

PROLOGIS
Form S-4
July 13, 2005

Table of Contents

**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 (State or Other Jurisdiction of Incorporation or Organization)	6798 (Primary Standard Industrial Classification Code Number)	74-2604728 (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.

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.

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.

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

The information in this document is not complete and may be changed. A registration statement related to the ProLogis common shares of beneficial interest being registered pursuant to this document has been filed with the Securities and Exchange Commission. ProLogis may not distribute or issue these securities until the registration statement is effective. This document is not an offer to distribute these securities and ProLogis is not soliciting offers to receive these securities in any state where such offer or distribution is not permitted.

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
Chief Executive Officer
PROLOGIS

Nelson C. Rising
Chairman of the Board and Chief Executive Officer
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**

	Page
<u>QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETINGS SUMMARY</u>	Q-1
<u>The Merger</u>	1
<u>The Companies</u>	1
<u>The Special Meetings</u>	1
<u>Merger Consideration to Catellus Stockholders; Election, Reallocation and Proration of Merger Consideration</u>	2
<u>Treatment of Catellus Restricted Stock, Restricted Stock Units and Stock Options</u>	2
<u>Material U.S. Federal Income Tax Considerations</u>	2
<u>Market Prices of ProLogis Common Shares and Catellus Common Stock on Important Dates</u>	3
<u>Recommendation of ProLogis Board of Trustees and ProLogis Reasons for the Merger</u>	3
<u>Recommendation of Catellus Board of Directors and Catellus Reasons for the Merger</u>	3
<u>Interests of Catellus Executive Officers and Directors in the Merger</u>	4
<u>Opinions of Financial Advisors</u>	4
<u>The Merger Agreement</u>	5
<u>Other Information</u>	6
<u>Selected Historical Consolidated Financial Data of ProLogis</u>	7
<u>Selected Historical Consolidated Financial Data of Catellus</u>	8
<u>Comparative Per Share Data</u>	9
<u>Selected Unaudited Pro Forma Condensed Consolidated Financial and Other Data</u>	10
<u>RISK FACTORS</u>	11
<u>The operations of ProLogis and Catellus may not be integrated successfully, and the intended benefits of the merger may not be realized.</u>	11
<u>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.</u>	11
<u>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.</u>	11
<u>Catellus executive officers and directors have interests in the merger that may conflict with your interests.</u>	12
<u>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.</u>	12
<u>The termination fees may discourage other companies from trying to acquire Catellus.</u>	13
<u>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.</u>	13
<u>There are uncertainties relating to Catellus estimate of its earnings and profits attributable to C-corporation taxable years.</u>	13
<u>Catellus and Palmtree Acquisition Corporation may fail to qualify as REITs.</u>	14
<u>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.</u>	14

Table of Contents

	Page
<u>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.</u>	14
<u>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.</u>	15
<u>Real property investments are subject to risks that could cause the market value of ProLogis common shares to decline.</u>	15
<u>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.</u>	15
<u>ProLogis real estate development strategies may not be successful.</u>	15
<u>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.</u>	16
<u>The combined company's operating results and distributable cash flow will depend on the continued generation of lease revenues from tenants.</u>	16
<u>The fact that real estate investments are not as liquid as other types of assets may reduce economic returns to investors.</u>	16
<u>ProLogis and Catellus insurance coverage does not, and the combined company's insurance coverage will not, cover all potential losses.</u>	17
<u>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.</u>	17
<u>Rising interest rates will increase the combined company's costs and could affect the market price of ProLogis common shares.</u>	17
<u>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.</u>	17
<u>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.</u>	18
<u>ProLogis and Catellus are, and the combined company will be, dependent on key personnel.</u>	18
<u>ProLogis and Catellus are, and the combined company will be, subject to governmental regulations and actions that affect operating results and financial condition.</u>	19
<u>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.</u>	19
<u>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.</u>	19
<u>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.</u>	19
<u>Prohibited transaction income could result from certain property transfers by ProLogis or Catellus.</u>	20
<u>Recent U.S. federal income tax developments could affect the desirability of investing in ProLogis for individual taxpayers.</u>	20
<u>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.</u>	20

Table of Contents

	Page
<u>There are potential deferred and contingent tax liabilities that could affect the combined company's operating results or financial condition.</u>	20
<u>THE COMPANIES</u>	21
<u>ProLogis</u>	21
<u>Catellus Development Corporation</u>	21
<u>MARKET PRICES AND DIVIDEND INFORMATION</u>	22
<u>THE SPECIAL MEETINGS</u>	23
<u>THE MERGER</u>	29
<u>Background of the Merger</u>	29
<u>Recommendation of ProLogis Board of Trustees and ProLogis Reasons for the Merger</u>	33
<u>Recommendation of Catellus Board of Directors and Catellus Reasons for the Merger</u>	37
<u>Opinions of Financial Advisors</u>	39
<u>Interests of Catellus Executive Officers and Directors in the Merger</u>	56
<u>Other Catellus Employment Arrangements</u>	62
<u>Appraisal Rights</u>	63
<u>Regulatory Matters</u>	67
<u>Delisting and Deregistration of Catellus Common Stock</u>	67
<u>Accounting Treatment</u>	67
<u>Restrictions on Resale of ProLogis Common Shares Issued Pursuant to the Merger</u>	67
<u>Trustees and Executive Officers of the Combined Company</u>	68
<u>THE MERGER AGREEMENT</u>	69
<u>Structure of the Merger</u>	69
<u>When the Merger Becomes Effective</u>	69
<u>Conversion of Catellus and Palmtree Acquisition Corporation Stock</u>	69
<u>Treatment of Catellus Restricted Stock, Restricted Stock Units and Stock Options</u>	70
<u>Catellus Stockholder Elections</u>	71
<u>Reallocation and Proration of Catellus Stockholder Elections</u>	71
<u>Exchange of Shares; Fractional Shares</u>	73
<u>Conditions to Completing the Merger</u>	74
<u>Representations and Warranties</u>	75
<u>Material Adverse Effect on Catellus or ProLogis</u>	76
<u>Covenants and Other Agreements</u>	76
<u>Termination of the Merger Agreement</u>	82
<u>Termination Fees and Expenses</u>	83
<u>Other Fees and Expenses</u>	84
<u>Amendment; Extension and Waiver</u>	84
<u>Voting Agreement; Additional Agreements between Nelson C. Rising and ProLogis</u>	85
<u>MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS</u>	86
<u>Tax Consequences of the Merger</u>	87
<u>REIT Qualification of Catellus</u>	90
<u>Taxation of ProLogis as a REIT</u>	90
<u>DESCRIPTION OF PROLOGIS CAPITAL SHARES</u>	101
<u>General</u>	101
<u>Common Shares</u>	101

Table of Contents

	Page
<u>Preferred Shares</u>	101
<u>Restriction on Size of Holdings</u>	102
<u>Shareholder Liability</u>	102
<u>Transfer Agent</u>	102
<u>COMPARISON OF THE RIGHTS OF PROLOGIS SHAREHOLDERS AND CATELLUS STOCKHOLDERS</u>	103
<u>ADDITIONAL INFORMATION</u>	108
<u>Deadline for Future Shareholder Proposals</u>	108
<u>Legal Matters</u>	108
<u>Experts</u>	108
<u>Where You Can Find More Information</u>	108
<u>Forward-Looking Statements</u>	111
<u>INDEX TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</u>	F-1
 ANNEXES	
<u>Annex A: Agreement and Plan of Merger</u>	A-1
<u>Annex B: Opinion of Banc of America Securities LLC to ProLogis Board of Trustees</u>	B-1
<u>Annex C: Opinion of Morgan Stanley & Co. Incorporated to Catellus Board of Directors</u>	C-1
<u>Annex D: Section 262 of the General Corporation Law of the State of Delaware</u>	D-1
<u>Opinion of Mayer, Brown, Rowe & Maw LLP</u>	
<u>Employment Agreement</u>	
<u>Acknowledgement of KPMG LLP</u>	
<u>Consent of KPMG LLP</u>	
<u>Consent of PricewaterhouseCoopers LLP</u>	
<u>Form of Proxy Card - Prologis</u>	
<u>Form of Election Form</u>	
<u>Voting Agreement</u>	
<u>Consent of Banc Of America Securities LLC</u>	
<u>Consent of Morgan Stanley & Co. Inc.</u>	
<u>Consent of Nelson C. Rising</u>	
<u>Consent of Christine Garvey</u>	

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

Q-1

Table of Contents

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

Q-2

Table of Contents

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-3

Table of Contents

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 el