values as reflected on Catellus balance sheet as of March 31, 2005 (adjusted by applying a premium of 10% to 25% to such book values) and, in the case of other assets, guidance from ProLogis and Catellus managements. This analysis indicated the following implied per share equity reference range for Catellus, as compared to the implied blended per share value of the merger consideration:

Implied Per Share Equity Reference Range for Catellus	Implied Blended Per Share Value of Merger Consideration
$30.98 - $34.28	$33.91

Analysis of Selected Publicly Traded Companies. Banc of America Securities reviewed publicly available financial and stock market information for the following seven selected REITs:

CenterPoint Properties Trust;

AMB Property Corporation;

EastGroup Properties, Inc.;

Liberty Property Trust;

Duke Realty Corporation;

First Industrial Realty Trust, Inc.; and

ProLogis.

Using publicly available information, Banc of America Securities reviewed, among other things, closing stock prices on June 2, 2005 as a multiple of calendar years 2005 and 2006 estimated FFO per share. Estimated FFO per share for the selected REITs was based on First Call consensus estimates. Banc of America Securities then applied a range of selected calendar years 2005 and 2006 estimated FFO multiples derived from the selected REITs to corresponding data of Catellus. Estimated financial data for Catellus were based on internal estimates provided to or discussed with Banc of America Securities by Catellus management. This analysis indicated the following implied per share equity reference ranges for Catellus (inclusive of the estimated per share value of Catellus non-income producing assets and excess land of $2.08), as compared to the implied blended per share value of the merger consideration:

Implied Per Share Equity Reference Ranges for Catellus Based on:		
2005E FFO	**2006E FFO**	**Implied Blended Per Share Value of Merger Consideration**
$27.81 - $29.47	$27.60 - $29.36	$33.91

No company or business used in this analysis is identical to Catellus or its business. Accordingly, an evaluation of the results of this analysis is not entirely mathematical. Rather, this analysis involves complex considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the public trading or other values of the companies or business segments to which Catellus was compared.

Analysis of Selected Precedent Transactions. Banc of America Securities reviewed financial information relating to the following three selected transactions in the non-industrial REIT sector and five selected transactions in the industrial/office REIT sector:

Selected Non-Industrial REIT Transactions

Announcement Date	Acquiror	Target
10/4/04	Camden Property Trust	Summit Properties Inc.
8/20/04	General Growth Properties, Inc.	Rouse Co.
6/21/04	Simon Property Group, Inc.	Chelsea Property Group, Inc.

Selected Industrial/Office REIT Transactions

Announcement Date	Acquiror	Target
5/3/04	ProLogis	Keystone Property Trust
10/28/01	CalWest Industrial	Cabot Industrial
2/23/01	Equity Office Properties	Spieker Properties, Inc.
3/1/99	Duke Realty Investments Inc.	Weeks Corporation
11/17/98	ProLogis Trust	Meridian Industrial Trust, Inc.

Using publicly available information, Banc of America Securities calculated equity values as a multiple of latest 12 months FFO. Banc of America Securities then applied a range of selected latest 12 months FFO multiples derived from the selected transactions to corresponding data for Catellus, focusing primarily on the selected non-industrial REIT transactions and the ProLogis/ Keystone Property Trust transaction given that they were the most recent REIT transactions and more reflective of current market conditions for REITs. Estimated financial data for the selected transactions were based on public filings and other publicly available information. Estimated financial data for Catellus were based on internal estimates provided to or discussed with Banc of America Securities by Catellus management. This analysis indicated the following implied per share equity reference range for Catellus (inclusive of the estimated per share value of Catellus non-income producing assets and excess land of $2.08), as compared to the implied blended per share value of the merger consideration:

Implied Per Share Equity Reference Range for Catellus Based on Latest 12 Months FFO	Implied Blended Per Share Value of Merger Consideration
$24.58 - $33.58	$33.91

No company, transaction or business used in this analysis is identical to Catellus or the merger. Accordingly, an evaluation of the results of these analyses is not entirely mathematical. Rather, these analyses involve complex considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the acquisition or other values of the companies, business segments or transactions to which Catellus and the merger were compared.

Discounted Cash Flow Analysis. Banc of America Securities performed a discounted cash flow analysis in which it calculated the estimated present value of the projected unlevered free cash flows that Catellus was expected to generate during the second half of fiscal year 2005 through fiscal year 2009 and the terminal value of Catellus at the end of such period. The terminal value range for Catellus was calculated based on Catellus fiscal year 2010 estimated net operating income, less non-cash income, plus management and development fees and equity in joint venture earnings, and a range of capitalization rates from 6.0% to 7.0%, plus the estimated terminal value of core land. Estimated financial data for Catellus were based on internal estimates provided to or discussed with Banc of America Securities by Catellus management. Cash flows and terminal values were discounted to present value as of June 30, 2005 using discount rates ranging from 7.5% to 8.5%. This analysis indicated the following implied per share equity reference range for Catellus, as compared to the implied blended per share value of the merger consideration:

Implied Per Share Equity Reference Range for Catellus	Implied Blended Per Share Value of Merger Consideration
$28.85 - $36.39	$33.91

Premiums Paid Analysis. Banc of America Securities reviewed the premiums paid in 44 selected REIT transactions announced since January 1, 1998, including 22 all cash transactions, 14 all stock transactions and eight transactions utilizing mixed consideration. Banc of America Securities reviewed the purchase prices paid in the selected transactions relative to the target companies closing stock prices one day, and the average of the target companies closing stock prices for the two weeks, prior to public announcement of the transaction. Banc of America Securities then compared the median premiums implied over these periods for each type of selected transaction with the premiums implied in the merger by the implied blended per share value of the merger consideration relative to the closing price of Catellus common stock one day, and the average of the closing prices of Catellus common stock for the two weeks, prior to June 2, 2005. This analysis yielded the following median premiums paid in the selected transactions, as compared to the implied premiums paid in the merger:

	Median Premiums Paid in Selected Transactions			Premiums Implied in Merger Based on Implied Blended Per Share Value of Merger
Specified Period:	**All Cash**	**All Stock**	**Mixed Consideration**	**Consideration**
One day	13.3%	10.1%	12.5%	15.5%
Two-week average	16.0%	9.2%	12.9%	16.1%

No company, transaction or business used in this analysis is identical to Catellus or the merger. Accordingly, an evaluation of the results of these analyses is not entirely mathematical. Rather, these analyses involve complex considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the acquisition, public trading or other values of the companies, business segments or transactions to which Catellus and the merger were compared.

ProLogis Analysis

Trading Multiples Analysis. Banc of America Securities reviewed publicly available financial and stock market information for ProLogis and the following seven selected REITs:

CenterPoint Properties Trust;

AMB Property Corporation;

EastGroup Properties, Inc.;

Liberty Property Trust;

Duke Realty Corporation;

First Industrial Realty Trust, Inc.; and

Catellus.

Using publicly available information, Banc of America Securities reviewed, among other things, closing stock prices on June 2, 2005 as a multiple of calendar years 2005 and 2006 estimated FFO. Estimated FFO per share for the selected REITs and ProLogis was based on First Call consensus estimates. Multiples for Catellus were derived both before and after deducting the estimated per share value of Catellus non-income producing assets and excess land of $2.08 from Catellus closing stock price on June 2, 2005. This analysis indicated the following high and low implied FFO multiples for the selected REITs, as compared to corresponding multiples for ProLogis based on the closing price of ProLogis common shares on June 2, 2005:

Closing Share Price as Multiple of:	Implied Multiples for Selected Companies High	Implied Multiples for Selected Companies Low	Implied Multiples for Prologis
2005E FFO	18.1x	11.2x	16.1x
2006E FFO	16.6x	10.7x	14.3x

No company or business used in this analysis is identical to ProLogis or its business. Accordingly, an evaluation of the results of this analysis is not entirely mathematical. Rather, this analysis involves complex considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the public trading or other values of the companies or business segments to which ProLogis was compared.

Historical Exchange Ratio Analysis

Banc of America Securities reviewed the historical ratio of the daily closing prices of Catellus common stock to the daily closing prices of ProLogis common shares on June 2, 2005 and for the six-month and one-year periods preceding June 2, 2005. This analysis indicated the following implied exchange ratios for these specified periods, as compared to the exchange ratio provided for in the merger of 0.822 of a ProLogis common share, and the corresponding premiums implied by the exchange ratio provided for in the merger:

Specified Period:	Exchange Ratio	Premium Implied by 0.822 Merger Exchange Ratio
June 2, 2005	0.711	15.7%
Six-month average	0.714	15.1%
One-year average	0.736	11.6%
One-year high	0.798	3.0%
One-year low	0.689	19.3%

Pro Forma Merger Accretion/ Dilution Analysis

Banc of America Securities analyzed the potential pro forma effect of the merger on ProLogis estimated FFO for fiscal years 2006 and 2007 based on financial forecasts and estimates provided to or discussed with Banc of America

Securities by the managements of ProLogis and Catellus after giving effect to cost savings and strategic, financial and operational benefits anticipated by ProLogis management to result from the merger. Based on the implied blended per share value of the merger consideration, this analysis indicated that the merger could be accretive to ProLogis estimated FFO for fiscal years 2006 and 2007. The actual results achieved by the combined company may vary from projected results and the variations may be material.

Table of Contents

Other Factors

In rendering its opinion, Banc of America Securities also reviewed and considered other factors, including:

the annual general and administrative savings estimated by the managements of ProLogis and Catellus to be realized from the merger and the estimated per share value range attributable to such savings;

historical FFO multiples of a composite of companies in the industrial REIT sector and a composite of large-cap REITs during the period from January 1, 2002 through June 2, 2005;

historical trading prices and trading volumes of ProLogis common shares and Catellus common stock during the two-year period ended June 2, 2005, and historical trading volumes of ProLogis common shares and Catellus common stock at various price ranges during the 12-month period ended June 2, 2005;

the relationship between movements in the indexed total return on ProLogis common shares, Catellus common stock, a composite of selected REITs and the Morgan Stanley REIT Index during the two-year period ended June 2, 2005;

FFO payout and leverage ratios of each of ProLogis and Catellus on a stand-alone basis and of ProLogis pro forma for the merger; and

publicly available research analysts reports for ProLogis and Catellus, including FFO estimates reflected in those reports.

Miscellaneous

As noted above, the discussion set forth above is merely a summary of the material financial analyses performed by Banc of America Securities and is not a comprehensive description of all analyses undertaken by Banc of America Securities in connection with its opinion. The preparation of a financial opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a financial opinion is not readily susceptible to partial analysis or summary description. Banc of America Securities believes that its analyses and the summary above must be considered as a whole. Banc of America Securities further believes that selecting portions of its analyses and the factors considered or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying Banc of America Securities analyses and opinion. Banc of America Securities did not assign any specific weight to any of the analyses described above. The fact that any specific analysis has been referred to in the summary above is not meant to indicate that such analysis was given greater weight than any other analysis.

In performing its analyses, Banc of America Securities considered industry performance, general business and economic conditions and other matters, many of which are beyond the control of ProLogis and Catellus. The estimates of the future performance of ProLogis and Catellus provided by the managements of ProLogis and Catellus in or underlying Banc of America Securities analyses are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than those estimates or those suggested by Banc of America Securities analyses. These analyses were prepared solely as part of Banc of America Securities analysis of the financial fairness of the merger consideration to be paid by ProLogis pursuant to the merger agreement and were provided to ProLogis board of trustees in connection with the delivery of Banc of America Securities opinion. The analyses do not purport to be appraisals or to reflect the prices at which a company might actually be sold or the prices at which any securities have traded or may trade at any time in the future. Accordingly, the estimates used in, and the ranges of valuations resulting from, any particular analysis described above are

Table of Contents

inherently subject to substantial uncertainty and should not be taken to be Banc of America Securities view of the actual value of ProLogis or Catellus.

The type and amount of consideration payable in the merger were determined through negotiations between ProLogis and Catellus, rather than by any financial advisor, and were approved by ProLogis board of trustees. The decision to enter into the merger agreement was solely that of ProLogis board of trustees. Banc of America Securities opinion and analyses were only one of many factors considered by ProLogis board of trustees in making its determination to approve the merger agreement and to recommend that ProLogis shareholders approve the issuance of ProLogis common shares as contemplated by the merger agreement, and should not be viewed as determinative of the views of ProLogis board of trustees or management with respect to the merger or the merger consideration.

ProLogis has agreed to pay Banc of America Securities for its services in connection with the merger an aggregate fee of approximately $8.0 million, a portion of which was payable in connection with the delivery of Banc of America Securities opinion and a significant portion of which is contingent upon the completion of the merger. ProLogis board of trustees was aware of this fee structure, including the fact that a significant portion of the aggregate fee payable to Banc of America Securities is contingent upon the completion of the merger. ProLogis also has agreed to indemnify Banc of America Securities, any controlling person of Banc of America Securities and each of their respective directors, officers, employees, agents, affiliates and representatives against specified liabilities, including liabilities under the federal securities laws.

Banc of America Securities or its affiliates in the past have provided, currently are providing, and in the future may provide, financial advisory and financing services to ProLogis, for which services Banc of America Securities or its affiliates have received and would expect to receive compensation, including having acted as joint book-running manager on certain bond and commercial mortgage-backed securities offerings, and as senior co-manager on a preferred share offering, of ProLogis. Banc of America Securities also has acted as lead arranger and book-running manager for, and its affiliate, Bank of America, N.A., is a lender under, and serves as documentation or administrative agent for, certain credit facilities of ProLogis. ProLogis has advised Banc of America Securities that certain of these credit facilities are expected to be utilized to finance a portion of the aggregate cash consideration payable in the merger. Bank of America, N.A. also currently serves as a lender under, and as administrative agent for, an existing credit facility of Catellus, and Banc of America Securities has acted as lead arranger and book-running manager for this credit facility, for which services Banc of America Securities and Bank of America, N.A. have received, and will receive, compensation. In addition, Banc of America Specialist Inc., an affiliate of Banc of America Securities, acts as a specialist for Catellus common stock on the New York Stock Exchange. In the ordinary course of its businesses, Banc of America Securities and its affiliates may actively trade or hold the securities or loans of ProLogis and Catellus for their own accounts or for the accounts of customers and, accordingly, Banc of America Securities or its affiliates may at any time hold long or short positions in these securities or loans.

Opinion of Morgan Stanley & Co. Incorporated Financial Advisor to Catellus

Catellus retained Morgan Stanley to provide financial advisory services and a financial opinion in connection with the proposed merger. Catellus board of directors selected Morgan Stanley to act as Catellus financial advisor based on Morgan Stanley s qualifications, experience, reputation and its knowledge of the business and affairs of Catellus. On June 5, 2005, Morgan Stanley delivered an oral opinion, subsequently confirmed in writing, to Catellus board of directors that, as of that date and based upon and subject to the assumptions, qualifications and limitations set forth in the opinion, the consideration to be received by the holders of shares of Catellus common stock pursuant to the merger agreement was fair from a financial point of view to such holders.

The full text of Morgan Stanley s written opinion, dated June 5, 2005, which sets forth, among other things, assumptions made, procedures followed, matters considered and qualifications and limitations on the review undertaken in rendering the opinion, is attached as Annex C to this document. You are urged

Table of Contents

to, and should, read the opinion carefully and in its entirety. Morgan Stanley s opinion is directed to Catellus board of directors, addresses only the fairness, from a financial point of view, of the consideration to be received by Catellus stockholders in the merger agreement and does not address any other aspect of the merger or constitute a recommendation to any Catellus stockholder as to how to vote at the Catellus special meeting or what election such stockholder should make with respect to the consideration offered. This summary is qualified in its entirety by reference to the full text of such opinion.

In connection with rendering its opinion, Morgan Stanley:

reviewed certain publicly available financial statements and other business and financial information of Catellus and ProLogis, respectively;

reviewed certain internal financial statements and other financial and operating data concerning Catellus and ProLogis prepared by the managements of Catellus and ProLogis, respectively;

reviewed certain internal financial projections prepared by the managements of Catellus and ProLogis, respectively;

discussed the past and current operations and financial condition and the prospects of Catellus and ProLogis with senior executives of Catellus and ProLogis, respectively;

reviewed the reported prices and trading activity for Catellus common stock and ProLogis common shares;

compared the financial performance of Catellus and ProLogis and the prices and trading activity of Catellus common stock and ProLogis common shares with that of certain other publicly-traded companies comparable with Catellus and ProLogis, respectively, and their securities;

reviewed the financial terms, to the extent publicly available, of certain comparable transactions;

reviewed information relating to certain strategic, financial and operational benefits anticipated from the merger, prepared by the management of ProLogis;

reviewed the pro forma impact of the merger on ProLogis funds from operations per share, consolidated capitalization, and financial ratios;

participated in discussions and negotiations among representatives of Catellus, Catellus legal advisors, ProLogis, and ProLogis financial and legal advisors;

reviewed the draft merger agreement dated June 5, 2005 and certain related documents; and

considered such other factors and performed such other analyses as Morgan Stanley deemed appropriate.

In arriving at its opinion, Morgan Stanley assumed and relied upon without independent verification the accuracy and completeness of the information supplied or otherwise made available to Morgan Stanley by Catellus and ProLogis for the purposes of its opinion. With respect to the financial projections, including the estimates of cost savings expected to be derived from the merger and the pro forma accounting for the merger, and other information relating to certain strategic, financial and operational benefits anticipated from the merger, Morgan Stanley assumed that they were reasonably prepared on bases reflecting the then best currently available estimates and judgments of the future financial performance of Catellus and ProLogis. In addition, Morgan Stanley assumed that the merger would be consummated in accordance with the terms set forth in the draft merger agreement dated June 5, 2005 without any waiver, amendment or delay of any terms or conditions, including, among other things, that the merger will be treated as a tax-free reorganization pursuant to the Internal Revenue Code. Morgan Stanley is not a legal, tax or regulatory advisor and it relied upon, without independent verification, the assessment of Catellus and ProLogis and their legal, tax and regulatory advisors with respect to legal, tax and regulatory matters. Morgan Stanley did not make any independent valuation or appraisal of the assets and liabilities of Catellus, nor was Morgan Stanley furnished with any such appraisals. The opinion of

Morgan Stanley was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to Morgan Stanley as of, June 5, 2005. Events occurring after such date may affect Morgan Stanley s opinion and the assumptions used in preparing it, and Morgan Stanley did not assume any obligation to update, revise or reaffirm its opinion.

The following is a summary of the material financial analyses performed by Morgan Stanley in connection with its oral opinion and the preparation of its written opinion dated June 5, 2005. Although each financial analysis was provided to the Catellus board, in connection with arriving at its opinion, Morgan Stanley considered all of its analyses as a whole and did not attribute any particular weight to any analysis described below. These summaries of financial analyses include information presented in tabular format. In order to fully understand the financial analyses used by Morgan Stanley, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data in the tables below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of Morgan Stanley s financial analyses.

For purposes of its analysis, Morgan Stanley calculated the implied merger consideration assuming that in the aggregate, 35% of the consideration for shares of Catellus common stock in the merger would consist of $33.81 in cash and 65% of the consideration for shares of Catellus common stock in the merger would consist of 0.822 of a ProLogis common share, valued at $41.37 per share as of June 3, 2005. Morgan Stanley calculated that the implied merger consideration was $33.94 per share of Catellus common stock as of June 3, 2005.

Catellus Standalone Valuation

Historical Share Price Performance. Morgan Stanley reviewed the historical trading prices for shares of Catellus common stock and for ProLogis common shares from June 3, 2004 to June 3, 2005 to provide it with an understanding of the trading history of Catellus common stock and ProLogis common shares. In addition, Morgan Stanley computed the implied merger consideration premium at different points during the period using historical trading prices for shares of ProLogis common stock. The table below presents the Catellus common stock and ProLogis common share prices based on specified parameters during the

Table of Contents

period and presents the premium to such prices implied by the consideration to be paid pursuant to the merger agreement.

For the Period Ending June 3, 2005 (Unless Otherwise Noted)	**Catellus Share Price**	**Implied Merger Consideration Premium**	**ProLogis Share Price**	**Same Way Implied Offer Price(1)**	**Same Way Implied Merger Consideration Premium**
May 18, 2005	$ 28.87	17.1%	$ 41.13	$ 33.81	17.1%
June 3, 2005	$ 29.24	16.1%	$ 41.37	$ 33.94	16.1%
Unaffected price(2)	$ 28.89	17.5%	$ 41.02	$ 33.75	16.8%
Prior six months average	$ 28.43	19.4%	$ 39.77	$ 33.08	16.4%
Prior 12 months average	$ 27.70	22.5%	$ 37.67	$ 31.96	15.4%
June 3, 2004	$ 24.49	38.6%	$ 32.10	$ 28.98	18.4%
All-time high closing	$ 32.04	5.9%	$ 43.33	$ 34.98	9.2%
All-time high closing adjusted for $0.45 special dividend(3)	$ 31.59	7.4%			
Prior 12 months implied peer high(4)	$ 28.02	21.1%			
Prior 12 months implied peer high adjusted for $0.45 special dividend	$ 27.57	23.1%			
Wall street average NAV	$ 26.27	29.2%	$ 32.99	$ 29.46	12.1%
Green Street NAV	$ 26.00	30.5%	$ 32.00	$ 28.93	11.3%

(1) Represents implied offer price using ProLogis share price for the period shown.

(2) The unaffected price is the ten day average price as of May 26, 2005, which was five trading days prior to announcement.

(3) Catellus paid a $0.45 per share special dividend to shareholders of record on December 28, 2004.

(4) Represents prior 12 months implied high price assuming Catellus common stock had performed in line with the index of selected comparable companies.

Net Asset Valuation Analysis. Morgan Stanley also analyzed Catellus as a function of the net value of its assets. Morgan Stanley calculated the net asset value per share for Catellus using Catellus first quarter 2005 net operating income on a market and property type basis as provided by Catellus management and asset and liability balances as of March 31, 2005 as provided in publicly available filings. Morgan Stanley applied a range of capitalization rates to annualized first quarter 2005 net operating income for the income-producing properties. For the industrial assets, a cap rate range of 6-8% was applied, resulting in a weighted average cap rate range of 6.3-7.3%. For the office assets, a cap rate range of 6.5-8.25% was applied, resulting in a weighted average cap rate range of 6.87-7.87%. For the retail assets, a cap rate range of 5.75-7.75% was applied, resulting in a weighted average cap rate range of 5.81-6.81%. Where detailed cash flows were available, ground leases were valued with discount rates ranging from 5-8%, depending on lease duration and purchase options. Where detailed cash flows were not available, ground leases were valued using capitalization rates ranging from 8-10%. The analysis assumed no additional net operating income from future acquisitions. Additionally, Morgan Stanley derived a value for Catellus   operating joint ventures by applying capitalization rates of 7% to 10.0% to annualized first quarter 2005 net operating income provided by Catellus management. Office buildings under contract were valued at prices under these contracts. Other land developments were valued using discounted cash flow analyses based on discount rates of 9% to 21% on Catellus management s projections of future operating and investment cash flows. Morgan Stanley assumed a value of core land at 100% to 110% of its March 31, 2005 book value. Construction in progress was based on Catellus management s estimated value upon completion, with adjustment for the estimated cost of completion. The total resulting real estate value less applicable taxes ranged from $3.9 billion to $4.5 billion.

Table of Contents

Catellus cash balance as of March 31, 2005 was added to the gross real estate value along with net non-core segment assets valued using discounted cash flow analyses based on discount rates of 6% to 11% to estimate land values, notes receivable at book value and an adjustment for net liabilities. The resulting gross asset value of $4.1 billion to $4.7 billion was reduced by the estimated market value of debt and the remaining costs to complete development as of March 31, 2005 and estimated merger transaction costs to arrive at an equity net asset value. This analysis indicated a net asset range of between $25.45 and $31.16 per outstanding share of Catellus common stock.

Morgan Stanley noted that the implied merger consideration as of June 3, 2005 was $33.94 per share of Catellus common stock.

Comparable Company Analysis. Morgan Stanley compared Catellus with publicly traded companies that share similar characteristics with Catellus. These companies include:

- AMB Property Corporation;
- Bedford Property Investors, Inc.;
- CenterPoint Properties Trust;
- Duke Realty Corporation;
- EastGroup Properties, Inc.;
- First Industrial Realty Trust, Inc.;
- Liberty Property Trust;
- ProLogis; and
- PS Business Parks.

Morgan Stanley reviewed the following financial metrics of the comparable companies:

- share prices (using closing share prices as of June 2, 2005) to consensus 2005 and 2006 funds from operations per share estimates from First Call Corporation;
- estimated price/2005 funds from operations multiples to total returns (the sum of existing indicated dividend yield and First Call 5-year growth estimates);
- current dividends to the share prices; and
- share prices to consensus net asset value per share estimates from a subscription database.

Based upon the comparable company metrics, Morgan Stanley applied the range of multiples to Catellus management projections and added $0.94 per share for the estimated value of non-core assets, resulting in a value per share of $25.06 - $29.79.

Morgan Stanley noted that the implied merger consideration as of June 3, 2005 was $33.94 per share of Catellus common stock.

Although the comparable companies in this analysis were compared to Catellus and ProLogis for purposes of this analysis, Morgan Stanley noted that no company utilized in this analysis is identical to Catellus or ProLogis because of differences between the assets, regulatory environment, operations and other characteristics of Catellus, ProLogis and the comparable companies. In evaluating the comparable companies and in selecting the multiple ranges it used in its analysis, Morgan Stanley necessarily made judgments and assumptions with regard to industry performance, general business, economic, regulatory, market and financial conditions and other matters, many of which are beyond the control of Catellus and ProLogis, such as the impact of competition on the business of Catellus and ProLogis and on the industry generally, industry growth and the absence of any adverse material change in the financial condition and prospects of Catellus and ProLogis or the industry or in the markets generally. Mathematical analysis

Table of Contents

(such as determining the average or median) is not in itself a meaningful method of using comparable company data.

Dividend Discount Model. Morgan Stanley performed a discounted cash flow analysis, calculated as of September 30, 2005, of the cash flows to holders of Catellus common stock for the period from 2005 to 2009. Funds from operations and dividends per share for 2005 to 2007 were based upon estimates provided by Catellus management. Funds from operations per share for 2008 and 2009 were arrived at by applying the 2004-2007 funds from operations compounded annual growth rate to such years. Dividends per share were arrived at by growing the prior year s dividend by 50% of the annual funds from operations growth rate. Morgan Stanley employed terminal forward 12-month funds from operations multiples to projected 2010 funds from operations per share ranging from 14.5x to 16.5x, utilized discount rates reflecting an equity cost of capital ranging from 9.0% to 11.0% and added $0.94 per share for the estimated value of non-core assets. Based upon the projected cash flows to equity for the years 2005 through 2009, the range of present values per share of Catellus common stock was $24.34 to $29.14.

Morgan Stanley noted that the implied merger consideration as of June 3, 2005 was $33.94 per share of Catellus common stock.

Premiums Paid in Selected Precedent Transactions Analysis. Morgan Stanley analyzed Catellus using publicly available information from 27 precedent transactions and analyzed the premiums/ discounts paid in these transactions over prevailing market prices, 52-week high closing prices and, where available, net asset value per share estimates as provided by Green Street Advisors, Inc. before the announcement of these transactions.

Morgan Stanley selected transactions in the last five years based on one of the following criteria: (1) mergers of large, publicly-traded real estate investment trusts in the broader real estate industry; or (2) mergers within the industrial sector. Based upon an analysis of 26 transactions, the following premiums were noted.

	Premium to Unaffected Price	**Premium to 52-week High Closing Price**	**Premium to Green Street NAV**
Mean	14.7%	4.9%	16.5%
Median	12.2%	3.0%	12.4%
Mean Excluding High-End Regional Malls	12.7%	2.8%	12.6%
Median Excluding High-End Regional Malls	11.2%	2.4%	8.6%

Based on its review of these transactions, Morgan Stanley selected the following ranges for the unaffected closing price, the 52-week high closing price and the Green Street Research net asset value.

	Selected Range	**Implied Value Per Share of Catellus Common Stock**
Premium/ (Discount) to Unaffected Price	10.0% - 20.0%	$ 31.78 - $34.67
Premium/ (Discount) to 52-Week High Closing Price	(7.5)% - 7.5%	$ 29.64 - $34.44
Premium/ (Discount) to Green Street NAV	5.0% - 30.0%	$ 27.30 - $33.80
Average		$ 29.57 - $34.30

Morgan Stanley noted that the implied merger consideration as of June 3, 2005 was $33.94 per share of Catellus common stock.

No transaction utilized in the selected precedent transactions analysis is identical to the merger. In evaluating the transactions, Morgan Stanley made judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Catellus or ProLogis, such as the impact of competition on Catellus or ProLogis and the industry generally, industry growth and the absence of any adverse material change in the financial condition and prospects of Catellus or ProLogis or in the financial markets in general.

Mathematical analysis, such as determining the mean or median, or the high or the low, is not in itself a meaningful method of using comparable transaction data.

Wall Street Analyst Price Targets and Net Asset Value Estimates. Morgan Stanley reviewed the most recently published estimates by Wall Street equity research analysts that report on Catellus. Price targets and net asset value estimates in these equity research analyst reports ranged from $27.00 to $33.00 per share and from $22.20 to $30.24, respectively.

Morgan Stanley noted that the implied merger consideration as of June 3, 2005 was $33.94 per share of Catellus common stock.

Combined Company Valuation

Pro Forma Merger Analysis. Morgan Stanley analyzed the effect of the merger on, among other things, the estimated funds from operations per fully diluted ProLogis common share, including all securities convertible into or exchangeable for ProLogis common shares, for the years ending December 31, 2006 and 2007. Projected Catellus and ProLogis operating income and estimated funds from operations were provided by Catellus management and ProLogis management, respectively. Morgan Stanley combined the projected operating results for Catellus and ProLogis and made certain adjustments related to development and sale activities, operating cost saving synergies, financing of transaction expenses and the redemption rate for outstanding Catellus options and restricted shares in accordance with estimates provided by the management of ProLogis. Morgan Stanley also made certain assumptions regarding the pro forma cost basis of development projects in process and land held for development. Morgan Stanley assumed that Catellus projects under development, which Catellus traditionally would hold on its balance sheet or sell to third parties, would be sold by the combined company to funds managed by ProLogis and that gains generated from such sales would be included in funds from operations of the combined company. Morgan Stanley observed post-merger accretion levels of 3-4% to ProLogis management s 2006 and 2007 funds from operations per share estimates. In calculating the purchase price for Catellus common stock, Morgan Stanley used the closing price as of June 2, 2005 of ProLogis common shares of $41.32 per share.

Morgan Stanley also analyzed the effect of the merger on ProLogis pro forma equity market capitalization, total market capitalization and leverage ratios. In this regard, Morgan Stanley noted that:

- the pro forma equity market capitalization for ProLogis would be approximately $10.4 billion, assuming a share price of $41.32 and assuming approximately 251.7 million ProLogis common shares outstanding after completion of the merger. The pro forma total market capitalization would be approximately $17.1 billion assuming $6.3 billion in debt and $0.4 million of preferred stock; and

- ProLogis total debt to total market capitalization ratio would increase upon completion of the merger from 36.8% before the merger to 41.2% after the assumption of Catellus outstanding debt plus incremental debt incurred for the cash portion of the merger consideration and for the payment of the transaction costs and before any reduction in debt resulting from any asset sales.

Morgan Stanley conducted the following five analyses in estimating the pro forma valuation of the combined company from a Catellus stockholder s perspective pursuant to the proposed merger consideration. For the combined company valuation, Morgan Stanley specifically valued each share of Catellus common stock based on the merger consideration of $33.81 for each share of Catellus common stock for 35% of the Catellus shares and 0.822 of a ProLogis common share for 65% of the Catellus shares.

Historical Share Price Performance. Morgan Stanley reviewed the historical trading prices for ProLogis common shares from June 3, 2004 to June 3, 2005 and calculated an implied value per share of Catellus common stock based on $33.81 for each share of Catellus common stock for 35% of the Catellus shares and 0.822 of a ProLogis common share for 65% of the Catellus shares. The resulting range of implied values per share of Catellus common stock was $28.44 and $34.98.

Net Asset Valuation Analysis. Morgan Stanley estimated the net asset value per share of the combined company based on combining the standalone net asset values of ProLogis and Catellus. Morgan Stanley calculated the net asset value per ProLogis common share under its current corporate structure using ProLogis first quarter 2005 net operating income as provided by ProLogis management on a market-by-market basis and asset and liability balances as of March 31, 2005. Morgan Stanley applied a range of capitalization rates from 5.5% to 8.2% to annualized first quarter 2005 net operating income for direct ownership properties and properties owned by property funds. Morgan Stanley assumed no additional net operating income from future acquisitions. Morgan Stanley valued ProLogis fee income using projected income provided by ProLogis management and applying a 13 times to 15 times multiple on income from Property Funds and a 5 times to 7 times multiple on fee income from CDFS activities. Morgan Stanley valued development projects in process and land held for development at 100% to 120% of March 31, 2005 book value. Morgan Stanley added other ProLogis investments, cash and tangible assets added at March 31, 2005 book value to arrive at a total asset value of $11.5 billion to $12.5 billion. Morgan Stanley reduced gross asset value by the March 31, 2005 book value of outstanding debt and other tangible liabilities to arrive at equity net asset value and divided equity net asset value by the number of outstanding ProLogis common shares on a fully diluted basis to calculate equity net asset value per ProLogis common share. This analysis indicated a net asset range of between $31.27 and $36.07 per existing ProLogis common share. Morgan Stanley noted that ProLogis currently trades above the NAV estimates provided by Wall Street and other research firms. The traditional net asset value methodology does not adequately value the development and asset management business.

The combined net asset value was reduced by the incremental debt resulting from the cash portion of the merger consideration and transaction costs incurred from the merger. The resulting net asset value range was $7.6 billion to $9.1 billion. The net asset value per share was calculated by dividing the equity net asset value by the pro forma number of ProLogis common shares outstanding following the merger, resulting in a net asset value per share range of $29.99 and $36.12 per share after the merger. Morgan Stanley computed the implied combined net asset value per share of Catellus common stock based on $33.81 cash for each share of Catellus common stock for 35% of the Catellus shares and 0.822 of a ProLogis common share for 65% of the Catellus shares, resulting in a range of implied combined net asset value per share of Catellus common stock of $27.86 to $31.13.

Comparable Company Analysis. Using the same methodologies described in the Catellus comparable company analysis valuation section above, Morgan Stanley estimated the combined company valuation using comparable company statistics. Morgan Stanley used the same group of comparable companies, excluding ProLogis, that it used for the Catellus comparable company analysis and adjusted the ranges accordingly. Morgan Stanley computed the implied pro forma value range per share of Catellus common stock based on $33.81 cash for each share of Catellus common stock for 35% of the Catellus shares and 0.822 of a ProLogis common share for 65% of the Catellus shares. The comparable company analysis resulted in an implied valuation per share of Catellus common stock of $32.22 to $36.35.

Dividend Discount Model. Morgan Stanley performed a discounted cash flow analysis, calculated as of September 30, 2005, of the cash flows to equity holders of the combined company for the period from 2005 to 2009. Funds from operations per share for 2005 to 2007 were based upon Morgan Stanley s pro forma merger analysis described above. Funds from operations per pro forma combined share for 2008 and 2009 were arrived at by applying an 8.0% annual growth rate, which was at the low end of the range of estimated long-term growth rates provided by ProLogis management. Based on estimates provided by ProLogis management, dividends per share for 2006 to 2009 were computed by growing the prior year s dividend by 2% in 2006 and 2007 and by 8% in 2008 and 2009. Morgan Stanley employed terminal forward 12-month funds from operations multiples to projected 2010 funds from operations per share ranging from 14.0x to 16.1x and utilized discount rates reflecting an equity cost of capital ranging from 9.5% to 11.5%. Morgan Stanley computed the pro forma implied value range per share of Catellus common stock of $33.21 to $37.85 based on $33.81 cash for each share of Catellus common stock for 35% of the Catellus shares and 0.822 of a ProLogis common share for 65% of the Catellus shares.

Wall Street Analyst Price Targets and Net Asset Valuations. Morgan Stanley reviewed the most recently published estimates by Wall Street equity research analysts that report on ProLogis. Price targets and net asset value estimates in these equity research analyst reports ranged from $30.00 to $48.00 per share and $27.18 to $44.75 per share, respectively. Morgan Stanley computed the implied value ranges per share of Catellus common stock of $26.36 to $35.74 using net asset value estimates and $27.86 to $37.48 using price target estimates based on $33.81 cash for each share of Catellus common stock for 35% of the Catellus shares and 0.822 of a ProLogis common share for 65% of the Catellus shares.

In connection with the review of the acquisition of Catellus, Morgan Stanley performed a variety of financial and comparative analyses for purposes of its opinion given in connection therewith. The preparation of a financial opinion is a complex process and is not necessarily susceptible to a partial analysis or summary description. In arriving at its opinion, Morgan Stanley considered the results of all of its analyses as a whole and did not attribute any particular weight to any analysis or factor considered by it. Morgan Stanley believes that the summary set forth and the analyses described above must be considered as a whole and that selecting portions thereof, without considering all its analyses, would create an incomplete view of the process underlying its analyses and opinion. In addition, Morgan Stanley may have given various analyses and factors more or less weight than other analyses and factors and may have deemed various assumptions more or less probable than other assumptions, so that the range of valuations resulting from any particular analysis described above should therefore not be taken to be Morgan Stanley s view of the actual value of Catellus or ProLogis.

In performing its analyses, Morgan Stanley made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of Catellus. Any estimates contained in Morgan Stanley s analyses are not necessarily indicative of future results or actual values, which may be significantly more or less favorable than those suggested by such estimates. The analyses performed were prepared solely as a part of Morgan Stanley s analysis of the fairness, from a financial point of view, of the consideration to be received by the holders of shares of Catellus common stock pursuant to the merger agreement and were conducted in connection with the delivery of Morgan Stanley s opinion dated June 5, 2005 to Catellus board of directors. Morgan Stanley s analyses do not purport to be appraisals or to reflect the prices at which shares of Catellus common stock might actually trade. The merger consideration pursuant to the merger agreement was determined through arm s-length negotiations between Catellus and ProLogis and was approved by Catellus board of directors. Morgan Stanley did not recommend any specific merger consideration to Catellus or that any given merger consideration constituted the only appropriate merger consideration for the merger.

Morgan Stanley s opinion and presentation to Catellus board of directors was one of many factors taken into consideration by Catellus board of directors in making its determination to recommend that Catellus stockholders adopt the merger agreement. Consequently, the Morgan Stanley analyses described above should not be viewed as determinative of the opinion of Catellus board of directors or the view of Catellus management with respect to the value of Catellus or of whether Catellus board of directors would have been willing to agree to different consideration.

Morgan Stanley is an internationally recognized investment banking and advisory firm. Morgan Stanley, as part of its investment banking and financial advisory business, is continuously engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. In the past, Morgan Stanley and its affiliates have provided financial advisory and financing services to Catellus and ProLogis and have received customary fees for the rendering of these services. Furthermore, Morgan Stanley may in the future provide financial advisory and financing services to Catellus and ProLogis, for which it expects to receive customary fees for the rendering of these services. In the ordinary course of business, Morgan Stanley and its affiliates may from time to time trade in the securities of or indebtedness of Catellus and ProLogis for its own account, the accounts of investment funds and other clients under the management of Morgan Stanley and its affiliates and for the accounts of its customers and, accordingly, may at any time hold a long or short position in these securities or indebtedness. In addition, asset management affiliates of

Morgan Stanley beneficially owned as of March 31, 2005, in the aggregate, approximately 1.9% of the outstanding shares of Catellus common stock and approximately 1.7% of the outstanding ProLogis common shares.

Pursuant to an engagement letter between Catellus and Morgan Stanley, Catellus has agreed to pay to Morgan Stanley an aggregate fee of approximately $13.7 million, which is contingent upon completion of the merger, and to reimburse Morgan Stanley for its expenses incurred in performing its services. Catellus board of directors was aware of this fee structure, including the fact that the fee payable to Morgan Stanley is contingent upon the completion of the merger.

Catellus has also agreed to indemnify Morgan Stanley and its affiliates, their respective directors, officers, agents and employees and each person, if any, controlling Morgan Stanley or any of its affiliates against certain liabilities and expenses, including certain liabilities under federal securities laws, related to or arising out of Morgan Stanley s engagement and any related transactions.

Interests of Catellus Executive Officers and Directors in the Merger

You should be aware that certain executive officers and directors of Catellus have interests in the transactions contemplated by the merger agreement that may be different from, or in addition to, the interests of Catellus stockholders generally. ProLogis board of trustees and Catellus board of directors were aware of these interests and considered them, among other matters, in making their recommendations.

Representation on ProLogis Board of Trustees

Pursuant to the merger agreement, Nelson C. Rising, the Chairman of the Board and Chief Executive Officer of Catellus, and Christine Garvey, a current member of Catellus board of directors, will be appointed to ProLogis board of trustees as of the effective time of the merger.

Catellus Employment Agreements

Catellus executive officers are parties to employment agreements or memoranda of understanding with Catellus that entitle them to certain severance and other benefits if their employment terminates following a change in control. For purposes of these employment agreements or memoranda of understanding, a change in control includes the completion of the merger described in this document.

Employment Agreement with Mr. Rising

Catellus has an employment agreement with Mr. Rising, its Chairman of the Board and Chief Executive Officer, which provides that, if Mr. Rising is constructively discharged or terminated without cause within 12 months after a change in control of Catellus (which includes the completion of the merger), he will receive a lump sum payment equal to three times his average annual salary and bonus for the three full preceding calendar years. In addition, all of his Catellus stock options and all of his shares of Catellus restricted stock, restricted stock units and any other outstanding equity-based awards will immediately vest. Mr. Rising will also be entitled to an accelerated credit of the supplemental retirement benefit annual credits to his account in Catellus Deferred Compensation Plan, in an amount equal to the product of the annual credit amount (as defined in the employment agreement) and the number of years between January 1 of the year in which his termination occurs and January 1, 2008, subject to a maximum limit of an additional $3 million on the total amount of annual credits that may be made to Mr. Rising s account. In addition, Mr. Rising will be entitled to payment of accrued but unpaid obligations, a pro-rata bonus at target for the fiscal year in which his employment terminates and all other amounts to which he is then entitled under the Catellus employee benefit plans in which he participates. If Mr. Rising incurs an excise tax under Section 4999 of the Internal Revenue Code (relating to excess parachute payments) with respect to any payments he receives from Catellus (including the payments attributable to the acceleration of the vesting of his equity-based awards) and if his excess parachute payments are at least 110% of the amount of the parachute payments that he could have received without being subject to any excise tax under Section 4999 of the Internal Revenue Code, Mr. Rising is entitled to a gross-up payment to make him whole for this excise tax and any income and employment taxes which apply to the gross-up payment.

For purposes of Mr. Rising s employment agreement, a constructive discharge is deemed to occur if, following a change in control of Catellus, Mr. Rising is not permitted to serve as the chief executive officer and a member of the board of directors of the successor entity to Catellus. A constructive discharge under the employment agreement also includes, among other things, the failure of Catellus to obtain a satisfactory agreement from any successor to Catellus to assume and to perform the obligations of Catellus under the employment agreement. A termination for cause under the employment agreement generally means a termination due to a willful and continued failure by Mr. Rising to substantially perform his material duties (other than due to physical or mental disability) or egregious misconduct involving serious moral turpitude to such an extent that such misconduct substantially impairs, in the reasonable judgment of Catellus board of directors, Mr. Rising s ability to perform his duties.

Memoranda of Understanding with Messrs. Antenucci and Hosler and Ms. Washington

Catellus has memoranda of understanding with Mr. Antenucci, President of Catellus Commercial Development Corporation, Mr. Hosler, its Senior Vice President and Chief Financial Officer, and Ms. Washington, its Senior Vice President and General Counsel.

Each of these agreements provides that if the executive officer is terminated without cause or resigns for good reason within 12 months after a change in control of Catellus (which includes the completion of the merger), he or she will receive a lump sum payment equal to three times his or her average annual salary and bonus for the three full preceding calendar years. In addition, all of the executive officer s outstanding Catellus stock options and all of his or her shares of Catellus restricted stock, restricted stock units, and any other equity awards will immediately vest. In addition, the executive officer will be entitled to payment of accrued but unpaid obligations (including pro rata bonus) and all other amounts to which he or she is then entitled under the Catellus compensation plans in which he or she participates. Messrs. Antenucci and Hosler and Ms. Washington are also entitled to receive a gross-up payment for any excise tax liability under Section 4999 of the Internal Revenue Code (relating to excess parachute payments) that he or she may incur on the same terms and conditions as provided under Mr. Rising s employment agreement.

For purposes of these agreements, good reason includes, among other things, the assignment of duties that are a reduction in any substantial respect from such executive officer s executive position, authority or responsibilities as of March 26, 2004, a requirement to relocate outside of certain geographic areas or the failure of Catellus to obtain a satisfactory agreement from any successor to Catellus to assume and to perform the obligations of Catellus under these agreements. A termination for cause under these agreements generally has the same meaning as provided in Mr. Rising s employment agreement.

Memorandum of Understanding with Mr. Wenzell

Catellus has a memorandum of understanding with Michael Wenzell, its Vice President of Corporate Strategic Initiatives.

Mr. Wenzell s agreement provides that if Mr. Wenzell is terminated without cause or resigns for good reason within 12 months after a change in control of Catellus (which includes the completion of the merger), he will receive, in addition to any accrued but unpaid obligations, a lump sum payment of $500,000. In addition, all of Mr. Wenzell s outstanding stock options and all other equity-based awards will immediately vest. Furthermore, Mr. Wenzell will be entitled to payment of accrued but unpaid obligations (including pro rata bonus) and all other amounts to which he is then entitled under the Catellus compensation plans in which he participates.

For purposes of the agreement, good reason includes, among other things, the assignment of duties that are a reduction in any substantial respect from Mr. Wenzell s position, authority or responsibilities as of May 19, 2005, a requirement to relocate outside of certain geographic areas or the failure of Catellus to obtain a satisfactory agreement from any successor to Catellus to assume and to perform the obligations of Catellus under the agreement. A termination for cause under the agreement generally has the same meaning as provided in Mr. Rising s employment agreement.

Memorandum of Understanding with Mr. Sham

Catellus has a memorandum of understanding with Edward Sham, its Vice President and Controller.

Mr. Sham s agreement provides that if Mr. Sham is terminated without cause or resigns for good reason within 12 months after a change in control of Catellus (which includes the completion of the merger), he will receive a lump sum payment equal to his annual base salary and bonus potential for the year in which his termination occurs. In addition, all of Mr. Sham s outstanding stock options and all other equity-based awards will immediately vest. Furthermore, Mr. Sham will be entitled to payment of accrued but unpaid obligations (including pro rata bonus) and all other amounts to which he is then entitled under the Catellus compensation plans in which he participates.

For purposes of the agreement, good reason generally has the same meaning as provided in Mr. Wenzell s memorandum of understanding. A termination for cause under the agreement generally has the same meaning as provided in Mr. Rising s employment agreement.

Payment of 2005 Bonuses

Under the terms of the merger agreement, provision has been made for the payment to all Catellus employees entitled to receive a bonus, including Catellus executive officers, of a full-year bonus for 2005. If payment of the full amount of the bonuses for 2005 were made, the full amount paid to Catellus executive officers would be approximately $3.7 million.

Cash Severance Payments under Employment Agreements and Memoranda of Understanding

We expect that, upon the completion of the merger, the employment of Mr. Rising, and within twelve months following the merger, the employment of Messrs. Hosler, Wenzell and Sham and Ms. Washington, will be terminated without cause or the executive officers will terminate employment for good reason as would entitle them to the severance benefits described above. Assuming the executive officers were to be so terminated, the approximate cash amount of the severance payments due to each executive (excluding payments attributable to accelerated vesting of equity awards, accrued obligations and any applicable gross-up payments), would be as follows: Mr. Rising, $10,836,575; Mr. Hosler, $2,856,824; Ms. Washington, $1,908,738; Mr. Wenzell, $500,000; and Mr. Sham, $265,740. The approximate cash amounts of the severance payments due to these executive officers were calculated based on, in the case of Mr. Rising, salaries and bonuses for 2002, 2003 and 2004, and in the case of Messrs. Hosler, Wenzell and Sham and Ms. Washington, as applicable, salaries and bonuses for 2003 and 2004 and an estimate of salaries and bonuses for 2005.

In addition, we expect to make a gross-up payment to Mr. Hosler in connection with excise tax liability under Section 4999 of the Internal Revenue Code incurred as a result of the merger. The actual amount of the gross-up payment will be based on a variety of factors, including whether Mr. Hosler s employment is terminated under his memorandum of understanding, the date of termination and applicable interest rates, none of which can be determined with a reasonable degree of certainty as of the date of this document.

Equity Compensation Awards

Stock Options. The merger agreement provides that, as of the effective time of the merger, all vested and unvested Catellus stock options outstanding immediately prior to the effective time of the merger, including those held by Catellus directors and executive officers, will be canceled, and each holder of a canceled option will receive a payment in an amount equal to (1) the total number of shares of Catellus common stock subject to the canceled options held by the owner multiplied by (2) the excess of $33.81 over the exercise price per share subject to the canceled option, less any applicable withholding taxes. The payment will be made in the form of 65% ProLogis common shares and 35% cash.

Restricted Stock. Each share of Catellus restricted stock outstanding immediately prior to the effective time of the merger, including those held by Catellus directors and executive officers, will be canceled, and each holder of any such canceled restricted stock will receive $33.81 per canceled share, less any applicable withholding taxes, in the form of 65% ProLogis common shares and 35% cash.

Restricted Stock Units. Each Catellus restricted stock unit (which, when referred to in this document, includes all director stock units, director restricted stock units, performance units granted pursuant to Catellus Long-Term Incentive Plan, or LTIP, and all performance units granted under Catellus Transition Incentive Plan), including those held by Catellus directors and executive officers, outstanding immediately prior to the effective time of the merger will be canceled, and each holder of any such canceled restricted stock unit will receive $33.81 per share subject to the canceled restricted stock unit, less any applicable withholding taxes, in the form of 65% ProLogis common shares and 35% cash. The performance units payable to Messrs. Antenucci, Hosler and Wenzell and Ms. Washington under the LTIP will be calculated at 100% of target. However, if after review of Catellus performance immediately prior to the effective time of the merger by Catellus compensation and benefits committee it is determined that as of the effective time of the merger Catellus will have achieved the threshold performance measure for maximum benefits under the LTIP, then the performance units will be calculated at up to 150% of target.

Summary of Equity Compensation Payments. Based on equity compensation holdings as of , 2005, Catellus executive officers and directors will receive the following payments with respect to shares of vested and unvested restricted stock, stock options and restricted stock units held by them assuming a stock price of $33.81, payable in the form of 65% ProLogis common shares and 35% cash:

	Unvested Restricted Stock	Vested Stock Options	Unvested Stock Options	Vested Restricted Stock Units(1)	Unvested Restricted Stock Units(1)
Executive Officers					
Nelson C. Rising	$	$ 10,434,437	$	$ 5,582,369	$ 11,496,178
Ted R. Antenucci	2,855,153			961,320	8,690,152
C. William Hosler	1,904,112			1,237,716	6,196,421
Vanessa L. Washington	476,045			662,980	3,594,325
Michael Wenzell	1,443,450				353,599
Edward Sham	139,162	13,871	41,497		
Timothy J. Beaudin(2)					331,507
Directors (Excluding Mr. Rising)					
Peter Barker					62,312
Stephen F. Bollenbach		536,224	81,333	778,509	130,642
Daryl J. Carter		323,484	107,860	929,775	134,057
Richard F. Farman		653,729	107,860	28,367	112,182
Christine Garvey		539,264	107,860	475,064	118,470
William M. Kahane		323,484	107,860	1,350,811	112,182
		53,187	107,860	554,383	129,898

Leslie D. Michelson					
Deanna W. Oppenheimer		207,817	81,333	167,055	134,057
Totals	$ 6,817,922	$ 13,085,497	$ 743,463	$ 12,728,349	$ 31,595,982

Table of Contents

(1) Where applicable, includes dividend equivalent accruals through the expected July 15, 2005 dividend payment for the second quarter of 2005 and assumes the maximum LTIP payment of 150% of target.

(2) Mr. Beaudin s employment with Catellus terminated on February 15, 2005 in accordance with his memorandum of understanding.

Employment Agreement between Ted R. Antenucci and ProLogis

Ted R. Antenucci, who is currently the President of Catellus Commercial Development Corporation, has entered into an employment agreement with ProLogis that will become effective upon completion of the merger for a term beginning on such date and ending on December 31, 2007, with automatic one-year extensions of the term unless ProLogis or Mr. Antenucci gives notice of non-renewal at least three months prior to the last day of the then-current term. Pursuant to the employment agreement, Mr. Antenucci will serve as the President of Global Development for ProLogis and will report to ProLogis Chief Executive Officer. Under the employment agreement, Mr. Antenucci agreed to waive his rights under his memoranda of understanding with Catellus (except with respect to indemnification and tax gross-up payments). See Memoranda of Understanding with Messrs. Antenucci and Hosler and Ms. Washington.

During the term of his employment agreement while he is employed by ProLogis, Mr. Antenucci will:

receive an annual base salary of at least $525,000;

be eligible for an annual target bonus of up to $787,500, with the actual amount of the bonus earned based on the satisfaction of applicable performance targets;

participate in ProLogis employee benefit plans made available to similarly situated senior management employees; and

receive monthly allowances for car, health club and country club benefits.

ProLogis will also be required to pay Mr. Antenucci a $3.8 million lump sum cash payment on the date the merger is completed.

The employment agreement provides that Mr. Antenucci will or may be granted the following equity-based awards under the ProLogis 1997 Long-Term Incentive Plan:

As of the effective time of the merger, Mr. Antenucci will be granted a non-qualified share option with respect to 80,000 ProLogis common shares and, for each 12-consecutive-month period during the term of the employment agreement beginning on the first anniversary of the effective time of the merger, he will be eligible for grants of non-qualified share options with respect to up to an additional 80,000 ProLogis common shares. Generally, on each of the first through fourth anniversaries of the grant date, the non-qualified share options awarded to Mr. Antenucci pursuant to the employment agreement will vest and become exercisable with respect to 25% of the ProLogis common shares subject to such options if Mr. Antenucci remains employed on the applicable vesting date. The non-qualified share options, however, will vest and become immediately exercisable if Mr. Antenucci s employment with ProLogis is terminated on account of death or permanent disability (each as defined in the employment agreement). In addition, if Mr. Antenucci s employment terminates prior to December 31, 2007 as a result of termination by ProLogis for cause (as defined in the employment agreement and as discussed in greater detail below) or as a result of his voluntary termination, then on such termination date all of his then-outstanding non-qualified share options will be forfeited.

As of the effective time of the merger, Mr. Antenucci will be granted a performance share award with respect to 16,000 ProLogis common shares. This award will vest on December 31, 2007 unless Mr. Antenucci s employment with ProLogis is terminated prior to that date by ProLogis for cause or as a result of Mr. Antenucci s voluntary termination, in which case the award will be forfeited.

60

For each year of the term of the agreement, Mr. Antenucci will be eligible for grants of performance share awards with respect to 16,000 ProLogis common shares. Any such awards that are made to Mr. Antenucci will become earned based on the satisfaction of performance targets specified at the time of grant, and any earned ProLogis common shares will become vested on the second annual anniversary of the date on which they are earned if he remains employed on the vesting date. If, however, Mr. Antenucci s termination of employment occurs prior to December 31, 2007 as a result of termination by ProLogis for cause or as a result of Mr. Antenucci s voluntary termination, all then-outstanding performance share awards will be forfeited.

The foregoing equity-based awards may be forfeited prior to vesting if Mr. Antenucci s employment terminates for certain reasons such as termination for cause or voluntary termination. If, following a change in control (as defined in the employment agreement), Mr. Antenucci s employment is terminated by ProLogis for reasons other than for cause or if Mr. Antenucci terminates his employment for good reason (as defined in the employment agreement and as discussed in greater detail below), or if the ProLogis 1997 Long-Term Incentive Plan is terminated without provision for the continuation of outstanding non-qualified share options or performance share awards granted to Mr. Antenucci pursuant to the employment agreement, then the awards will become fully vested and/or exercisable.

If Mr. Antenucci is terminated during the term of the employment agreement for any reason, he will be entitled to:

his salary for the period ending on the termination date;

payment of any earned target bonuses; and

payment for unused vacation days and other payments or benefits due under any ProLogis employee benefit plan or arrangement.

However, if Mr. Antenucci s termination occurs by reason of death, permanent disability, voluntary resignation or cause, ProLogis has no obligation to make payments for periods after the termination date.

If Mr. Antenucci is terminated during the term of the employment agreement as a result of a constructive discharge or without cause, then Mr. Antenucci will be entitled to:

payment of his base salary for the period from the termination date through the end of the then current term of the employment agreement or, if later, the six month anniversary of the termination date; and

continued coverage under ProLogis employment benefit plans for the same period.

All of the foregoing payments and benefits terminate on Mr. Antenucci s death prior to the end of the severance period.

For purposes of the employment agreement, cause means in the reasonable judgment of ProLogis board of trustees (1) the willful and continued failure by Mr. Antenucci to substantially perform his duties after written notification, (2) the willful engaging by Mr. Antenucci in conduct that is demonstrably injurious to ProLogis or any subsidiary, monetarily or otherwise, or (3) the engaging by Mr. Antenucci in egregious misconduct involving serious moral turpitude. A constructive discharge under the employment agreement means the resignation for good reason by Mr. Antenucci after the failure of ProLogis to remedy (or the absence of any indication to remedy) the occurrence of a good reason. A good reason includes, among other things, the assignment of any duties inconsistent with Mr. Antenucci s position and status as President Global Development, a reduction in salary, a relocation outside of specified geographic areas or the failure of ProLogis to obtain a satisfactory agreement from any successor to assume and agree to perform the obligations under the employment agreement.

Mr. Antenucci is required to keep confidential proprietary information of ProLogis. In addition, Mr. Antenucci has agreed, during a restricted period, not to engage in, invest in or provide services to any business that is competitive (as defined in the employment agreement) with ProLogis or purchase any property that could reasonably be used to provide or develop a business that is competitive with ProLogis.

For purposes of the employment agreement, the restricted period means the period during which Mr. Antenucci is employed by ProLogis and, if his termination occurs for cause prior to December 31, 2007, the period following the termination date and ending on December 31, 2007. Mr. Antenucci also agreed not to solicit or employ any ProLogis employees during any period in which he is employed by ProLogis and, if his termination occurs prior to December 31, 2008 for any reason, the period following such termination and ending on December 31, 2008.

Mr. Antenucci has also agreed to enter into an executive protection agreement with ProLogis in ProLogis standard form on or prior to the date on which the merger is completed. Generally, ProLogis executive protection agreements provide protection to ProLogis executives in the event their employment is terminated by death, disability, by the executive for good reason or by ProLogis for reasons other than for cause within two years following a change in control of ProLogis. Benefits under the executive protection agreements include payment of accrued compensation, severance pay equal to three times the executive s base salary and target level of the annual bonus for the fiscal year in which the date of termination occurs, full vesting of equity-based awards, full vesting of nonqualified savings plan benefits and three year continuation of employee benefits. In the event that Mr. Antenucci becomes entitled to benefits under the executive protection agreement with ProLogis, he will not be entitled to any benefits under his employment agreement on account of his termination of employment, but rather all such benefits will be provided in accordance with the terms of the executive protection agreement.

Indemnification; Directors and Officers Insurance

The merger agreement provides that ProLogis will indemnify Catellus directors and executive officers as described in the section of this document entitled The Merger Agreement Covenants and Other Agreements Indemnification; Directors and Officers Insurance.

Exemption from Section 16(b) of the Exchange Act

As of the effective time of the merger, Catellus board of directors will have passed a resolution approving (1) the cancellation of outstanding Catellus stock options, restricted stock and restricted stock units held by Catellus directors and executive officers in exchange for the payment of the amounts described under Equity Compensation Awards Summary of Equity Compensation Payments and (2) the disposition of their shares of Catellus common stock in exchange for the right to receive the merger consideration, which will exempt Catellus directors and executive officers from all liability under Section 16(b) of the Securities Exchange Act of 1934, related to such transaction.

Other Catellus Employment Arrangements

Change of Control Severance Plans

In connection with the merger, Catellus adopted a Change of Control Severance Plan and a Supplemental Change of Control Severance Plan. The Change of Control Severance Plans are intended to provide for continuity in the management and operations of Catellus and its employees in connection with a change in control of Catellus. Under the Change of Control Severance Plans, all full- and part-time (but not temporary) employees of Catellus and its affiliates who incur a qualifying termination will receive a single cash lump sum payment equal to their monthly compensation amount (which includes the monthly rate of base salary plus a specified bonus amount) multiplied by their years of service, subject to the minimum and maximum benefits and other exceptions described below. An eligible employee with fewer than two years of service will receive a minimum benefit equal to three times his or her monthly compensation amount. An eligible employee with two or more years of service will receive a minimum benefit equal to six times his or her monthly compensation amount. An eligible employee will be entitled to benefits under only one of the Change of Control Severance Plans. The maximum benefit payable to an eligible employee is 24 times his or her monthly compensation amount. An eligible employee who (1) performed services for FOCIL Holdings LLC, or FOCIL, the purchaser of a significant portion of Catellus urban and residential development assets, or one of its affiliates while employed by Catellus or one of its affiliates and (2) begins, within 90 days following his or her qualifying termination, to perform services for FOCIL or its affiliates as an employee of FOCIL or one of its affiliates or another entity performing services for FOCIL or its affiliates, will be entitled to only one-half the severance benefit to which he or she otherwise would have been entitled.

For purposes of the Change of Control Severance Plans, a qualifying termination means a termination of the eligible employee by his or her employer without cause or a termination by the eligible employee with good reason that occurs (1) within twelve months after a change in control (including the completion of the merger) or (2) at any time prior to a change in control if the termination is at the request of the entity that acquires control of Catellus. No severance benefits will be paid unless a change in control occurs. Under the Change of Control Severance Plans, cause means (1) the willful, negligent or repeated failure of an employee to perform his or her duties to Catellus (or its successor corporation) or one of its affiliates (other than as a result of any failure resulting from incapacity due to physical or mental illness), (2) the commission of a felony involving moral turpitude or (3) the commission of an act of fraud, dishonesty or embezzlement upon Catellus (or its successor corporation) or one of its affiliates. Good reason under the Change of Control Severance Plans means the occurrence of one of the following without the written consent of the participant: (1) the notification of the relocation of the participant s principal office to a location that is more than 35 miles from its current location, (2) the notification that the participant s base salary and/or annual bonus potential will be decreased or (3) the failure of the successor to Catellus to assume the obligations of Catellus under the Change of Control Severance Plans.

Under the Change of Control Severance Plans, the amounts that are otherwise payable to employees, including Messrs. Rising, Antenucci, Hosler, Wenzell and Sham and Ms. Washington, will be offset by any severance benefits payable to them under their respective employment agreements or memoranda of understanding with Catellus. See the section of this document entitled The Merger Interests of Catellus Executive Officers and Directors in the Merger Catellus Employment Agreements.

ProLogis has agreed to honor the terms of the Change of Control Severance Plans following the completion of the merger.

Retention Bonus Plan

In connection with the merger, Catellus adopted a Retention Bonus Plan. Under the Retention Bonus Plan, certain key employees of Catellus and its affiliates who remain employed until a specified retention date, or are terminated without cause prior to the specified retention date, will be entitled to receive a single cash lump sum payment equal to their monthly compensation amount (which includes the monthly rate of base salary plus a specified bonus amount), multiplied by a factor of 1, 2, 3, 4, 5 or 6. The key employees, retention date, monthly compensation amount and multiplier number for each participant will be determined by a management committee consisting of or appointed by Catellus Chairman of the Board and Chief Executive Officer. The retention date for each eligible participant will be a date between the completion of the merger and the 12-month anniversary of the completion of the merger. The retention bonuses to be paid out under the plan will be in addition to any severance benefits payable under the Change of Control Severance Plans. For purposes of the Retention Bonus Plan, the term cause generally has the same meaning as provided in the Change of Control Severance Plans.

ProLogis has agreed to honor the terms of the Retention Bonus Plan following the completion of the merger.

Appraisal Rights

Under Delaware law, Catellus stockholders who do not wish to accept the merger consideration may elect to have the fair value of their shares of Catellus common stock judicially determined and paid in cash, together with a fair rate of interest, if any. Such valuation will exclude any element of value arising from the completion or expectation of the merger. A Catellus stockholder may only exercise these appraisal rights by complying with the provisions of Section 262 of the General Corporation Law of the State of Delaware, or the DGCL.

The following summary of the provisions of Section 262 of the DGCL is not a complete statement of the law pertaining to appraisal rights under the DGCL and is qualified in its entirety by reference to the full text of Section 262 of the DGCL, a copy of which is attached to this document as Annex D. If you wish to exercise appraisal rights or wish to preserve your right to do so, you should carefully review Section 262 of the DGCL and are strongly encouraged to consult a legal advisor.

All references in Section 262 of the DGCL and in this summary to a stockholder are to the record holder of shares of Catellus common stock as to which appraisal rights are asserted. A person having a beneficial interest in shares of Catellus common stock held of record in the name of another person, such as a broker or nominee, must act promptly to cause the record holder to follow properly the steps summarized below in a timely manner in order to perfect appraisal rights.

Under Section 262 of the DGCL, where a proposed merger is to be submitted for approval at a meeting of stockholders, as in the case of the Catellus special meeting, Catellus, not less than 20 days prior to the meeting, must notify each of its stockholders entitled to appraisal rights that these appraisal rights are available and include in the notice of the meeting a copy of Section 262 of the DGCL. This document constitutes notice to Catellus stockholders, and a copy of Section 262 of the DGCL is attached as Annex D to this document.

If you wish to exercise the right to demand appraisal under Section 262 of the DGCL, you must satisfy each of the following conditions:

You must deliver to Catellus a written demand for appraisal of your shares of Catellus common stock before the vote on the merger agreement at the Catellus special meeting. This demand will be sufficient if it reasonably informs Catellus of your identity and that you intend by that writing to demand the appraisal of your shares of Catellus common stock. Voting against or abstaining from voting or failing to vote on the proposal to adopt the merger agreement will not constitute a written demand for appraisal within the meaning of Section 262 of the DGCL. The written demand for appraisal must be in addition to and separate from any proxy you deliver or vote you cast in person.

You must not vote your shares of Catellus common stock in favor of the merger agreement. A proxy that does not contain voting instructions will, unless revoked, be voted in favor of the adoption of the merger agreement. Therefore, if you vote by proxy and wish to exercise appraisal rights, you must vote against the adoption of the merger agreement or mark your proxy card to indicate that you abstain from voting on the adoption of the merger agreement.

You must continuously hold your shares of Catellus common stock from the date of making the demand through the completion of the merger. If you are the record holder of shares of Catellus common stock on the date the written demand for appraisal is made but you thereafter transfer those shares prior to the completion of the merger, you will lose any right to appraisal in respect of those shares.

Only a holder of record of shares of Catellus common stock is entitled to demand an exercise of appraisal rights for those shares registered in that holder s name. Therefore, demand for appraisal should be executed by or on behalf of the stockholder of record, fully and correctly, as his, her or its name appears on the share transfer records of Catellus.

If the shares of Catellus common stock are owned of record by a person in a fiduciary capacity, such as a trustee, guardian or custodian, the demand should be executed in that capacity. If the shares of Catellus common stock are owned of record by more than one person, as in a joint tenancy or tenancy in common, the demand should be executed by or on behalf of all of the owners. An authorized agent, including an agent for two or more joint owners, may execute a demand for appraisal on behalf of a stockholder; however, the agent must identify the record owner or owners and expressly disclose the fact that, in executing the demand, the agent is acting as agent for such owner or owners. A record holder,

such as a broker, who holds shares of Catellus common stock as nominee for several beneficial owners may exercise appraisal rights with respect to those shares held for one or more beneficial owners while not exercising these rights with respect to the shares held for one or more other beneficial owners. In that case, the written demand should set forth the number of shares of Catellus common stock for which appraisal is being sought. Otherwise, where no number of shares is expressly mentioned, the demand will be presumed to cover all shares of Catellus common stock held in the name of the record owner.

Stockholders who hold their shares of Catellus common stock in brokerage accounts or other nominee forms and who wish to exercise appraisal rights are urged to promptly consult with their brokers to determine appropriate procedures for making a demand for appraisal in a timely manner.

A stockholder who elects to exercise appraisal rights under Section 262 of the DGCL should mail or deliver their written demand to:

Catellus Development Corporation
Attention: Secretary
201 Mission Street
San Francisco, California 94105

Any stockholder who wishes to assert appraisal rights should not submit an election form, as doing so will be considered a withdrawal of any previously filed written demand for appraisal.

Within ten (10) days after the completion of the merger, ProLogis must send a notice as to the completion of the merger to each of the former stockholders of Catellus who has made a written demand for appraisal in accordance with Section 262 of the DGCL and who has not voted to adopt the merger agreement. Within 120 days after the completion of the merger, but not after that date, either ProLogis or any stockholder who has complied with the requirements of Section 262 of the DGCL may file a petition in the Delaware Court of Chancery, or the Delaware Court, demanding a determination of the value of the Catellus common stock held by all stockholders demanding appraisal of their shares.

ProLogis is under no obligation to file a petition for appraisal, and stockholders seeking to exercise appraisal rights should not assume that ProLogis will file a petition or that it will initiate any negotiations with respect to the fair value of their shares of Catellus common stock. Accordingly, stockholders who desire to have their shares of Catellus common stock appraised should initiate any petitions necessary for the perfection of their appraisal rights within the time periods and in the manner prescribed in Section 262 of the DGCL. Since ProLogis has no obligation to file a petition, the failure of affected stockholders to do so within the period specified could nullify any previous written demand for appraisal.

Within 120 days after the completion of the merger, any stockholder that complies with the provisions of Section 262 of the DGCL to that point in time will be entitled to receive from ProLogis, upon written request, a statement setting forth the aggregate number of shares of Catellus common stock not voted in favor of the adoption of the merger agreement and with respect to which Catellus received timely demands for appraisal, as well as the aggregate number of holders of those shares. ProLogis must mail this statement to the stockholder by the later of ten (10) days after receipt of the request and ten (10) days after expiration of the period for delivery of demands for appraisals under Section 262 of the DGCL.

A stockholder who timely files a petition for appraisal with the Delaware Court must serve a copy upon ProLogis. Within 20 days of such service, ProLogis must file with the Delaware Register in Chancery, or the Register in Chancery, a duly verified list containing the names and addresses of all stockholders who have demanded appraisal of their shares of Catellus common stock and who have not reached agreements with it as to the value of their shares. After any notice to stockholders as may be ordered by the Delaware Court, the Delaware Court is empowered to conduct a hearing on the petition to determine which stockholders are entitled to appraisal rights. The Delaware Court may require stockholders who have demanded an appraisal for their shares of Catellus common stock and who hold those shares in certificated form to submit their certificates to the Register in Chancery for notation on the certificates of the pendency of the appraisal proceedings. If any stockholder fails to comply with the requirement, the Delaware Court may dismiss the proceedings as to that stockholder and that stockholder s

Table of Contents

shares of Catellus common stock automatically will be converted into the right to receive the merger consideration, without interest and less any required withholding taxes.

After determining which stockholders are entitled to an appraisal, the Delaware Court will appraise the fair value of their shares of Catellus common stock. This value will exclude any element of value arising from the accomplishment or expectation of the merger, but may include a fair rate of interest, if any, to be paid upon the amount determined to be the fair value. The costs of the action may be determined by the Delaware Court and allocated among the parties as the Delaware Court deems equitable under the circumstances. However, costs do not include attorneys or expert witness fees. Upon application of a stockholder, the court may order all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including reasonable attorneys fees and the fees and expenses of experts, to be charged pro rata against the value of all shares entitled to appraisal. In the absence of such determination or assessment, each stockholder bears its own expenses. Stockholders considering seeking appraisal should be aware that the fair value of their shares as determined under Section 262 of the DGCL could be more than, the same as, or less than the value of the merger consideration they would be entitled to receive pursuant to the merger agreement if they did not seek appraisal of their shares.

Although Catellus believes that the merger consideration is fair, no representation is made as to the outcome of the appraisal of fair value as determined by the Delaware Court and stockholders should recognize that such an appraisal could result in a determination of a value higher or lower than, or the same as, the value of the merger consideration. Stockholders should also be aware that investment banking opinions as to the fairness from a financial point of view of the consideration payable in a merger are not opinions as to fair value under Section 262 of the DGCL. Furthermore, ProLogis does not anticipate offering more than the merger consideration to any stockholder exercising appraisal rights and reserves the right to assert, in any appraisal proceeding, that, for purposes of Section 262 of the DGCL, the fair value of a share of Catellus common stock is less than the value of the merger consideration.

In determining fair value, the Delaware Court is required to take into account all relevant factors. For example, in *Weinberger v. UOP, Inc.*, the Delaware Supreme Court discussed the factors that could be considered in determining fair value in an appraisal proceeding, stating that proof of value by any techniques or methods which are generally considered acceptable in the financial community and otherwise admissible in court should be considered and that [f]air price obviously requires consideration of all relevant factors involving the value of a company. The Delaware Supreme Court has stated that in making this determination of fair value the court must consider market value, asset value, dividends, earnings prospects, the nature of the enterprise and any other facts which could be ascertained as of the date of the merger which throw any light on future prospects of the merging corporation. Section 262 of the DGCL provides that fair value is to be exclusive of any element of value arising from the accomplishment or expectation of the merger. In *Cede & Co. v. Technicolor, Inc.*, the Delaware Supreme Court stated that such exclusion is a narrow exclusion [that] does not encompass known elements of value, but which rather applies only to the speculative elements of value arising from such accomplishment or expectation. In *Weinberger,* the Delaware Supreme Court construed Section 262 of the DGCL to mean that elements of future value, including the nature of the enterprise, which are known or susceptible of proof as of the date of the merger and not the product of speculation, may be considered.

Any stockholder who has duly demanded an appraisal in compliance with Section 262 of the DGCL will not, after the completion of the merger, be entitled to vote their shares of Catellus common stock subject to that demand for any purpose or be entitled to the payment of dividends or other distributions on those shares. However, stockholders will be entitled to dividends or other distributions payable to holders of record of shares of Catellus common stock as of a record date prior to the completion of the merger.

If you change your mind and decide you no longer wish to exercise your appraisal rights, you may withdraw your demand for appraisal rights at any time within 60 days after the effective date of the merger by delivering a written withdrawal of your demand to: ProLogis, Attention: Secretary, 14100 East 35th Place, Aurora, Colorado 80011. However, stockholders should note that:

- any attempt to withdraw made more than 60 days after the effective date of the merger will require the written approval of ProLogis; and

- an appraisal proceeding in the Delaware Court cannot be dismissed unless the Delaware Court approves, and such approval may be conditioned upon any terms the Delaware Court deems just.

If ProLogis does not approve a stockholder s request to withdraw a demand for appraisal when the approval is required or if the Delaware Court does not approve the dismissal of an appraisal proceeding, the stockholder would be entitled to receive only the appraised value determined in any such appraisal proceeding. This value could be higher or lower than, or the same as, the value of the merger consideration.

If Catellus stockholders fail to comply strictly with the procedures described above, they will lose their appraisal rights and will be entitled to receive the consideration with respect to their shares of Catellus common stock in accordance with the merger agreement. In view of the complexity of the provisions of Section 262 of the General Corporation Law of the State of Delaware, if you are a Catellus stockholder and are considering exercising you appraisal rights under the General Corporation Law of the State of Delaware, you are strongly urged to consult your own legal advisor before doing so.

Regulatory Matters

No material federal or state regulatory requirements must be complied with or approvals must be obtained in connection with the merger.

Delisting and Deregistration of Catellus Common Stock

If the merger is completed, Catellus common stock will be delisted from the New York Stock Exchange and will be deregistered under the Securities Exchange Act of 1934.

Accounting Treatment

ProLogis will account for the merger using the purchase method of accounting. Under that method of accounting, the aggregate consideration that ProLogis pays to Catellus stockholders will be allocated to Catellus assets and liabilities based on their fair values, with any excess being treated as goodwill. ProLogis currently expects that about $153 million of the aggregate merger consideration will be allocated to goodwill, but that estimate is subject to change.

Restrictions on Resale of ProLogis Common Shares Issued Pursuant to the Merger

ProLogis common shares issued to Catellus stockholders in the merger will be freely transferable under the Securities Act of 1933, except for shares issued to any person who may be deemed to be an affiliate of Catellus within the meaning of Rule 145 under the Securities Act of 1933 or who will become an affiliate of ProLogis within the meaning of Rule 144 under the Securities Act of 1933 after the merger. ProLogis common shares received by persons who are deemed to be Catellus affiliates or who become ProLogis affiliates may be resold by these persons only in transactions permitted by the limited resale provisions of Rule 145 or as otherwise permitted under the Securities Act of 1933. Persons who may be deemed to be affiliates of Catellus generally include individuals or entities that, directly or indirectly through one or more intermediaries, control, are controlled by or are under common control with Catellus and may include officers, directors and principal stockholders of Catellus.

Prior to the effective time of the merger, Catellus has agreed to use its commercially reasonable efforts to cause its affiliates to execute and deliver a written agreement (in the form attached to the merger agreement) restricting their ability to sell, transfer or otherwise dispose any ProLogis common shares received by them pursuant to the merger agreement except under specified circumstances. See the

Table of Contents

section of this document entitled The Merger Agreement Covenants and Other Agreements Affiliate Agreements.

Trustees and Executive Officers of the Combined Company

Board of Trustees

ProLogis board of trustees will consist of 14 trustees as of the effective time of the merger, twelve of whom will be ProLogis current trustees. The other two ProLogis trustees will be Nelson C. Rising and Christine Garvey, each of whom is currently a member of Catellus board of directors. Each of these 14 trustees will hold office for a term expiring at ProLogis 2006 annual shareholder meeting and until his or her successor is duly elected and qualified.

Nelson C. Rising, 63, has been Chairman of the Board and Chief Executive Officer of Catellus since May 2000. From 1994 to May 2000, he served as the President and Chief Executive Officer of Catellus and as a director. He is Chairman of the Board of the Bay Area Council and a member of the Executive Committee of the Board of Governors of the National Association of Real Estate Investment Trusts (NAREIT).

Christine Garvey, 59, has been a member of Catellus board of directors since 1995. Ms. Garvey has served as a consultant to Deutsche Bank AG since May 2004. From May 2001 to May 2004, Ms. Garvey served as Global Head of Corporate Real Estate Services at Deutsche Bank AG London. From December 1999 until April 2001, Ms. Garvey served as Vice President, Worldwide Real Estate and Workplace Resources at Cisco Systems, Inc. Ms. Garvey has been a member of the board of directors of Hilton Hotels Corporation since May 2005.

Executive Officers

All of ProLogis current executive officers, other than John W. Seiple, Jr., are expected to continue to hold office after the effective time of the merger in the same capacities as they currently serve, until their successors are duly elected and qualified or until their earlier resignations or removals. Mr. Seiple, who is currently ProLogis President and Chief Executive Officer of North America, will resign from that office effective as of the date on which the merger is completed. Ted R. Antenucci, who is currently President of Catellus Commercial Development Corporation, has entered into an employment agreement with ProLogis that will become effective upon the completion of the merger for an initial term ending on December 31, 2007. Mr. Antenucci will become President Global Development of ProLogis at the effective time of the merger and will assume the majority of Mr. Seiple s responsibilities. See the section of this document entitled The Merger Interests of Catellus Executive Officers and Directors in the Merger Employment Agreement between Ted R. Antenucci and ProLogis for a summary of the terms of Mr. Antenucci s employment agreement with ProLogis.

Ted R. Antenucci, 40, has served as President of Catellus Commercial Development Corporation, or CCDC, a wholly owned subsidiary of Catellus, since September 2001. Mr. Antenucci served as Executive Vice President of CCDC, where he managed Catellus industrial development activities throughout the western United States, from April 1999 to September 2001.

THE MERGER AGREEMENT

The following is a summary of the material terms of the merger agreement. It is qualified in its entirety by reference to the merger agreement, a copy of which is attached to this document as Annex A and is incorporated into this document by reference. The merger agreement has been included in this document to provide you with information regarding its terms. It is not intended to provide any other factual information about ProLogis and Catellus. That information can be found elsewhere in this document and in the other public filings each of us makes with the Securities and Exchange Commission. See the section of this document entitled Additional Information Where You Can Find More Information for more details. You should read the merger agreement because it, and not this document, is the legal document that governs the terms of the merger.

Structure of the Merger

At the effective time of the merger, Catellus will merge with and into Palmtree Acquisition Corporation, a newly formed, nominally capitalized Delaware corporation that is a subsidiary of ProLogis. Palmtree Acquisition Corporation will be the surviving corporation in the merger. Palmtree Acquisition Corporation will make an election to be treated as a REIT for tax purposes beginning as of the date of its formation. In this document, we sometimes refer to Palmtree Acquisition Corporation as the surviving corporation.

The certificate of incorporation of Palmtree Acquisition Corporation, as in effect immediately prior to the effective time of the merger, will be the surviving corporation s certificate of incorporation until duly amended. Palmtree Acquisition Corporation s bylaws will be the surviving corporation s bylaws until duly amended. The directors and officers of Palmtree Acquisition Corporation at the effective time of the merger will be the surviving corporation s directors and officers.

ProLogis board of trustees will consist of 14 trustees as of the effective time of the merger, twelve of whom will be ProLogis current trustees. The other two ProLogis trustees will be Nelson C. Rising and Christine Garvey, each of whom is currently a member of Catellus board of directors. See the section of this document entitled The Merger Trustees and Executive Officers of the Combined Company Board of Trustees for information on these proposed trustees. See also the section of this document entitled The Merger Interests of Catellus Executive Officers and Directors in the Merger.

When the Merger Becomes Effective

Catellus and Palmtree Acquisition Corporation will execute and file a certificate of merger with the Secretary of State of the State of Delaware no later than three business days after the last condition to completing the merger is satisfied or waived or at such other time as ProLogis and Catellus may agree in writing. The merger will become effective upon the acceptance of the certificate of merger for record by the Secretary of State of the State of Delaware or such later time and date on which the parties agree and designate in the certificate of merger. That time is referred to in this document as the effective time of the merger.

Conversion of Catellus and Palmtree Acquisition Corporation Stock

At the effective time of the merger:

- each share of Palmtree Acquisition Corporation stock that is issued and outstanding immediately prior to the effective time of the merger will remain issued and outstanding and will be unchanged by the merger;

- each share of Catellus common stock that is issued and outstanding immediately prior to the effective time of the merger (other than (1) shares owned by Catellus, ProLogis or any of their respective wholly owned subsidiaries, (2) shares with respect to which a valid and timely demand for appraisal rights under Delaware law has been made and not revoked and (3) shares that constitute Catellus restricted stock or restricted stock units) will be converted into the right to receive, at the option of the holder but subject to reallocation as described under the sections entitled Catellus Stockholder Elections and Reallocation of Catellus Stockholder Elections , either:

- 0.822 of a ProLogis common share; or

- $33.81 in cash, without interest;

- each share of Catellus common stock that is owned by Catellus, ProLogis or any of their respective wholly owned subsidiaries immediately prior to the effective time of the merger will be canceled and retired without any payment and will cease to exist;

- each share of Catellus common stock with respect to which a valid and timely demand for appraisal rights under Delaware law has been made and not revoked will be treated as described in the section of this document entitled The Merger Appraisal Rights ; and

- each share of Catellus common stock that constitutes restricted stock or a restricted stock unit immediately prior to the effective time of the merger, and each option to acquire Catellus common stock that is outstanding immediately prior to the effective time of the merger, will be treated as described under Treatment of Catellus Restricted Stock, Restricted Stock Units and Stock Options.

If, between the date of the merger agreement and the effective time of the merger, the outstanding ProLogis common shares or shares of Catellus common stock are changed into a different number of shares or a different class as a result of a reclassification, recapitalization, split-up, combination, exchange of shares or readjustment, then an appropriate adjustment will be made to the exchange ratio and the cash consideration payable, as applicable, per share.

Treatment of Catellus Restricted Stock, Restricted Stock Units and Stock Options

At the effective time of the merger, all then-outstanding Catellus restricted stock, restricted stock units and stock options (whether vested or unvested and whether or not exercisable) will be canceled. The holders of those canceled Catellus restricted stock, restricted stock units and stock options will have no rights thereunder after the effective time of the merger other than the right to receive the payments described below to which they are entitled. All Catellus stock option plans and stock compensation plans and arrangements will be canceled at the effective time of the merger.

As soon as practicable following the effective time of the merger, each holder of canceled Catellus restricted stock or restricted stock units will receive a net restricted stock payment in the form of a number of ProLogis common shares equal to 65% of the net restricted stock payment (based on the closing price of a ProLogis common share on the last business day immediately prior to the date on which the merger is completed) and an amount in cash equal to 35% of the net restricted stock payment. The net restricted stock payment with respect to canceled Catellus restricted stock or restricted stock units means:

- the product of (1) the number of shares of Catellus common stock that were subject to such restricted stock or restricted stock units and (2) $33.81, less

- the aggregate amount that is required to be withheld under any provision of federal, state, local or foreign tax law with respect to the amount described in the preceding bullet point.

As soon as practicable following the effective time of the merger, each holder of canceled Catellus stock options will receive a net option payment in the form of a number of ProLogis common shares equal to 65% of the net option payment (based on the closing price of a ProLogis common share on the last business day immediately prior to the date on which the merger is completed) and an amount in cash equal to 35% of the net option payment. The net option payment with respect to a canceled Catellus stock option means:

- the product of (1) the number of shares of Catellus common stock that were subject to such canceled stock option and (2) the excess, if any, of $33.81 over the exercise price per share of such canceled stock option, less

- the aggregate amount that is required to be withheld under any provision of federal, state, local or foreign tax law with respect to the amount described in the preceding bullet point.

Catellus Stockholder Elections

Each Catellus stockholder is being sent an election form and transmittal letter concurrently with the mailing of this document. Catellus will use its commercially reasonable efforts to mail an election form and transmittal letter to any person who acquires Catellus common stock between the record date for the Catellus special meeting and the seventh business day prior to the election deadline described below. If you are a Catellus stockholder, you have the right to submit an election form indicating whether you prefer to receive your merger consideration in the form of cash, ProLogis common shares, or a combination of both, or whether you have no preference.

In order to make a valid election, a Catellus stockholder s properly completed, signed election form must be received by the exchange agent by 5:00 p.m., Eastern time, on , 2005, which is one business day before the Catellus special meeting. In this document, we refer to this time and date as the election deadline.

Each election form must be accompanied by the Catellus common stock certificates to which the election relates (unless the shares are held in book entry form), duly endorsed in blank or otherwise in form acceptable for transfer on the books of Catellus, or by an appropriate guarantee of delivery as set forth in the election form. If a Catellus stockholder does not make an election or if a Catellus stockholder makes a defective, ineffective or untimely election, the Catellus stockholder will be allocated either cash or ProLogis common shares, or a combination of both, depending on the elections made by other Catellus stockholders. For shares held in street name, your broker will provide you with instructions.

A Catellus stockholder may revoke or change an election form previously submitted to the exchange agent by delivering to the exchange agent written notice of such revocation or change at any time prior to the election deadline. All Catellus stockholder elections will be deemed to be automatically revoked if the merger agreement is terminated.

Reallocation and Proration of Catellus Stockholder Elections

The total amount of cash that will be paid to Catellus stockholders in the merger, which is referred to in this document as the aggregate cash consideration, is fixed at $1.255 billion, less (1) the amount of cash payable with respect to Catellus restricted stock, restricted stock units and stock options that are canceled at the effective time of the merger, as described under Treatment of Catellus Restricted Stock, Restricted Stock Units and Stock Options and (2) the amount of cash equal to the aggregate number of dissenting Catellus stockholders multiplied by $33.81. All Catellus stockholders elections are subject to reallocation to preserve this limitation on the cash that will be paid by ProLogis pursuant to the merger agreement.

The exchange agent will allocate the aggregate cash consideration and ProLogis common shares to be issued to Catellus stockholders by the later to occur of (1) the effective time of the merger and (2) , 2005, which is seven days after the election deadline. Prior to making such allocation, the exchange agent will categorize each share of Catellus common stock entitled to receive merger consideration in one of the following ways:

- a cash election share , which means a share of Catellus common stock for which a valid election has been made to receive merger consideration in the form of $33.81 in cash, without interest;

a share election share , which means a share of Catellus common stock for which a valid election has been made to receive merger consideration in the form of 0.822 of a ProLogis common share; or

a non-election share , which means a share of Catellus common stock for which either a valid election has not been made or a valid election has been made that indicates the holder has no preference as to what form of merger consideration the holder receives.

If the exchange agent determines that the total number of cash election shares multiplied by $33.81 is equal to the aggregate cash consideration, then (1) all cash election shares will be converted into the right to receive $33.81 in cash, without interest, and (2) all share election shares and non-election shares will be converted in to the right to receive 0.822 of a ProLogis common share.

Reallocation if Too Little Cash is Elected. If the exchange agent determines that the total number of cash election shares multiplied by $33.81 is less than the aggregate cash consideration, then:

each cash election share will be converted into the right to receive $33.81 in cash, without interest;

each non-election share will be converted into the right to receive $33.81 in cash, without interest, to the extent necessary to have the total number of cash election shares multiplied by $33.81 equal the aggregate cash consideration (if less than all of the non-election shares need to be treated as cash election shares, then the exchange agent will select on a pro rata basis which non-election shares will be treated as cash election shares, and all of the remaining non-election shares will be treated as share election shares and will be converted into the right to receive 0.822 of a ProLogis common share);

if the total number of cash election shares (including the non-election shares treated as cash election shares as described in the preceding bullet point) multiplied by $33.81 remains less than the aggregate cash consideration, then the exchange agent will select on a pro rata basis a sufficient number of share election shares that will be treated as cash election shares such that the total number of cash election shares (including the non-election shares treated as cash election shares as described in the preceding bullet point and the reallocated share election shares selected by the exchange agent) multiplied by $33.81 equals the aggregate cash consideration, and the reallocated share election shares selected by the exchange agent will be converted into the right to receive $33.81 in cash, without interest; and

all share election shares other than those reallocated as described in the preceding bullet point will be converted into the right to receive 0.822 of a ProLogis common share.

Reallocation if Too Much Cash is Elected. If the exchange agent determines that the total number of cash election shares multiplied by $33.81 exceeds the aggregate cash consideration, then:

each share election share will be converted into the right to receive 0.822 of a ProLogis common share;

each non-election share will be converted into the right to receive 0.822 of a ProLogis common share;

the exchange agent will select on a pro rata basis a sufficient number of cash election shares that will be treated as share election shares such that the total number of cash election shares remaining after such reallocation multiplied by $33.81 equals the aggregate cash consideration, and the reallocated cash election shares selected by the exchange agent will be converted into the right to receive 0.822 of a ProLogis common share; and

each cash election share other than those reallocated as described in the preceding bullet point will be converted into the right to receive $33.81 in cash, without interest.

Exchange of Shares; Fractional Shares

Exchange Agent. ProLogis has designated EquiServe Shareholder Services to act as its exchange agent for purposes of conducting the election procedure described above and delivering the merger consideration that is payable to Catellus stockholders. Prior to the effective time of the merger, ProLogis will deliver to the exchange agent:

- the aggregate number of ProLogis common shares that constitute the portion of the merger consideration payable in ProLogis common shares;
- cash in an amount equal to the aggregate cash consideration; and
- cash in the amount required to make payment to Catellus stockholders in lieu of the issuance of fractional ProLogis common shares.

After the effective time of the merger, there will be no further transfers of shares of Catellus common stock on the records of Catellus or the surviving corporation. If Catellus stock certificates are presented to ProLogis or the surviving corporation for transfer after the effective time of the merger, they will be canceled and exchanged as described below.

Exchange of Shares of Catellus Common Stock. The exchange agent will mail to all Catellus stockholders who did not deliver a valid election form a transmittal letter and instructions explaining how to surrender their shares of Catellus common stock to the exchange agent after the effective time of the merger. Catellus stockholders who delivered a valid election form will not receive, and are not required to complete, another transmittal letter in order to receive the merger consideration to which they are entitled since they have already completed, signed and delivered a transmittal letter and surrendered their shares of Catellus common stock.

A Catellus stockholder who delivers a properly completed and signed transmittal letter and any other documents required by the instructions accompanying the transmittal letter to the exchange agent, together with the stockholder s Catellus stock certificate or certificates (unless the shares are held in book entry form) will receive, in each case without interest:

- the number of whole ProLogis common shares, if any, into which the shares of Catellus common stock previously represented by such Catellus stock certificates have been converted;
- cash representing any fractional ProLogis common shares to which such person would have otherwise been entitled to receive;
- the aggregate amount of cash, if any, into which the shares of Catellus common stock previously represented by such Catellus stock certificates have been converted;
- the aggregate amount of any distributions declared but unpaid as of the effective time of the merger with respect to the shares of Catellus common stock previously represented by such Catellus stock certificates; and
- the aggregate amount of any distributions declared and paid after the effective time of the merger with respect to any whole ProLogis common shares into which the Catellus common stock previously represented by such Catellus stock certificates were converted.

Until you deliver a properly completed and signed transmittal letter and any other documents required by the instructions accompanying the transmittal letter, together with your Catellus stock certificates (unless your shares are held in book entry form), to the exchange agent, any dividends or other distributions declared with a record date after the effective time of the merger will accrue, but will not be paid, on any ProLogis common shares that you are entitled to receive in connection with the merger. You will not be able to vote or exercise any ownership rights with respect to any ProLogis common shares you are entitled to receive in the connection with the merger until you have surrendered your shares of Catellus common stock.

Table of Contents

The exchange agent will deliver to ProLogis any ProLogis common shares and any cash that remains unclaimed by Catellus stockholders for one year after the effective time of the merger. After that time, Catellus stockholders may look only to ProLogis for delivery of merger consideration. Neither the exchange agent nor any party to the merger agreement will be liable to any Catellus stockholder for any consideration paid to a public official pursuant to applicable abandoned property, escheat or similar laws.

Fractional Shares. Catellus stockholders that are entitled to receive ProLogis common shares in exchange for their shares of Catellus common stock will not receive fractional ProLogis common shares. Instead, each Catellus stockholder otherwise entitled to a fractional ProLogis common share will be paid an amount in cash, rounded to the nearest whole cent, without interest, equal to the product of:

- the fraction of a ProLogis common share that the Catellus stockholder would otherwise be entitled to receive, and

- the average closing price of a ProLogis common share on the New York Stock Exchange for the ten trading days immediately preceding the effective time of the merger (as reported in *The Wall Street Journal* or, if not reported therein, in another authoritative source).

Catellus stockholders who are otherwise entitled to receive a fractional ProLogis common share will not be entitled to dividends, voting rights or any other rights in respect of any fractional ProLogis common share.

Conditions to Completing the Merger

Conditions to Each Party s Obligation to Complete the Merger. The respective obligations of each of the parties to the merger agreement to complete the merger are subject to the satisfaction or waiver of the following conditions:

- the approval by Catellus stockholders of the merger agreement;

- the approval by ProLogis shareholders of the issuance of ProLogis common shares contemplated by the merger agreement;

- the approval for listing on the New York Stock Exchange of the ProLogis common shares to be issued as contemplated by the merger agreement, subject to official notice of issuance;

- the absence of any temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the completion of the merger; and

- the declaration of effectiveness of the registration statement of which this document is a part by the Securities and Exchange Commission and the absence of any stop order or proceedings seeking a stop order.

Additional Conditions to ProLogis and Palmtree Acquisition Corporation s Obligations to Complete the Merger. ProLogis and Palmtree Acquisition Corporation s obligations to complete the merger are further subject to the satisfaction or waiver of the following conditions:

- the accuracy, to the extent specified in the merger agreement, of the representations and warranties made by Catellus in the merger agreement;

- the performance by Catellus in all material respects of all obligations and covenants required to be performed by it under the merger agreement at or prior to the effective time of the merger;

- the absence of any change, event or circumstance that, individually or in the aggregate, constitutes a material adverse effect on Catellus, as defined in the merger agreement;

- the receipt of an opinion dated as of the date on which the merger is completed from O Melveny & Myers LLP or another nationally recognized law firm as to Catellus qualification as a REIT under the Internal Revenue Code; and

Table of Contents

- the receipt of an opinion dated as of the date on which the merger is completed from Mayer, Brown, Rowe & Maw LLP to the effect that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code.

Additional Conditions to Catellus Obligation to Complete the Merger. Catellus obligations to complete the merger are further subject to the satisfaction or waiver of the following conditions:

- the accuracy, to the extent specified in the merger agreement, of the representations and warranties made by ProLogis in the merger agreement;
- the performance by ProLogis in all material respects of all obligations and covenants required to be performed by it under the merger agreement at or prior to the effective time of the merger;
- the absence of any change, event or circumstance that, individually or in the aggregate, constitutes a material adverse effect on ProLogis, as defined in the merger agreement;
- the receipt of an opinion dated as of the date on which the merger is completed from Mayer, Brown, Rowe & Maw LLP as to ProLogis and Palmtree Acquisition Corporation s qualification as REITs under the Internal Revenue Code; and
- the receipt of an opinion dated as of the date on which the merger is completed from O Melveny & Myers, LLP to the effect that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code.

Waiver of Conditions. Either ProLogis or Catellus may choose to complete the merger even though a condition to that company s obligation has not been satisfied if the necessary shareholder approvals have been obtained and the law allows the company to do so.

Representations and Warranties

The merger agreement contains representations and warranties by each of ProLogis and Catellus as to itself, its subsidiaries and, in some cases, its joint ventures. Many of these representations and warranties do not extend to matters where the failure of the representation and warranty to be accurate would not have a material adverse effect on the party making the representation and warranty. These representations and warranties include, among other things:

- due organization, good standing and authority;
- subsidiaries and joint ventures;
- capital structure;
- authorization to enter into the merger agreement and to complete the merger;
- the enforceability of the merger agreement;
- required consents, approvals or authorizations of governmental authorities to complete the merger;
- the absence of conflicts, violations and defaults as a result of entering into the merger agreement and completing the merger;
- compliance with the rules and regulations of the Securities and Exchange Commission and its reporting requirements;
- the accuracy of financial statements and reports filed with the Securities and Exchange Commission;

the absence of certain changes since December 31, 2004;

the absence of litigation and undisclosed liabilities;

compliance with applicable laws and permits;

tax matters, including REIT qualification matters;

appropriate funding of pension and employee benefit plans and compliance with applicable regulations;

labor and employment matters;

the absence of violations or liabilities under environmental laws;

intangible property;

title to properties and encumbrances;

insurance;

receipt of financial advisor opinions in connection with the merger;

broker s and finder s fees;

required board and stockholder approvals;

material contracts;

the inapplicability of state anti-takeover statutes;

with respect to Catellus only, related party transactions and beneficial ownership of Catellus common stock by Catellus and its subsidiaries;

with respect to ProLogis only, the operations of Palmtree Acquisition Corporation; and

with respect to ProLogis only, the ability to pay the cash consideration payable pursuant to the terms of the merger agreement, the net restricted stock payments and the net option payments and all fees and expenses in connection with the merger.

Material Adverse Effect on Catellus or ProLogis

For purposes of the merger agreement, a material adverse effect with respect to ProLogis or Catellus, as the case may be, means (1) a material adverse effect on the business, properties, assets, condition (financial or otherwise) or results of operations of it and its subsidiaries, taken as a whole, or (2) the effect of preventing or materially delaying the performance of its obligations under the merger agreement or the completion of the merger, other than any change to the extent resulting from or attributable to:

any change in general national or international economic, financial or political conditions or events, including the effects of terrorist acts that do not result in the destruction or material physical damage of a material portion of its real properties;

the announcement, pendency or completion of the merger and the merger agreement; or

any change in conditions generally affecting the securities markets or the industry in which it and its subsidiaries operate that does not affect it and its subsidiaries to a materially greater extent than such change affects other persons in that industry.

ProLogis has agreed that the following events would not constitute a material adverse effect on Catellus: (1) the failure to obtain any of the consents or approvals required in connection with the merger or (2) any change between

June 5, 2005 and the date on which the merger is completed in Catellus reserve with respect to liabilities related to the pending IRS tax audit of Catellus, regardless of whether such change in reserve affects Catellus current, prospective or historical financial information, and any change, event or circumstance directly related to any such change in reserve.

Covenants and Other Agreements

Conduct of Business Pending the Merger. During the period from the date of the merger agreement to the effective time of the merger, Catellus and ProLogis have agreed to, and to cause their respective subsidiaries and, in the case of Catellus, its joint ventures (to the extent within its or its subsidiaries control) to, use commercially reasonable efforts to:

carry on their respective businesses in the usual, regular and ordinary course in substantially the same manner as conducted prior to the date of the merger agreement and in compliance in all material respects with applicable law; and

preserve intact in all material respects their respective current business organization, goodwill, ongoing businesses and status as REITs within the meaning of the Internal Revenue Code.

In addition, pending the completion of the merger and subject to certain exceptions, Catellus has agreed that it will not, and will not cause any of its subsidiaries and, to the extent within its or its subsidiaries control, each of its joint ventures to do any of the following without ProLogis prior written consent:

declare, set aside or pay any dividends or make other distributions, except for Catellus regular quarterly cash dividend (at a rate not to exceed $0.27 per share of Catellus common stock, unless a larger distribution is necessary to maintain Catellus REIT status or avoid certain adverse tax consequences specified in the merger agreement) and in respect of equity of a wholly owned Catellus subsidiary;

split, combine or reclassify any equity interests or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution of these equity interests;

purchase, redeem or otherwise acquire any equity interests in any Catellus subsidiary or joint venture or any options, warrants or rights to acquire, or securities convertible into, equity interests in any Catellus subsidiary, except to repurchase shares of Catellus common stock issued under any Catellus stock option plan or in connection with the cashless exercise of a Catellus stock option;

issue, deliver, sell or grant any option or right to acquire any shares, capital stock, voting or redeemable securities or any securities convertible into the same, except to a wholly owned Catellus subsidiary and in connection with the exercise of a Catellus stock option and the conversion of any Catellus convertible securities outstanding as of the date of the merger agreement;

change, or consent to a change in, the ownership of any Catellus subsidiary;

amend Catellus certificate of incorporation or bylaws or other organizational documents of any Catellus subsidiary or joint venture, except as required by the merger agreement;

merge, consolidate or enter into any similar transaction;

commit to make any capital expenditures, except for certain capital expenditures to which ProLogis agreed at the time it signed the merger agreement and capital expenditures in the ordinary course of business consistent with past practice and not exceeding $3 million individually or $6 million in the aggregate;

acquire, or enter into or exercise an option to acquire, real property with a purchase price in excess of $10 million unless the acquisition is necessary to effect a like-kind exchange under Section 1031 of the Internal Revenue Code;

commence construction of, or enter into any commitment to, develop or construct real estate projects in excess of $10 million individually or $25 million in the aggregate;

incur additional indebtedness except under Catellus revolving line of credit;

make any loans, advances, capital contributions or investments in another entity in excess of $1 million individually and $5 million in the aggregate;

sell, mortgage, lease, subject to lien or otherwise dispose any real, personal or intangible property or pledge or otherwise encumber any equity interests or securities of Catellus or its subsidiaries and joint ventures, except for transactions made in the ordinary course of business that are not material individually or in the aggregate;

enter into any keep well or agreement to maintain any financial statement condition of another entity or any agreement having the same economic effect;

prepay, refinance or amend any existing indebtedness;

pay, discharge or satisfy any claims, liabilities or obligations, except in the ordinary course of business consistent with past practice;

make or rescind any material tax election;

adversely change in any material respect any accounting methods, principles or practices;

settle or compromise any tax claim, action, suit, litigation proceeding, arbitration, investigation, audit or controversy, except in the case of tax settlements or compromises less than or equal to $500,000 individually or $2,000,000 in the aggregate, or change any of its methods of reporting income or deductions for federal income tax purposes;

adopt or amend any compensation or employee benefit plan or enter into or amend any employment, consulting, severance or similar agreement, except in the ordinary course of business consistent with past practice;

enter into or amend any material agreement with its affiliates or its present officers and directors;

authorize, recommend, propose or announce an intention to adopt a plan of complete or partial liquidation or dissolution;

settle or compromise any material litigation, except for settlements or compromises that do not require payments in excess of $500,000 individually or $2,000,000 in the aggregate;

enter into, amend or terminate, or waive compliance with the terms of, or breaches under, any material contract (as defined in the merger agreement);

enter into a tax protection agreement, as defined in the merger agreement;

sell, securitize, factor or transfer accounts receivable; or

accept a promissory note in payment of the exercise price under a Catellus stock option.

In addition, pending the completion of the merger and subject to certain exceptions, ProLogis has agreed that it will not do any of the following without Catellus prior written consent:

declare, set aside or pay any dividends or make other distributions, except for ProLogis regular quarterly cash dividend (at a rate not to exceed $0.37 per ProLogis common share for the quarter ending September 30, 2005 and subsequent quarters, unless a larger distribution is necessary to maintain ProLogis REIT status or avoid certain adverse tax consequences specified in the merger agreement) and distributions with respect to ProLogis preferred shares at their respective stated rate;

split, combine or reclassify any ProLogis shares or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution of those shares;

purchase, redeem or otherwise acquire any ProLogis shares or any options, warrants or rights to acquire, or securities convertible into, ProLogis shares, except in the circumstances set forth in the merger agreement;

issue, deliver, sell or grant any option or right in respect of ProLogis common shares or any securities convertible into, or any rights, warrants or options to acquire, any ProLogis common shares, except in the circumstances set forth in the merger agreement;

- amend ProLogis declaration of trust or bylaws, except as required by the merger agreement or to increase the number of authorized ProLogis shares of beneficial interest to 375,000,000;
- merge, consolidate or enter into any similar transaction;
- make or rescind any material tax election;
- adversely change in any material respect any accounting methods, principles or practices; or
- authorize, recommend, propose or announce an intention to adopt a plan of complete or partial liquidation or dissolution of ProLogis or Palmtree Acquisition Corporation.

No Solicitation by Catellus. Catellus has agreed that neither it nor any of its subsidiaries will authorize or permit, directly or indirectly, any officer, trustee, director, employee, agent, investment banker, financial advisor, attorney, accountant, broker, finder or other agent, representative or affiliate to:

- initiate, solicit, encourage or facilitate (including by way of furnishing non-public information or assistance) any inquiries or the making of any proposal or action that constitutes, or may be reasonably expected to lead to, any competing transaction ; or
- enter into or participate in discussions or negotiate with any person or entity regarding a competing transaction.

In addition, Catellus has agreed to, and to cause each of its subsidiaries (to the extent within its control) to, cause their respective officers, trustees, directors, employees, agents, investment bankers, financial advisors, attorneys, accountants, brokers, finders and other agents, representatives or affiliates to cease any discussions, negotiations or communications with any party or parties with respect to any competing transaction.

For purposes of the merger agreement, a competing transaction means:

- any merger, consolidation, share exchange, business combination or similar transaction involving Catellus or one of its material subsidiaries;
- any sale, lease, exchange, mortgage, pledge, transfer or disposition of 15% or more of the assets of Catellus and its subsidiaries, taken as a whole, in a single or a series of related transactions; or
- any tender offer or exchange offer for 15% or more of the voting power in the election of directors exercisable by the holders of the outstanding equity securities of Catellus or one of its material subsidiaries.

Catellus has also agreed to promptly notify ProLogis no later than 24 hours after receipt of the relevant details, including the identity of the parties and price, of any inquiries and proposals that it or any of its subsidiaries or their respective officers, trustees, directors, employees, agents, investment bankers, financial advisors, attorneys, accountants, brokers, finders and other agents, representatives or affiliates receives and promptly inform ProLogis in writing if any such inquiry or proposal becomes reasonably likely to lead to a proposal for a competing transaction.

If Catellus receives a proposal for a competing transaction that was unsolicited and did not otherwise result from Catellus breach of the no solicitation covenant in the merger agreement, Catellus may:

- furnish non-public information with respect to it and its subsidiaries to the person or entity who made the proposal if (a) Catellus has previously or concurrently furnished this information to ProLogis and (b) the information is furnished pursuant to a confidentiality agreement that is at least as favorable to Catellus as the confidentiality agreement entered into between Catellus and ProLogis;
- contact the third party and its advisors solely for the purpose of clarifying the proposal, any material contingencies and the capability of the consummation of the proposed transaction in order to determine whether the proposal is reasonably likely to lead to a superior competing transaction ; and

continue to furnish non-public information and participate in negotiations regarding the proposal if Catellus board of directors determines in good faith, after consultation with its outside counsel and financial advisors having a nationally recognized reputation, that the proposal is reasonably likely to lead to a superior competing transaction.

For purposes of the merger agreement, a superior competing transaction means a bona fide written proposal made by a third party for a competing transaction that:

has terms that a majority of Catellus board of directors determines in good faith, after consultation with its outside counsel and financial advisors having a nationally recognized reputation, are superior to Catellus stockholders to those provided for in the merger and the other transactions contemplated by the merger agreement (taking into account all financial and strategic considerations and other factors deemed relevant by Catellus board of directors); and

was not solicited, encouraged or facilitated by Catellus or its affiliates or any of their respective advisors in breach of the no solicitation covenant contained in the merger agreement.

The merger agreement also provides that Catellus may respond to a third-party tender offer as required by the federal securities laws and make disclosures to its stockholders of any information required to be disclosed under applicable law.

Withdrawal or Modification of Recommendation to Catellus Stockholders. Catellus board of directors may approve or recommend (and withdraw or modify its approval or recommendation of the merger and merger agreement) a superior competing transaction or enter into an agreement with respect to a superior competing transaction only if:

Catellus board of directors determines in good faith, after consulting with its outside legal counsel and financial advisors of nationally recognized reputation, that such action is consistent with its fiduciary duties under applicable law;

Catellus complies fully with the no solicitation covenant contained in the merger agreement;

Catellus provides ProLogis with at least three business days prior written notice of its intent to withdraw, modify, amend or qualify its recommendation of the merger and the merger agreement;

in the event ProLogis makes a counter proposal within the three-day period referred to in the preceding bullet point, Catellus board of directors determines in good faith, after consultation with its outside counsel and financial advisors having a nationally recognized reputation, that ProLogis counter proposal is not at least as favorable to Catellus stockholders as the superior competing transaction (taking into account all financial and strategic considerations and other factors deemed relevant by Catellus board of directors); and

Catellus terminates the merger agreement in accordance with its terms and pays ProLogis a $90 million termination fee and $8 million of break-up expenses.

Employee Arrangements. The surviving corporation has agreed to assume and honor all Catellus severance agreements in accordance with their terms and has agreed not to challenge the validity of any obligation of Catellus or its subsidiaries under the severance agreements.

Following the date on which the merger is completed, ProLogis has agreed to provide Catellus employees who become employees of ProLogis, or transferred employees, with the same benefits that are provided to similarly situated employees of ProLogis from time to time. In addition, solely for the purpose of providing continuing health care coverage to Catellus employees who do not become employees of ProLogis, ProLogis has agreed to continue to maintain Catellus employee benefit plans in effect on the date that the merger is completed through December 31, 2006. After December 31, 2006, continuation coverage will be provided by ProLogis under its own employee benefit plans.

ProLogis has agreed to waive all limitations regarding pre-existing conditions, exclusions and waiting periods under any welfare plans in which the transferred employees may be eligible to participate after the effective time of the merger other than limitations or waiting periods already in effect with respect to those employees and that had not been satisfied as of the effective time of the merger under the corresponding welfare plan with Catellus prior to the effective time of the merger. ProLogis has also agreed to provide each transferred employee with credit for any co-payments and deductibles paid prior to the effective time of the merger under a corresponding Catellus employee benefit plan.

Transferred employees will retain all accrued but unused vacation and sick days as of the effective time of the merger. ProLogis has agreed to pay cash to non-transferred Catellus employees for any accrued but unused vacation and sick days as of the effective time of the merger. Transferred employees who are participants in certain ProLogis employee benefit plans will be given credit under those plans for their prior service with Catellus or its subsidiaries solely for purposes of determining eligibility to participate, vesting and entitlement to benefits and accruing vacation and sick or personal time.

Further, ProLogis has agreed to pay transferred employees their annual bonuses for 2005 in an amount to be determined by Catellus immediately prior to the date on which the merger is completed.

Affiliate Agreements. Prior to the effective time of the merger, Catellus has agreed to use its commercially reasonable efforts to cause its affiliates, as defined by Rule 145 under the Securities Act of 1933, to execute and deliver a written agreement (in the form attached to the merger agreement) restricting their ability to sell, transfer or otherwise dispose any ProLogis common shares received by them pursuant to the merger agreement except:

pursuant to an effective registration statement under the Securities Act of 1933;

in conformity with the volume and other limitations of Rule 145 under the Securities Act of 1933; or

in reliance upon an exemption from registration that is available under the Securities Act of 1933.

Dividends and Distributions on Capital Stock. Catellus may, through the completion of the merger, continue to declare and pay regular quarterly dividends of up to $0.27 per share with respect to shares of Catellus common stock, beginning with the quarter ending September 30, 2005. ProLogis may, through the completion of the merger, continue to declare and pay (1) regular quarterly dividends of up to $0.37 per share with respect to ProLogis common shares, beginning with the quarter ending September 30, 2005, and (2) distributions at their respective stated dividend or distribution rates with respect to any series of ProLogis preferred shares. ProLogis and Catellus have agreed to set the same record date for the distribution of the Catellus quarterly dividends to Catellus stockholders and the distribution of the ProLogis quarterly dividends to ProLogis shareholders. Prior to entering into the merger agreement, Catellus declared a regular cash dividend of $0.27 per share of common stock for the second quarter of 2005, which it intends to pay on July 15, 2005, to stockholders of record at the close of business on June 28, 2005. ProLogis paid a regular cash dividend of $0.37 per common share for the second quarter of 2005 on May 31, 2005, to shareholders of record at the close of business on May 16, 2005.

In addition, if necessary to comply with REIT qualification and distribution requirements and to avoid, to the extent reasonably possible, the incurrence of income or excise tax, Catellus will declare and pay a dividend to its stockholders, the record and payment date for which will be the close of business on the last business day prior to the date on which the merger is completed, distributing cash in an amount equal to Catellus estimated real estate investment trust taxable income (as that term is used in Section 857(a) of the Internal Revenue Code), taking into account any dividends previously paid by Catellus during the tax year, plus any other amounts determined by Catellus, in consultation with ProLogis. ProLogis will declare and pay a corresponding dividend to its shareholders at the same time in an aggregate amount equal to the dividend paid by Catellus divided by 0.822.

Indemnification; Directors and Officers Insurance. Under the merger agreement, ProLogis has agreed to indemnify Catellus directors and officers to the same extent as they are currently indemnified by Catellus. ProLogis has agreed that all rights to indemnification that exist in favor of, and all limitations of the personal liability of, Catellus directors and officers provided for in Catellus certificate of incorporation or bylaws, as currently in effect, with respect to matters occurring prior to the effective time of the merger, including the merger, will continue in full force and effect from and after the effective time of the merger. Catellus has agreed to purchase, prior to the effective time of the merger, an extended reporting period endorsement under Catellus existing directors and officers liability insurance coverage for a period of six years following the effective time of the merger with coverage on terms that are not materially less favorable on the whole to Catellus directors and officers as is currently provided by Catellus to these directors and officers, so long as such endorsement is available for a maximum aggregate cost of not more 300% of the existing annual premium paid by Catellus. To the extent that an endorsement is not available for no more than such maximum aggregate amount, then Catellus will purchase an endorsement in amount and scope as great as can be obtained for such maximum aggregate amount.

Other Agreements Relating to the Period Before the Effective Time. The merger agreement contains additional agreements between ProLogis and Catellus relating to, among other things:

the preparation of this document;

calling and holding the special meetings of ProLogis shareholders and Catellus stockholders and proxy solicitation;

the adjournment of the special meetings and the use by each party of its commercial reasonable efforts to solicit proxies from ProLogis shareholders or Catellus stockholders, as the case may be;

access to and confidential treatment of information regarding the other party;

using commercially reasonable efforts to satisfy the conditions to closing;

using best efforts to cause the merger to be treated as a tax-free reorganization under the Internal Revenue Code;

public announcements;

indemnification of directors and officers of Catellus and its subsidiaries and directors and officers insurance;

the cooperation of Catellus and its subsidiaries and representatives in connection with any financing efforts by ProLogis or its affiliates;

Catellus using commercially reasonable efforts, upon the written request of ProLogis, to obtain resignations from, or cause the removal of, all of the officers and directors of each Catellus subsidiary;

compliance with the Sarbanes-Oxley Act of 2002; and

the listing on the New York Stock Exchange of the ProLogis common shares to be issued pursuant to the merger agreement.

Termination of the Merger Agreement

The merger agreement may be terminated before the effective time of the merger in any of the following ways:

by mutual written consent duly authorized by ProLogis board of trustees and Catellus board of directors;

by ProLogis, if Catellus breaches any of its representations, warranties or covenants in the merger agreement, or if any of Catellus representations or warranties become untrue, in either case such that a condition of the merger cannot be satisfied by December 31, 2005;

by Catellus, if ProLogis breaches any of its representations, warranties or covenants in the merger agreement, or if any of ProLogis representations or warranties become untrue, in either case such that a condition of the merger cannot be satisfied by December 31, 2005;

Table of Contents

by either ProLogis or Catellus, if:

(1) the merger is not completed by December 31, 2005, so long as the party seeking to terminate has not materially breached any of its representations, warranties or covenants in the merger agreement; or

(2) there is a legal prohibition to the merger that has become final and non-appealable;

by ProLogis, if Catellus stockholders fail to adopt the merger agreement at Catellus special meeting;

by Catellus, if ProLogis shareholders fail to approve the issuance of ProLogis common shares contemplated by the merger agreement at ProLogis special meeting;

by ProLogis, if (1) prior to Catellus special meeting, Catellus board of directors or any committee thereof shall have withdrawn, amended or modified in any manner adverse to ProLogis its approval or recommendation of the merger or the merger agreement in connection with, or approved or recommended, any superior competing transaction, (2) Catellus shall have entered into any agreement with respect to any superior competing transaction or (3) Catellus board of directors or any committee thereof shall have resolved to do any of the foregoing; or

by Catellus, if (1) Catellus has complied with its non-solicitation obligations under the merger agreement and the other conditions precedent to Catellus board of directors right to withdraw or modify its recommendation of the merger and to enter into a superior competing transaction (as described under the section entitled Withdrawal or Modification of Recommendation to Catellus Stockholders) and (2) Catellus board of directors has approved or recommended a superior competing transaction or resolved to enter into an agreement with respect to such superior competing transaction.

Termination Fees and Expenses

Termination Fees and Expenses Potentially Payable by Catellus. Catellus will be required to pay to ProLogis both a $90 million termination fee and $8 million of break-up expenses (to the extent the $8 million of break-up expenses have not been previously paid by Catellus as described below) if:

Catellus terminates the merger agreement to accept a superior competing transaction;

ProLogis terminates the merger agreement because:

(1) prior to Catellus special meeting, Catellus board of directors or any committee thereof shall have withdrawn, amended or modified in any manner adverse to ProLogis its approval or recommendation of the merger or the merger agreement in connection with, or approved or recommended, any superior competing transaction,

(2) Catellus shall have entered into any agreement with respect to any superior competing transaction, or

(3) Catellus board of directors or any committee thereof shall have resolved to do any of the foregoing;

ProLogis terminates the merger agreement because Catellus stockholders fail to approve it at Catellus special meeting and either:

(1) Catellus board of directors or any committee thereof shall have withdrawn, modified, amended or qualified in any manner adverse to ProLogis its approval or recommendation of the merger agreement or the merger, or

(2) (a) after June 5, 2005 and prior to such termination, any person has made an inquiry or proposal relating to a competing transaction and (b) within one year after such termination, Catellus shall complete a competing transaction with that person; or

ProLogis terminates the merger agreement because Catellus breaches any of its representations, warranties or covenants in the merger agreement, or if any of Catellus representations or warranties become untrue, in either case such that a condition of the merger cannot be satisfied by December 31, 2005 and (1) after June 5, 2005 and prior to such termination, any person has made an inquiry or proposal relating to a competing transaction and (2) within one year after such termination, Catellus shall complete a competing transaction with that person.

Catellus will be required to pay to ProLogis $8 million of break-up expenses if ProLogis terminates the merger agreement because either (1) Catellus breaches any of its representations, warranties or covenants in the merger agreement, or if any of Catellus representations or warranties become untrue, in either case such that a condition of the merger cannot be satisfied by December 31, 2005 or (2) Catellus stockholders fail to adopt the merger agreement at Catellus special meeting.

Termination Expenses Potentially Payable by ProLogis. ProLogis will be required to pay to Catellus $20 million of break-up expenses if Catellus terminates the merger agreement because either (1) ProLogis breaches any of its representations, warranties or covenants in the merger agreement, or if any of ProLogis representations or warranties become untrue, in either case such that a condition of the merger cannot be satisfied by December 31, 2005 or (2) ProLogis shareholders fail to approve the issuance of ProLogis common shares as contemplated by the merger agreement at ProLogis special meeting.

Collection of Termination Fees and Expenses. The merger agreement provides that, if either ProLogis or Catellus is required to file suit to seek all or a portion of any termination fee or break-up expenses payable by the other party under the merger agreement and prevails in that litigation, it will be entitled to all expenses (including attorneys fees and expenses) that it incurs in enforcing its rights under the merger agreement.

Other Fees and Expenses

All costs and expenses incurred in connection with the merger agreement and the related transactions will be paid by the party incurring them, except that termination fees and expenses will be paid as described above and except that each party will pay one-half of the printer costs and expenses in connection with the registration statement of which this document is a part.

Amendment; Extension and Waiver

Amendment. Subject to the exceptions described in the next sentence, the merger agreement may be amended by ProLogis, Palmtree Acquisition Corporation and Catellus in writing by action of their respective boards of trustees or board of directors, as applicable. Once the required approvals from Catellus stockholders and ProLogis shareholders have been obtained, there may not be any amendment of the merger agreement that:

- alters the amount or changes the form of the consideration to be paid to Catellus stockholders in the merger; or

- alters or changes any of the terms or conditions of the merger agreement if the alteration or change would adversely affect either Catellus stockholders or ProLogis shareholders.

Extension; Waiver. At any time prior to the effective time of the merger, each of ProLogis and Catellus may (1) extend the time for performance by the other party of its obligations under the merger agreement, (2) waive any inaccuracies in the representations and warranties of the other party contained in the merger agreement or a document delivered pursuant to the merger agreement or (3) waive compliance with any agreement or conditions of the other party contained in the merger agreement.

Table of Contents

Voting Agreement; Additional Agreements between Nelson C. Rising and ProLogis

The following individuals entered into a voting agreement with ProLogis at the same time that the merger agreement was signed:

- Nelson C. Rising, Chairman of the Board and Chief Executive Officer of Catellus;
- Ted R. Antenucci, President of Catellus Commercial Development Corporation;
- C. William Hosler, Senior Vice President and Chief Financial Officer of Catellus; and
- Vanessa L. Washington, Senior Vice President and General Counsel of Catellus.

The voting agreement provides that Messrs. Rising, Antenucci and Hosler and Ms. Washington must vote all of the shares of Catellus common stock beneficially held by them (1) in favor of approval of the merger agreement and (2) against any competing transaction. Messrs. Rising, Antenucci and Hosler and Ms. Washington hold a total of , or approximately %, of the outstanding shares of Catellus common stock entitled to vote at the Catellus special meeting. In furtherance of the voting agreement, Messrs. Rising, Antenucci and Hosler and Ms. Washington granted to ProLogis a proxy to vote all of their shares of Catellus common stock solely with respect to the matters specified in, and in accordance with the terms of, the voting agreement. This proxy is irrevocable during the term of the voting agreement.

Messrs. Rising, Antenucci and Hosler and Ms. Washington have also agreed in the voting agreement not to transfer any of their shares of Catellus common stock or Catellus restricted stock, restricted stock units or stock options without ProLogis prior written consent. This transfer restriction is subject to limited exceptions for transfers for tax or estate planning purposes or to charitable foundations, provided that the transferee agrees in writing to be bound by the terms of the voting agreement.

The voting agreement also provides that:

- Mr. Rising must elect to receive ProLogis common shares with respect to not less than 65% of the Catellus common stock that he owns;
- Mr. Rising must maintain ownership of at least 125,000 ProLogis common shares until the earlier of two years following completion of the transaction or such time as he no longer serves on ProLogis board of trustees; and
- ProLogis shall retain (and not pay to Mr. Rising) a portion of the cash to which Mr. Rising would otherwise be entitled to receive in connection with the merger in an amount equal to, and in full satisfaction of, Mr. Rising s obligations to Catellus with respect to a $1 million unsecured loan that Catellus made to Mr. Rising in 2000.

The voting agreement will terminate on the earliest to occur of (1) the mutual agreement of ProLogis and the applicable Catellus stockholder to terminate the voting agreement as to such stockholder, (2) the effective time of the merger and (3) the termination of the merger agreement in accordance with its terms.

Table of Contents

MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a discussion of the material U.S. federal income tax consequences relating to the merger and the receipt of ProLogis common shares and cash in the merger by holders of shares of Catellus common stock and certain holders of Catellus options. This discussion is generally applicable to holders of shares of Catellus common stock (or non-compensatory options to acquire shares of Catellus common stock) who hold their shares or options as capital assets (generally, property held for investment). For purposes of this discussion, unless otherwise indicated, any reference to a holder of Catellus common stock will include a holder of non-compensatory options to acquire shares of Catellus common stock.

For purposes of this discussion, a U.S. Holder means a beneficial owner of shares of Catellus common stock or ProLogis common shares that is, for U.S. federal income tax purposes:

- a citizen or resident alien individual, as defined in Section 7701(b) of the Internal Revenue Code of 1986, as amended, of the United States, or the Code;

- a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the U.S. or any state or the District of Columbia;

- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

- in general, a trust subject to the primary supervision of a U.S. court and the control of one or more U.S. persons or the trust was in existence on August 20, 1996, and has made a valid election to be treated as a U.S. person.

A Non-U.S. Holder is a beneficial owner of shares of Catellus common stock or ProLogis common shares that is not a U.S. Holder. If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds shares of Catellus common stock or ProLogis common shares, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holding such shares or options, you should consult your tax advisor regarding the tax considerations described herein.

This discussion does not deal with all income tax considerations that might be relevant to particular holders of shares of Catellus common stock or ProLogis common shares in light of their particular circumstances, for example, holders who are banks, insurance companies, regulated investment companies, tax-exempt entities or dealers in securities, holders who hold their shares or options as part of a hedging, straddle, conversion or other risk reduction transaction or holders who acquired their shares or options in connection with stock option or certain types of stock purchase plans or other compensatory transactions. In addition, the following discussion does not address the tax consequences of transactions effectuated prior to or after the merger (whether or not these transactions are in connection with the merger), including transactions in which shares of Catellus common stock were or are acquired or in which shares of Catellus common stock were or are disposed of. Furthermore, other than as noted below, no foreign, state or local tax considerations are addressed in this document. The following discussion is not binding on the Internal Revenue Service, or the IRS, or any court.

The information in this section is based on the Code, current, temporary and proposed U.S. Treasury regulations, the legislative history of the Code, current administrative interpretations and practices of the IRS, and court decisions. The reference to IRS interpretations and practices includes IRS practices and policies as endorsed in private letter rulings, which are not binding on the IRS except with respect to the taxpayer that receives the ruling. In each case, these sources are relied upon as they exist on the date of this document. Future legislation, regulations, administrative interpretations and court decisions could change current law or adversely affect existing interpretations of current law. Any change could apply retroactively. Accordingly, even if there is no change in the applicable law, no assurance can be provided that the statements made in the following discussion, which do not bind the IRS or the courts, will not be challenged by the IRS or will be sustained by a court if so challenged. Accordingly, holders of shares of

Table of Contents

Catellus common stock or ProLogis common shares are urged to consult their tax advisors as to the specific tax considerations relating to the merger, including the applicable U.S. federal, state, local and foreign income and estate tax consequences to them of the merger and applicable tax return reporting requirements.

Tax Consequences of the Merger

General

The parties are not requesting a ruling from the IRS in connection with the merger. Statements of law and conclusions of law in this section entitled Tax Consequences of the Merger are the opinions of Mayer, Brown, Rowe & Maw LLP, counsel to ProLogis, and O Melveny & Myers LLP, counsel to Catellus. The opinions of counsel are not binding on the IRS or the courts. As a result, we cannot assure you that the tax considerations and opinions contained herein will not be challenged by the IRS or sustained by a court if challenged or prevent the IRS from adopting a contrary position.

Other than (1) the sentences in the section entitled General, including this sentence, and (2) the sentences in the section entitled Tax Treatment of the Merger, other than the fourth and sixth sentences thereof, the discussion in the section entitled Tax Consequences of the Merger constitutes the opinion of counsel.

Tax Treatment of the Merger

The merger is intended to qualify as a reorganization under Section 368(a) of the Code. The U.S. federal income tax consequences described below are based on the assumption that the merger will qualify as a reorganization. The obligation of ProLogis to consummate the merger is conditioned upon Mayer, Brown, Rowe & Maw LLP, counsel to ProLogis, delivering an opinion to ProLogis that the merger will qualify as a reorganization under the provisions of Section 368(a) of the Code. Mayer, Brown, Rowe & Maw LLP is of the opinion that the merger will qualify as a reorganization under Section 368(a) of the Code. The obligation of Catellus to consummate the merger is conditioned upon O Melveny & Myers LLP, counsel to Catellus, delivering an opinion to Catellus that the merger will qualify as a reorganization under the provisions of Section 368(a) of Code. O Melveny & Myers LLP is of the opinion that the merger will qualify as a reorganization under Section 368(a) of the Code.

The opinions of counsel are based on and assume:

- the accuracy of the statements and facts concerning the merger set forth in the merger agreement and in this document;

- that the merger is consummated in the manner contemplated by, and in accordance with, the terms of the merger agreement this document; and

- the accuracy of certain customary factual representations made by Catellus and ProLogis set forth in certificates delivered to counsel.

If any of the factual assumptions or representations relied upon in the opinions of counsel are inaccurate, the opinions may not accurately describe the U.S. federal income tax treatment of the merger, and this discussion may not accurately describe the tax consequences of the merger.

Tax Treatment of Catellus, ProLogis and Holders of ProLogis Common Shares

Catellus, ProLogis and holders of ProLogis common shares will not recognize any gain or loss as a result of the merger.

Tax Treatment of U.S. Holders of Shares of Catellus Common Stock

Recognition of Gain or Loss by U.S. Holders Receiving Only Cash in the Merger. A U.S. Holder of shares of Catellus common stock receiving only cash in the merger will recognize gain or loss equal to the

Table of Contents

difference between the amount of cash received and such holder s tax basis in the shares of Catellus common stock surrendered. There are limitations on the deductibility of capital losses.

No Recognition of Gain or Loss by U.S. Holders Receiving Only ProLogis Common Shares in the Merger. A U.S. Holder of shares of Catellus common stock receiving only ProLogis common shares in the merger will not recognize any gain or loss as a result of the merger (other than with respect to cash received in lieu of fractional shares, as described below).

Recognition of Gain by U.S. Holders Receiving Both Shares of ProLogis Common Shares and Cash in the Merger. A U.S. Holder of shares of Catellus common stock receiving both cash and ProLogis common shares in the merger will recognize gain (which we refer to in this document as recognized gain), if any, but not loss, equal to the lesser of (i) the amount of cash that such U.S. Holder receives in the merger or (ii) the amount of gain realized in the merger, which will equal the amount by which (a) the cash such holder receives in the merger plus the fair market value of the ProLogis common shares such holder receives in the merger exceeds (b) such holder s adjusted tax basis in the shares of Catellus common stock surrendered in the merger. A U.S. Holder s recognized gain generally will be taxed as a capital gain, and such capital gain will constitute long-term capital gain if the shares of Catellus common stock have been held by such holder for more than one year at the time of the consummation of the merger. Generally, long-term capital gains recognized by non-corporate U.S. Holders will be subject to tax at a rate not to exceed 15%. If a U.S. Holder exchanges more than one block of shares of Catellus common stock (that is, groups of shares or options that such holder acquired at different times or at different prices), such holder must calculate his, her or its recognized gain separately on each block, and the results for each block may not be netted in determining such holder s overall recognized gain. Instead, such U.S. Holder would recognize gain on those shares on which gain is realized, but, as described above, losses may not be recognized.

Holding Period. The holding period of any ProLogis common shares received in the merger by a U.S. Holder of shares of Catellus common stock, including any fractional share interest for which cash is received, will include the period during which such holder held such Catellus shares surrendered in the merger.

Tax Basis. The aggregate tax basis of any ProLogis common shares received in the merger by a U.S. Holder of shares of Catellus common stock will be the same as the aggregate tax basis of such Catellus shares surrendered in the merger, increased by such holder s recognized gain, if any, and reduced by the amount of cash received by such holder in the merger.

Treatment of Cash Received in Lieu of Fractional Shares. U.S. Holders of shares of Catellus common stock who receive cash in lieu of fractional ProLogis common shares will be treated as having received such fractional shares in the merger, and then as having exchanged such fractional shares for cash in a redemption by ProLogis. The amount of any gain or loss recognized as a result of such exchange will be equal to the difference between the ratable portion of the tax basis of Catellus shares of common stock exchanged in the merger that is allocated to such fractional shares and cash received in lieu thereof and will constitute long-term capital gain or loss if the Catellus shares of common stock exchanged therefor have been held by the U.S. Holder for more than one year at the time of the consummation of the merger. Generally, long-term capital gain of individuals are subject to tax at a rate not to exceed 15%.

Information Reporting Relating to the Merger. U.S. Holders of shares of Catellus common stock who receive ProLogis common shares in the merger must comply with the information reporting requirements of the U.S. Treasury regulations under Section 368 of the Code. In general, the U.S. Treasury regulations under Section 368 of the Code require any taxpayer, who receives stock, securities or other property, including cash, in a tax-free exchange in connection with a corporate reorganization, to include with his or her income tax return a complete statement of facts pertaining to the nonrecognition of gain or loss including:

the cost or other basis of the stock or securities transferred in the exchange; and

the amount of stock, securities or other property received in the exchange.

In addition, the statement must include the fair market value, at the date of the exchange, of each kind of stock, securities or other property received by the taxpayer. Taxpayers are required to keep permanent records showing the cost or other basis of any property involved in such an exchange. All holders of shares of Catellus common stock are urged to consult their tax advisors to determine the specific information that they may need to file pursuant to the U.S. Treasury regulations under Section 368 of the Code.

Tax Treatment of Non-U.S. Holders of Shares of Catellus Common Stock

Regardless of the treatment of the merger as a reorganization under Section 368(a) of the Code, a Non-U.S. Holder of Catellus stock generally will not be subject to U.S. federal income or withholding tax on gain realized as a result of the merger, unless (1) such Non-U.S. Holder is an individual who is present in the United States for 183 days or more in its taxable year that includes the date on which the merger is consummated, and other applicable conditions are met, or (2) the gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States.

If a Non-U.S. Holder is engaged in a trade or business in the United States and gain realized as a result of the merger is effectively connected with the conduct of such trade or business, the Non-U.S. Holder generally will be subject to regular U.S. federal income tax on the gain in the same manner as if it were a U.S. Holder, as described above, unless an applicable treaty provides otherwise. In addition, if the Non-U.S. Holder is a foreign corporation, it may be subject to a branch profits tax equal to 30%, or a lower rate provided by an applicable treaty, on gain that is effectively connected with the conduct of a trade or business in the United States.

Backup Withholding and Information Reporting

Certain non-corporate U.S. Holders of shares of Catellus common stock may be subject to backup withholding at a rate of 28% with respect to cash received in the merger (including in exchange for fractional shares of Catellus common stock). Backup withholding will not apply, however, to a non-corporate U.S. Holder that (1) furnishes a correct taxpayer identification number and certifies under penalties of perjury that she or he is not subject to backup withholding on the substitute Form W-9 or successor form included in the letter of transmittal that will be mailed to holders of Catellus common stock by the exchange agent shortly after the completion of the merger, or (2) is otherwise exempt from backup withholding.

In general, backup withholding and information reporting will not apply to payments made to a Non-U.S. Holder if such holder has provided the required certification that the holder is not a U.S. person on IRS Form W-8BEN, IRS Form W-8ECI, IRS Form W-8EXP, or IRS Form W-8IMY, as applicable, and provided we do not have actual knowledge that such holder is a U.S. person. Payments of the proceeds from the merger to a Non-U.S. Holder made to or through a foreign office of a broker will generally not be subject to information reporting or backup withholding. However, information reporting will apply to those payments, if the broker is: (1) a U.S. person, (2) a controlled foreign corporation for U.S. federal income tax purposes, (3) a foreign person 50% or more of whose gross income from all sources is effectively connected with the conduct of trade or business in the United States for a specified three-year period, or (4) a foreign partnership, if at any time during its tax year, one or more of its partners are U.S. persons, as defined in Treasury Regulations, who in the aggregate hold more than 50% of the income or capital interest in the partnership or if, at any time during its tax year, the foreign partnership is engaged in a U.S. trade or business, unless (a) such broker has documentary evidence in its records that the beneficial owner is not a U.S. person and certain other conditions are met or (b) the beneficial owner otherwise establishes an exemption. Payment of the merger consideration to a Non-U.S. Holder made to or through the U.S. office of a broker is subject to information reporting and backup withholding unless the certification that the Non-U.S. Holder is not a U.S. person described above has been received (and ProLogis does not have actual knowledge that the Non-U.S. Holder is a U.S. person) or the Non-U.S. Holder otherwise establishes an exemption from information reporting and backup withholding.

Any amounts withheld under the backup withholding rules will be credited against the holder s U.S. federal income tax liability provided the required information is provided to the IRS.

REIT Qualification of Catellus

It is anticipated that Goodwin Procter LLP, special tax counsel to Catellus, will deliver an opinion that commencing with Catellus taxable year ended December 31, 2004 through and including its taxable year ending on the date of the completion of the merger, Catellus has been organized and operated in conformity with the requirements for qualification and taxation as a REIT under the Code. This opinion will be based on the laws existing and in effect as of the date of the completion of the merger and will rely on certain representations made by Catellus relating to the organization and operation of Catellus and its subsidiaries and on other customary assumptions and qualifications. However, this opinion will not be binding on the IRS or the courts.

Taxation of ProLogis as a REIT

ProLogis intends to continue to operate in a manner that permits it to satisfy the requirements for qualification and taxation as a REIT under the applicable provisions of the Code. No assurance can be given, however, that such requirements will be met. The following is a description of the U.S. federal income tax consequences to ProLogis and its shareholders of the treatment of ProLogis as a REIT. Since these provisions are highly technical and complex, you are urged to consult your own tax advisor with respect to the U.S. federal, state, local, foreign and other tax consequences of your ownership and disposition of the ProLogis common shares.

Based upon representations of ProLogis with respect to the facts as set forth and explained in the discussion below, in the opinion of Mayer, Brown, Rowe & Maw LLP, counsel to ProLogis, ProLogis has been organized and has operated in conformity with the requirements for qualification as a REIT commencing with its taxable year ended December 31, 2000 through and including its taxable year ended December 31, 2004, and its actual and proposed method of operation described in this document and as represented by management will enable it to satisfy the requirements for qualification and taxation as a REIT commencing with its taxable year ending on December 31, 2005 and each year thereafter.

This opinion is based on representations made by ProLogis as to factual matters relating to ProLogis organization and intended or expected manner of operation. In addition, this opinion is based on the law existing and in effect on the date of this document. ProLogis qualification and taxation as a REIT will depend upon ProLogis ability to meet on a continuing basis, through actual operating results, asset composition, distribution levels and diversity of stock ownership, the various qualification tests imposed under the Code discussed below. Mayer, Brown, Rowe & Maw LLP will not review compliance with these tests on a continuing basis. No assurance can be given that ProLogis will satisfy such tests on a continuing basis.

In brief, if the conditions imposed by the REIT provisions of the Code are met, entities, such as ProLogis, that invest primarily in real estate and that otherwise would be treated for U.S. federal income tax purposes as corporations, are allowed a deduction for dividends paid to shareholders. This treatment substantially eliminates the double taxation at both the corporate and shareholder levels that generally results from the use of corporations. However, as discussed in greater detail below, entities, such as ProLogis, remain subject to tax in certain circumstances even if they qualify as a REIT.

If ProLogis fails to qualify as a REIT in any year, it will be subject to U.S. federal income taxation as if it were a domestic corporation, and its shareholders will be taxed in the same manner as shareholders of ordinary corporations. In this event, ProLogis could be subject to potentially significant tax liabilities, and therefore the amount of cash available for distribution to its shareholders would be reduced or eliminated. In addition, ProLogis would not be obligated to make distributions to shareholders.

ProLogis elected REIT status effective beginning with its taxable year ended December 31, 1993, and ProLogis board of trustees believes that ProLogis has operated and currently intends that ProLogis will operate in a manner that permits it to qualify as a REIT in each taxable year thereafter. There can be no assurance, however, that this expectation will be fulfilled, since qualification as a REIT depends on ProLogis continuing to satisfy numerous asset, income and distribution tests described below, which in turn will be dependent in part on ProLogis operating results.

The following summary is based on the Code, its legislative history, administrative pronouncements, judicial decisions and Treasury regulations, subsequent changes to any of which may affect the tax consequences described in this document, possibly on a retroactive basis. The following summary is not exhaustive of all possible tax considerations and does not give a detailed discussion of any state, local, or foreign tax considerations, nor does it discuss all of the aspects of U.S. federal income taxation that may be relevant to a ProLogis shareholder (including former Catellus stockholders who will receive ProLogis common shares in the merger) in light of his, her or its particular circumstances or to various types of shareholders, including insurance companies, tax-exempt entities, financial institutions or broker-dealers, foreign corporations and persons who are not citizens or residents of the United States, subject to special treatment under the U.S. federal income tax laws.

The following summary applies only to ProLogis shareholders (including former Catellus stockholders who will receive ProLogis common shares in the merger) who will hold their ProLogis common shares as capital assets. For purposes of the following summary, a U.S. shareholder is a beneficial owner of ProLogis common shares that for U.S. federal income tax purposes is: a citizen of the United States or an individual who is a resident of the United States, a corporation (or other entity treated as a corporation) created or organized under the laws of the United States or any political subdivision thereof, an estate, the income of which is subject to U.S. federal income taxation regardless of its source, or a trust, if either it is eligible to elect and has validly elected to continue to be treated as a U.S. person under prior law or a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust. A foreign shareholder is any shareholder that is not a U.S. shareholder. For U.S. federal income tax purposes, income earned through a foreign or domestic partnership or other flow-through entity is attributed to its owners. Accordingly, if a partnership or other flow-through entity holds stock, the tax treatment of the shareholder will generally depend on the status of the partner or other owner and the activities of the partnership or other entity.

Taxation of ProLogis

General. In any year in which ProLogis qualifies as a REIT, in general it will not be subject to U.S. federal income tax on that portion of its REIT taxable income or capital gain that is distributed to shareholders. ProLogis may, however, be subject to tax at normal corporate rates upon any taxable income or capital gain not distributed.

A REIT is permitted to designate in a notice mailed to shareholders within 30 days of the end of the taxable year, or in a notice mailed with its annual report for the taxable year, the amount of undistributed net long-term capital gains it received during the taxable year that its shareholders are to include in their taxable income as long-term capital gains. Thus, if ProLogis made this designation, the shareholders of ProLogis would include in their income as long-term capital gains their proportionate share of the undistributed net capital gains as designated by ProLogis, and ProLogis would have to pay the tax on such gains within 30 days of the close of its taxable year.

Each shareholder of ProLogis would be deemed to have paid such shareholder s share of the tax paid by ProLogis on such gains, which tax would be credited or refunded to the shareholder. A shareholder would increase his tax basis in his ProLogis shares by the difference between the amount of income to the holder resulting from the designation less the holder s credit or refund for the tax paid by ProLogis.

Notwithstanding its qualification as a REIT, ProLogis may also be subject to taxation in certain circumstances. If ProLogis should fail to satisfy either the 75% or the 95% gross income test, as discussed below, and nonetheless maintains its qualification as a REIT because other requirements are met, it will be subject to a 100% tax on the greater of the amount by which ProLogis fails to satisfy either the 75% or the 95% gross income test, multiplied by a fraction intended to reflect ProLogis profitability. Furthermore, if ProLogis fails to satisfy the 5% asset test or the 10% vote and value test (and does not qualify for a de minimis safe harbor) or fails to satisfy the other asset tests, each of which are discussed below, and nonetheless maintains its qualification as a REIT because certain other requirements are met, ProLogis will be subject to a tax equal to the greater of $50,000 or an amount determined (pursuant to regulations prescribed by the Treasury) by multiplying the highest corporate tax rate by the net income generated by the assets that caused the failure for the period beginning on the first date of the failure to meet the tests and ending on the date (which must be within 6 months after the last day of the quarter in which the failure is identified) that ProLogis disposes of the assets or otherwise satisfies the tests. If ProLogis fails to satisfy one or more REIT requirements other than the 75% or the 95% gross income tests and other than the asset tests, but nonetheless maintains its qualification as a REIT because certain other requirements are met, ProLogis will be subject to a penalty of $50,000 for each such failure. ProLogis will also be subject to a tax of 100% on net income from any prohibited transaction, as described below, and if ProLogis has net income from the sale or other disposition of foreclosure property, which is held primarily for sale to customers in the ordinary course of business or other nonqualifying income from foreclosure property, it will be subject to tax on such income from foreclosure property at the highest corporate rate. ProLogis will also be subject to a tax of 100% on the amount of any rents from real property, deductions or excess interest that would be reapportioned under Section 482 of the Code to one of its taxable REIT subsidiaries in order to more clearly reflect income of the taxable REIT subsidiary. A taxable REIT subsidiary is any corporation for which a joint election has been made by a REIT and such corporation to treat such corporation as a taxable REIT subsidiary with respect to such REIT. See the section entitled Other Tax Considerations Investments in Taxable REIT Subsidiaries. In addition, if ProLogis should fail to distribute during each calendar year at least the sum of:

- 85% of its REIT ordinary income for such year;

- 95% of its REIT capital gain net income for such year, other than capital gains ProLogis elects to retain and pay tax on as described below; and