

PROLOGIS  
Form 11-K  
June 27, 2003

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 11-K**

(Mark One)

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

For the fiscal year ended December 31, 2002

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 002-29180

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

ProLogis 401(k) Savings Plan and Trust  
(Formerly ProLogis Trust 401(k) Savings Plan)

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

ProLogis  
14100 E. 35th Place  
Aurora, CO 80011

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**PROLOGIS**  
**401(k) SAVINGS PLAN AND TRUST**  
(Formerly ProLogis Trust 401(k) Savings Plan)

Financial Statements and Supplemental Information

December 31, 2002 and 2001

(With Independent Auditors' Report Thereon)

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**PROLOGIS**  
**401(k) SAVINGS PLAN AND TRUST**  
(Formerly ProLogis Trust 401(k) Savings Plan)

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**Independent Auditors' Report**

The Plan Committee  
ProLogis 401(k) Savings Plan and Trust:

We have audited the accompanying statements of net assets available for plan benefits of the ProLogis 401(k) Savings Plan and Trust (formerly ProLogis Trust 401(k) Savings Plan) (the Plan) as of December 31, 2002 and 2001, and the related statements of changes in net assets available for plan benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for plan benefits of the ProLogis 401(k) Savings Plan and Trust as of December 31, 2002 and 2001, and the changes in net assets available for plan benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules for 2002 are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**KPMG LLP**

Denver, Colorado  
May 29, 2003

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**PROLOGIS**  
**401(k) SAVINGS PLAN AND TRUST**  
(Formerly ProLogis Trust 401(k) Savings Plan)

Statements of Net Assets Available for Plan Benefits

December 31, 2002 and 2001

|                                        | <u>2002</u>       | <u>2001</u>       |
|----------------------------------------|-------------------|-------------------|
| Assets:                                |                   |                   |
| Investments, at fair value             | \$ 11,784,000     | 11,386,122        |
| Receivables:                           |                   |                   |
| Company contributions                  | 538               | 281               |
| Participant contributions              | 1,546             | 990               |
|                                        | <u>          </u> | <u>          </u> |
| Net assets available for plan benefits | \$ 11,786,084     | 11,387,393        |
|                                        | <u>          </u> | <u>          </u> |

See accompanying notes to financial statements.

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**PROLOGIS**  
**401(k) SAVINGS PLAN AND TRUST**  
(Formerly ProLogis Trust 401(k) Savings Plan)

## Statements of Changes in Net Assets Available for Plan Benefits

Years ended December 31, 2002 and 2001

|                                               | <u>2002</u>          | <u>2001</u>        |
|-----------------------------------------------|----------------------|--------------------|
| Additions:                                    |                      |                    |
| Contributions:                                |                      |                    |
| Employer                                      | \$ 523,420           | 586,519            |
| Participant                                   | 1,857,375            | 1,602,079          |
| Transfers in                                  | 31,756               |                    |
| Total contributions                           | <u>2,412,551</u>     | <u>2,188,598</u>   |
| Investment income (loss):                     |                      |                    |
| Net depreciation in fair value of investments | (1,490,012)          | (1,454,109)        |
| Interest and dividends                        | 168,954              | 179,622            |
| Total investment loss                         | <u>(1,321,058)</u>   | <u>(1,274,487)</u> |
| Total additions                               | <u>1,091,493</u>     | <u>914,111</u>     |
| Deductions:                                   |                      |                    |
| Benefits paid to participants                 | 688,471              | 871,252            |
| Administrative expenses                       | 4,331                | 2,900              |
| Total deductions                              | <u>692,802</u>       | <u>874,152</u>     |
| Net increase during the year                  | 398,691              | 39,959             |
| Net assets available for plan benefits:       |                      |                    |
| Beginning of year                             | <u>11,387,393</u>    | <u>11,347,434</u>  |
| End of year                                   | <u>\$ 11,786,084</u> | <u>11,387,393</u>  |

See accompanying notes to financial statements



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**PROLOGIS**  
**401(k) SAVINGS PLAN AND TRUST**  
 (Formerly ProLogis Trust 401(k) Savings Plan)

Notes to Financial Statements

December 31, 2002 and 2001

**(1) Description of the Plan**

The following description of the ProLogis 401(k) Savings Plan and Trust (formerly ProLogis Trust 401(k) Savings Plan) (the Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

**(a) General**

The Plan is a defined contribution plan established by ProLogis (the Company). The Plan covers all employees of the Company who have attained the age of 21 and on the first day of the next month following hire date for full-time employees or after completing 1,000 hours of service for part-time employees. Participation is voluntary. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

**(b) Contributions**

Each year, participants may contribute up to 20% of their pretax annual compensation, as defined in the Plan, not to exceed \$11,000 and \$10,500 in 2002 and 2001, respectively. Participants may also contribute amounts representing rollovers from other qualified plans. The Company matches 50% of the first 6% of participants' contributions. The Plan also provides for discretionary Company contributions, which are allocated to participants' accounts based on the relative compensation of participants. There were no discretionary Company contributions during 2002 and 2001.

**(c) Participant Accounts**

Each participant's account is credited with the participant contributions, Company contributions, and an allocation of Plan earnings. Earnings of the Plan are allocated to all participants' accounts proportionately based on each participant's account balance.

**(d) Vesting**

Participants are immediately vested in their contributions and any income or loss thereon.

Company contributions vest based upon the following schedule:

| Years of service | Vesting<br>percentage |
|------------------|-----------------------|
| Less than 1 year | 0%                    |
| 1 year           | 20%                   |
| 2 years          | 40%                   |
| 3 years          | 60%                   |
| 4 years          | 80%                   |
| 5 or more years  | 100%                  |

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**PROLOGIS**  
**401(k) SAVINGS PLAN AND TRUST**  
(Formerly ProLogis Trust 401(k) Savings Plan)

Notes to Financial Statements

December 31, 2002 and 2001

**(e) *Investment Options***

Upon enrollment in the Plan, a participant may direct employee contributions into various investment options. Participant contributions may be invested in any or all of the investment options.

Company contributions must be invested in the Company's stock fund, which invests primarily in the Company's common stock.

**(f) *Payment of Benefits***

Participants are entitled to receive benefit payments in the form of a lump-sum payment, an annuity or installment equal to 100% of their accrued benefit upon attainment of age 59 1/2, termination of employment, or upon death or disability. The accrued benefit includes the sum of the value of participants' contributions, allocation of earnings (losses), and the vested portion of Company contributions.

**(g) *Forfeited Accounts***

Forfeited accounts totaled approximately \$71,000 and \$32,000 at December 31, 2002 and 2001, respectively. Forfeiture allocations are used to reduce Company discretionary contributions. As there were no Company discretionary contributions during 2002 or 2001, forfeitures were not used during the years ended December 31, 2002 and 2001.

**(h) *Loans to Participants***

The Plan permits loans to participants in an amount not to exceed the lesser of \$50,000 or 50% of their vested account balance. Loan terms range from one to five years. The loans are secured by the participant's account balance. Interest rates on participant's loans range from 6% to 10.5%. Principal and interest is paid ratably through regular payroll deductions.

**(i) *Hardship Withdrawals***

Participants may receive hardship withdrawals for reasons of financial hardship. Participation in the Plan is suspended for one year following the receipt of hardship withdrawal.

**(2) *Summary of Significant Accounting Policies***

**(a) *Basis of Accounting***

The financial statements of the Plan are prepared using the accrual basis of accounting.

**(b) *Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions in net assets during the reporting period. Actual results may differ from those estimates.

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**PROLOGIS**  
**401(k) SAVINGS PLAN AND TRUST**  
(Formerly ProLogis Trust 401(k) Savings Plan)

## Notes to Financial Statements

December 31, 2002 and 2001

**(c) Investment Valuation and Income Recognition**

Investments are stated at fair value based upon quoted market prices, except for participant loans which are stated at cost (which approximates their fair value).

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

**(d) Net Appreciation (Depreciation) in Fair Value of Investments**

Net realized and unrealized gains and losses, as reported in the accompanying statement of changes in net assets available for plan benefits, is the cumulative difference between the fair value and the related cost of the Plan's investments. Such income (loss) is allocated to participants' accounts based on relative participant account balances.

**(e) Administrative Expenses and Distributions**

All administrative expenses of the Plan are paid by the Company at the Company's discretion. Unless paid by the Company, such expenses will be a charge upon Plan assets and deducted by the Trustee to the extent permitted by applicable law. Distributions are recorded when paid.

**(3) Investments**

The fair values of investments that represent 5% or more of the Plan's net assets at December 31, 2002 and 2001 are as follows:

|                                       | 2002        | 2001      |
|---------------------------------------|-------------|-----------|
| ProLogis Stock Fund                   | \$3,481,991 | 2,354,466 |
| Pimco Total Return Class A Fund       | 949,941     | 460,728   |
| MFS Strategic Growth Fund             | 1,346,885   | 2,217,120 |
| MFS Emerging Growth Fund              | 1,011,611   | 1,628,493 |
| Oppenheimer Quest Balanced Value Fund | 878,654     | 1,027,241 |
| MFS Value Fund                        | 879,985     | 806,900   |
| New Perspectives Global Fund          | 731,703     | 781,201   |

During 2002 and 2001, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated (depreciated) in value as follows:

|              | 2002          | 2001        |
|--------------|---------------|-------------|
| Mutual funds | \$(2,085,870) | (1,533,243) |
| Common stock | 595,858       | 79,134      |
|              | \$(1,490,012) | (1,454,109) |

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**401(k) SAVINGS PLAN AND TRUST**  
(Formerly ProLogis Trust 401(k) Savings Plan)

Notes to Financial Statements

December 31, 2002 and 2001

**(4) Nonparticipant-Directed Investments**

The Company stock fund is an investment option that contains both participant-directed and nonparticipant-directed activity. Information about the net assets and the significant components of the changes in net assets relating to this fund is as follows:

|                                | <u>2002</u>       | <u>2001</u>       |
|--------------------------------|-------------------|-------------------|
| Net assets:                    |                   |                   |
| ProLogis Stock Fund            | \$ 3,481,991      | 2,354,466         |
|                                | <u>          </u> | <u>          </u> |
| Changes in net assets:         |                   |                   |
| Employer contributions         | \$ 641,440        | 428,646           |
| Participant contributions      | 129,588           | 23,938            |
| Net appreciation in fair value | 595,858           | 184,648           |
| Interest and dividends         | 4,596             |                   |
| Benefits paid to participants  | (254,763)         | (95,115)          |
| Net interfund transfers        | 12,176            | (21,330)          |
| Administrative expenses        | (1,370)           | (679)             |
|                                | <u>          </u> | <u>          </u> |
|                                | \$ 1,127,525      | 520,108           |
|                                | <u>          </u> | <u>          </u> |

**(5) Plan Termination**

Although the Company has not expressed any intention to terminate the Plan, it may do so at any time. In the event of termination of the Plan, participants will become fully vested in their accounts and the Plan's trustee would distribute the assets in the Plan to participants.

Additionally, the Plan's sponsor may amend the Plan at any time without the consent of any participant or any beneficiary, provided that no amendment deprives any participant of the participant's vested accrued benefit.

**(6) Tax Status**

The Internal Revenue Service has determined and informed the Company by a letter dated April 10, 2002 that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code (IRC). The plan administrator believes that the Plan is designed and is currently being operated in accordance with the applicable requirements of the IRC.

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**PROLOGIS**  
**401(k) SAVINGS PLAN AND TRUST**  
(Formerly ProLogis Trust 401(k) Savings Plan)

Schedule H, Line 4i    Schedule of Assets (Held at End of Year)

December 31, 2002

| Identify of party involved/<br>description of asset | Cost (a)    | Current value |
|-----------------------------------------------------|-------------|---------------|
| ProLogis Stock Fund*                                | \$2,886,133 | 3,481,991     |
| Collective investments:                             |             |               |
| MFS Institutional Fixed Fund*                       |             | 448,511       |
| Mutual funds:                                       |             |               |
| SSGA Money Market Fund*                             |             | 202,452       |
| Pimco Total Return Class A Fund                     |             | 949,941       |
| Oppenheimer Quest Balanced Value Fund               |             | 878,654       |
| MFS Value Fund*                                     |             | 879,985       |
| Deutsche Equity 500 Index Fund                      |             | 404,071       |
| Security Cap U.S. Real Estate Shares*               |             | 194,463       |
| MFS Strategic Growth Fund*                          |             | 1,346,885     |
| MFS Emerging Growth Fund*                           |             | 1,011,611     |
| New Perspectives Global Fund                        |             | 731,703       |
| Robertson Stephens Emerging Growth Fund             |             | 198,352       |
| MFS Money Market Fund*                              |             | 71,460        |
| MFS Research International Fund*                    |             | 17,651        |
| MFS Bond Fund*                                      |             | 67,950        |
| MFS New Discovery Fund*                             |             | 22,876        |
| MFS Mid Cap Growth Fund                             |             | 20,018        |
| MFS Moderate Asset Allocation Fund                  |             | 15,551        |
| MFS Aggressive Growth Allocation Fund               |             | 15,388        |
| Personal Choice Accounts:                           |             |               |
| Conservative Portfolio Option                       |             | 246,355       |
| Moderate Portfolio Option                           |             | 79,558        |
| Aggressive Portfolio Option                         |             | 132,633       |
| Participant Loans, 6% to 10.5%                      |             | 365,941       |
| Total                                               |             | \$ 11,784,000 |

\* Represents a party-in-interest transaction.

(a) Cost information omitted for investments that are fully participant-directed.  
See accompanying independent auditors' report.

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**PROLOGIS**  
**401(k) SAVINGS PLAN AND TRUST**  
 (Formerly ProLogis Trust 401(k) Savings Plan)

Schedule H, Line 4j    Schedule of Reportable Transactions

Year ended December 31, 2002

| Identity<br>of party<br>involved | Description<br>of asset | Purchase transactions        |                      | Sales transactions           |                        | Current value<br>of asset on<br>transaction<br>date | Net<br>realized<br>gain |
|----------------------------------|-------------------------|------------------------------|----------------------|------------------------------|------------------------|-----------------------------------------------------|-------------------------|
|                                  |                         | Number<br>of<br>transactions | Cost of<br>purchases | Number<br>of<br>transactions | Proceeds<br>from sales | Cost of<br>assets sold                              |                         |
| ProLogis                         | Common<br>stock         | 20                           | \$641,354            | 1                            | \$255,385              | 216,039                                             | 255,385<br>39,346       |

See accompanying independent auditors' report.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Investments Committee of the ProLogis 401(k) Savings Plan and Trust has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

ProLogis 401(k) Savings Plan and Trust

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(Name of Plan)

Dated: June 26, 2003

By: /s/ Walter C. Rakowich

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Walter C. Rakowich

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**EXHIBIT INDEX**

| <b>Exhibit<br/>Number</b> | <b>Description</b>                                                      |
|---------------------------|-------------------------------------------------------------------------|
| 23.2                      | Consent of Independent Auditors                                         |
| 99.1                      | Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |