

PRENTISS PROPERTIES TRUST/MD
Form DEF 14A
April 01, 2004

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A INFORMATION
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant To Section 14(a) of the
Securities Exchange Act of 1934**

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Check the appropriate box:

- Preliminary Proxy Statement
- Definitive Proxy Statement
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Prentiss Properties Trust

(Name of Registrant as Specified In Its Declaration of Trust)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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PRENTISS PROPERTIES TRUST
3890 West Northwest Highway, Suite 400
Dallas, Texas 75220

April 1, 2004

Dear Shareholder:

Your board of trustees joins me in extending a cordial invitation to attend the 2004 Annual Meeting of Shareholders which will be held on Wednesday, May 5, 2004 at the Embassy Suites Hotel, 3880 West Northwest Highway, Dallas, Texas 75220. The meeting will start promptly at 12:00 noon, local time.

We sincerely hope you will be able to attend and participate in the meeting. We will report on our progress and respond to questions you may have about our business. There will also be important items presented which are required to be acted upon by our shareholders.

Whether or not you plan to attend the 2004 Annual Meeting, it is important that your shares be represented and voted at the meeting. Therefore, please act promptly to vote your shares with respect to the proposals described in this proxy statement. You may grant a proxy to vote your shares by marking, signing and dating the enclosed proxy card and returning it in the postage-paid envelope provided. You may also authorize a proxy to vote your shares by telephone or through the Internet by following the instructions set forth on the proxy card.

Very sincerely yours,

Michael V. Prentiss
Chairman of the Board

PRENTISS PROPERTIES TRUST
3890 West Northwest Highway, Suite 400
Dallas, Texas 75220

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON MAY 5, 2004

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To the Shareholders
of Prentiss Properties Trust:

We will hold the 2004 Annual Meeting of our shareholders on Wednesday, May 5, 2004 at the Embassy Suites Hotel at 3880 West Northwest Highway, Dallas, Texas 75220 at 12:00 noon, local time, for the following purposes:

1. To elect two Class II trustees to serve until our 2007 Annual Meeting of Shareholders and until the respective successor of each is duly elected and qualified;
2. To ratify the appointment of PricewaterhouseCoopers LLP as our independent accountants for 2004;
3. To consider and vote upon an amendment to our Amended and Restated Trustees Share Incentive Plan to increase the aggregate number of our common shares of beneficial interest, par value \$0.01 per share, that may be issued under the plan by 50,000 common shares;
4. To consider and vote upon an amendment to our 1996 Share Incentive Plan to increase the aggregate number of our common shares of beneficial interest, par value \$0.01 per share, that may be issued under the plan by 1,500,000 common shares; and
5. To consider and act upon any other matters that may properly be brought before the Annual Meeting and at any adjournments or postponements thereof.

Any action may be taken on the foregoing matters at the Annual Meeting on the date specified above, or on any date or dates to which, by original or later adjournment, the Annual Meeting may be adjourned, or to which the Annual Meeting may be postponed.

The board of trustees has fixed the close of business on March 19, 2004 as the record date for determining the shareholders entitled to receive notice of and to vote at the Annual Meeting and at any adjournments or postponements thereof. Only holders of record of our common shares of beneficial interest at the close of business on the record date will be entitled to receive notice of and to vote at the Annual Meeting and at any adjournments or postponements thereof.

We have included along with this notice a Proxy Statement and the 2003 Annual Report to Shareholders which describe certain of our activities during 2003 and contain our financial statements for the year ended December 31, 2003. The Annual Report does not form any part of the material for solicitation of proxies.

Whether or not you plan to attend the Annual Meeting, please complete, sign, date and promptly return the enclosed proxy card in the postage-prepaid envelope provided or authorize a proxy to vote your shares by telephone or through the Internet by following the instructions set forth on the enclosed proxy card. If you attend our Annual Meeting of shareholders, you may revoke your proxy at any time prior to the time it is voted, including by voting in person at the Annual Meeting, even if you have previously returned your proxy card.

By Order of the board of trustees

Gregory S. Imhoff
Senior Vice President and Secretary
Dallas, Texas
April 1, 2004

TABLE OF CONTENTS

	Page
<u>INTRODUCTION</u>	1
<u>PURPOSES OF THE ANNUAL MEETING</u>	1
<u>RECORD DATE AND VOTING</u>	2
<u>Record Date and Shareholders List</u>	2
<u>The Proxy</u>	2
<u>How You Can Vote</u>	2
<u>Quorum, Required Vote and Voting Rights</u>	3

<u>TRUSTEES AND EXECUTIVE OFFICERS</u>	4
<u>Trustees and Executive Officers</u>	4
<u>Terms of Office</u>	7
<u>TRUSTEE NOMINATING PROCEDURES</u>	8
<u>Nominee Consideration Process</u>	8
<u>Nominee Evaluation and Criteria for Board Membership</u>	8
<u>Shareholder Nominees</u>	9
<u>PROPOSAL ONE: ELECTION OF TRUSTEES</u>	10
<u>Nominees for Election to the Board of Trustees</u>	10
<u>COMMITTEES AND MEETINGS OF THE BOARD OF TRUSTEES</u>	11
<u>Trustee Meetings</u>	11
<u>Audit Committee</u>	11
<u>Compensation Committee</u>	11
<u>Corporate Governance Committee</u>	12
<u>Meetings of Non-Management Trustees</u>	12
<u>Shareholder Communication with the Board of Trustees</u>	12
<u>Board Member Attendance at Annual Meeting</u>	12
<u>REPORT OF THE AUDIT COMMITTEE</u>	13
<u>PROPOSAL TWO: RATIFICATION OF THE APPOINTMENT OF INDEPENDENT ACCOUNTANTS</u>	15
<u>PERFORMANCE GRAPH</u>	16
<u>COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION</u>	17
<u>Base Compensation and Bonuses</u>	17
<u>Share Options under the 1996 Share Incentive Plan</u>	17
<u>Chairman of the Board and CEO Compensation</u>	18
<u>EXECUTIVE COMPENSATION</u>	20
<u>Compensation Committee Interlocks and Insider Participation</u>	20
<u>Summary Compensation Table</u>	20
<u>Option/SAR Grants in Last Fiscal Year</u>	22
<u>Option/SAR Exercises in Last Fiscal Year</u>	23
i	
<hr/>	
<u>COMPENSATION PLANS, TRUSTEE COMPENSATION AND EMPLOYMENT AGREEMENTS</u>	24
<u>Savings Plan</u>	24
<u>Share Purchase Plan</u>	24
<u>Key Employee Share Option Plan</u>	25
<u>Trustees' Share Incentive Plan</u>	25
<u>1996 Share Incentive Plan</u>	25
<u>Trustee Compensation</u>	25
<u>Deferred Compensation Plans</u>	25
<u>Employment Agreements</u>	26
<u>Securities Authorized for Issuance under Equity Compensation Plans</u>	27
<u>PROPOSAL THREE: AMENDMENT OF THE AMENDED AND RESTATED TRUSTEES' SHARE INCENTIVE PLAN</u>	28
<u>Proposed Amendment</u>	28
<u>Recommendation</u>	28
<u>Material Terms of the Amended and Restated Trustees' Share Incentive Plan</u>	28
<u>Tax Consequences</u>	29

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<u>PROPOSAL FOUR: AMENDMENT OF THE 1996 SHARE INCENTIVE PLAN</u>	30
<u>Proposed Amendment</u>	30
<u>Recommendation</u>	30
<u>Material Terms of the 1996 Share Incentive Plan</u>	30
<u>Tax Consequences</u>	32
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	33
<u>Security Ownership of Certain Beneficial Owners</u>	33
<u>Trustee, Chairman, CEO and Senior Officer Share Ownership Guidelines</u>	34
<u>Management Ownership Table</u>	34
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	35
<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	36
<u>Officer Loan Program</u>	36
<u>Unsecured Moving Incentive Loans</u>	36
<u>Home Loans</u>	36
<u>Sarbanes-Oxley Act Impact on Officer and Director Loans</u>	36
<u>Current Loan Balances</u>	37
<u>Purchase of Remaining Voting Interests of Taxable REIT Subsidiary</u>	37
<u>SHAREHOLDER PROPOSALS FOR 2005 ANNUAL MEETING</u>	38
<u>INCORPORATION BY REFERENCE</u>	38
<u>HOUSEHOLDING OF ANNUAL MEETING MATERIALS</u>	38
<u>ANNUAL REPORT AND FORM 10-K</u>	38
<u>OTHER MATTERS</u>	39
ANNEX A: <u>Audit Committee Charter</u>	A-1
ANNEX B: <u>Second Amendment to the Prentiss Properties Trust Amended and Restated Trustees' Share Incentive Plan</u>	B-1

ii

ANNEX C: <u>Sixth Amendment to the Prentiss Properties Trust 1996 Share Incentive Plan</u>	C-1
APPENDIX A: <u>Prentiss Properties Trust Amended and Restated Trustees' Share Incentive Plan</u>	Appendix A-1
APPENDIX B: <u>Prentiss Properties Trust 1996 Share Incentive Plan</u>	Appendix B-1
APPENDIX C: <u>Proxy Card</u>	Appendix C-1

iii

PRENTISS PROPERTIES TRUST
3890 West Northwest Highway, Suite 400
Dallas, Texas 75220

PROXY STATEMENT

2004 ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON MAY 5, 2004

INTRODUCTION

We have provided this proxy statement and the accompanying proxy card and notice of annual meeting in connection with the solicitation of proxies by the board of trustees of Prentiss Properties Trust, a Maryland real estate investment trust, for use at our 2004 Annual Meeting of Shareholders to be held at the Embassy Suites Hotel, 3880 West Northwest Highway, Dallas, Texas 75220, on Wednesday, May 5, 2004 at 12:00 noon, local time and any adjournments or postponements thereof. The mailing address of our principal executive office is 3890 West Northwest Highway, Suite 400, Dallas, Texas 75220. We are mailing this proxy statement and the proxy card and notice of annual meeting, all enclosed herewith, on or about April 1, 2004, to our shareholders of record. The date of this proxy statement is April 1, 2004.

PURPOSES OF THE ANNUAL MEETING

At the 2004 Annual Meeting, the holders of record as of the close of business on March 19, 2004 of our common shares of beneficial interest, par value \$0.01 per share, will vote upon the following matters:

- (1) The proposal to elect two Class II trustees to serve until our 2007 Annual Meeting of our Shareholders and until the respective successor of each is duly elected and qualified (Proposal One);
- (2) The proposal to ratify the appointment of PricewaterhouseCoopers LLP as our independent accountants for 2004 (Proposal Two);
- (3) The proposal to consider and vote upon an amendment to our Amended and Restated Trustees Share Incentive Plan to increase the aggregate number of our common shares of beneficial interest, par value \$0.01 per share, that may be issued under the plan by 50,000 common shares (Proposal Three);
- (4) The proposal to consider and vote upon an amendment to our 1996 Share Incentive Plan to increase the aggregate number of our common shares of beneficial interest, par value \$0.01 per share, that may be issued under the plan by 1,500,000 common shares (Proposal Four); and
- (5) The transaction of such other matters that may properly be brought before the 2004 Annual Meeting and at any adjournments or postponements thereof.

The board of trustees recommends that you vote FOR each of Proposal One, Proposal Two, Proposal Three and Proposal Four.

1

RECORD DATE AND VOTING

Record Date and Shareholders List

The board of trustees has established the close of business on March 19, 2004 as the record date. Only our shareholders of record at the close of business on the record date will be entitled to receive notice of, and to vote at, the Annual Meeting and any adjournments or postponements thereof. At the close of business on the record date, we had 44,310,853 common shares outstanding.

The Proxy

We are making the solicitation of proxies primarily by mail and Internet. We will bear the cost of preparing and mailing this proxy statement and the accompanying material, and the cost of any supplementary solicitations, which may be made by mail, telephone, telegraph, facsimile, electronically or personally by our officers and employees. We do not expect that specially engaged employees or paid solicitors will make the solicitation. Although we might use such employees or solicitors if we deem them necessary, we have not made arrangements or contracts with any such employees or solicitors as of the date of this proxy statement.

The board of trustees has selected Gregory S. Imhoff and J. Kevan Dilbeck as proxies, and they are named as such on the proxy card. The proxy will be voted as specified by the shareholder in the spaces provided on the proxy card, or if no specification is made, it will be voted in favor of the proposals. A shareholder giving a proxy has the power to revoke it either by delivering written notice of such revocation to our corporate secretary before the Annual Meeting or by attending the Annual Meeting and voting in person. Beneficial owners of our common shares held in the name of a broker or other intermediary may vote and revoke a previous vote only through, and in accordance with, procedures established by the record holder(s) or their agent(s).

In voting by proxy in regard to Proposal One, shareholders may vote in favor of all of the nominees, withhold their votes as to all of the nominees, or withhold their votes as to any specified nominee. Shareholders may not abstain with respect to the election of trustees. With

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regard to each of Proposal Two, Proposal Three and Proposal Four, shareholders may vote in favor of such proposal, vote against such proposal, or abstain from voting with respect to such proposal.

How You Can Vote

You may attend the Annual Meeting and vote your shares in person. You also may choose to submit your proxies by any of the following methods:

Authorizing a Proxy by Mail. If you choose to authorize a proxy by mail, simply complete the enclosed proxy card, date and sign it, and return it in the postage-paid envelope provided.

Authorizing a Proxy by Telephone. You may authorize a proxy to vote your shares by telephone by calling the toll-free telephone number provided on the proxy card. Telephone proxy authorization is available 24 hours a day. In order to authorize a proxy to vote your shares via the telephone, please call the toll-free number provided on the proxy card, have your proxy card in hand, and follow the instructions. The procedures allow you to appoint a proxy to vote your shares and to confirm that your instructions have been properly recorded. If you authorize a proxy to vote by telephone, you should not return your proxy card.

Authorizing a Proxy by Internet. You may also authorize a proxy to vote your shares through the Internet by signing on to the web site identified on the proxy card and following the procedures described in the web site. Internet proxy authorization is available 24 hours a day. The procedures allow you to appoint a proxy to vote your shares and to confirm that your instructions have been properly recorded. If you authorize a proxy to vote through the Internet, you should not return your proxy card.

2

Quorum, Required Vote and Voting Rights

Quorum. Unless a quorum is present at the Annual Meeting, no action may be taken at the meeting except the adjournment thereof until a later time. The presence at the Annual Meeting, in person or by proxy, of shareholders entitled to cast a majority of all the votes entitled to be cast at the close of business on the record date, March 19, 2004, will constitute a quorum for the transaction of business. Shares that are represented at the Annual Meeting but abstain from voting on any or all matters and shares that are broker non-votes (when brokers or nominees return a properly executed proxy but do not vote on a particular matter because they have no discretionary power to vote and have received no instructions from the beneficial owners thereof or persons entitled to vote thereon) will be counted as shares present and entitled to vote in determining whether a quorum is present at the Annual Meeting. The election inspectors appointed for the Annual Meeting will determine the number of common shares present and entitled to vote at the meeting, determine the validity of proxies and ballots, determine whether or not a quorum is present, and count all votes and ballots.

Required Vote. With respect to Proposal One, if a quorum is present, a vote of a plurality of all the votes cast by shareholders on the matter, in person or by proxy, will elect each nominee for trustee. Votes marked For Proposal One will be counted in favor of all nominees, except to the extent the proxy withholds authority to vote for a specified nominee. Votes withheld from a trustee-nominee also have no effect on the vote since a plurality of the shares cast at the Annual Meeting is required for the election of each trustee. Shareholders may not abstain from voting with respect to the election of trustees. Because the election of trustees is a routine matter for which specific instructions from beneficial owners will not be required, no broker non-votes will arise in the context of Proposal One.

Approval of Proposal Two requires the majority of all the votes cast on the matter at the Annual Meeting by shareholders at which a quorum is present in person or by proxy. Abstentions from voting on Proposal Two will not be counted as votes cast and therefore will have no effect on the outcome of the proposal. Because the ratification of the appointment of auditors is a routine matter for which specific instructions from beneficial owners will not be required, no broker non-votes will arise in the context of Proposal Two.

Approval of each of Proposals Three and Four requires the affirmative vote of a majority of all the votes cast on the proposal, and such approval under the rules of the New York Stock Exchange requires that the total votes cast on the proposal represent over 50% in interest of all securities entitled to vote on the proposal. Broker non-votes and abstentions will not be treated as votes cast with respect to Proposals Three and Four. Thus, abstentions and broker non-votes will have the same effect as votes against the proposals, unless holders of a majority in interest of all securities entitled to vote on Proposals Three and Four cast votes, in which event abstentions and broker non-votes will not have any effect on the result of the vote.

Voting Rights. With respect to each proposal, each shareholder will be entitled to one vote per common share held by such shareholder as of close of business on the record date.

TRUSTEES AND EXECUTIVE OFFICERS
Trustees and Executive Officers

The following table sets forth certain information with respect to our trustees and executive officers. The board of trustees currently consists of seven members, five of whom are independent trustees.

Name	Age	Position with Company
Michael V. Prentiss	60	Chairman of the board of trustees (Class III - Term will expire in 2005)
Thomas F. August	55	President, Chief Executive Officer and Trustee (Class I - Term will expire in 2006)
Thomas J. Hynes, Jr.	64	Independent Trustee (Class III - Term will expire in 2005)
Barry J.C. Parker	56	Independent Trustee (Class III - Term will expire in 2005)
Dr. Leonard M. Riggs, Jr.	61	Independent Trustee (Class II - Term will expire in 2007 if Proposal One is approved)*
Ronald G. Steinhart	63	Independent Trustee (Class II - Term will expire in 2007 if Proposal One is approved)*
Lawrence A. Wilson	68	Independent Trustee (Class I - Term will expire in 2006)
Lawrence J. Krueger	48	Executive Vice President and Managing Director, Midwest Region
Robert K. Wiberg	47	Executive Vice President and Managing Director, Mid-Atlantic Region
Christopher M. Hipps	42	Executive Vice President and Managing Director, Southwest Region
Daniel K. Cushing	43	Senior Vice President and Managing Director, Northern California Region
Christopher B. Mahon	55	Senior Vice President and Managing Director, Southern California Region
Michael A. Ernst	43	Executive Vice President and Chief Financial Officer

*Messrs. Steinhart and Riggs have been nominated for re-election at the Annual Meeting to be held on May 5, 2004.

The following are biographical summaries of our executive officers and the trustees not standing for re-election:

MICHAEL V. PRENTISS serves as our Chairman of the Board. Prior to October of 1999, Mr. Prentiss was our Chief Executive Officer and had served in such capacity since our initial public offering in October 1996. Mr. Prentiss, our founder, has over 28 years experience in real estate development, acquisitions, and investment management and has acquired or developed properties with an aggregate value in excess of \$4 billion. From 1987 to 1992, he served as President and Chief Executive Officer of our predecessor company, and from 1992 to 1999, he served as its Chairman and Chief Executive Officer. From 1978 to 1987, Mr. Prentiss served as President of Cadillac Urban Development, Inc., Executive Vice President and member of the Board of Directors of The Cadillac Fairview Corporation Limited, and a member of Cadillac Fairview's Executive Committee. Cadillac Urban was the largest business unit of Cadillac Fairview, responsible for all of its office, mixed-use and suburban office park development activity in the U.S. and Canada. Prior to 1978, Mr. Prentiss was President of Ackerman Development Company. Mr. Prentiss is a Baker Scholar graduate of Harvard Graduate School of Business Administration. He holds a Bachelor of Science degree in Civil Engineering and a B.A. degree in Business Administration from Washington State University.

THOMAS F. AUGUST serves as our President and is a trustee on our board of trustees. He is also our Chief Executive Officer. Mr. August has served in such capacities since October of 1999 when he became Chief Executive Officer. Prior to that time he had been our President and Chief Operating Officer since our initial public offering in October 1996. From 1992 to 1996 Mr. August served as President and Chief Operating Officer of one of our affiliates, Prentiss Properties Limited, Inc. From 1987 to 1992, Mr. August served as Executive Vice President and Chief Financial Officer of our predecessor company. From 1985 to 1987, Mr. August served in executive capacities with Cadillac Fairview Urban Development, Inc. Prior to joining Cadillac Urban in 1985, Mr. August was Senior Vice President of Finance for Oxford Properties, Inc., in Denver, Colorado, an affiliate of a

privately-held Canadian real estate firm. Previously, he was a Vice President of Citibank, responsible for real estate lending activities in the upper Midwest. Mr. August holds a B.A. degree from Brandeis University and an MBA degree from Boston University.

LAWRENCE A. WILSON is an independent trustee on our board of trustees and has served in such capacity since our initial public offering in October 1996. Mr. Wilson is a director of The Beck Group. He was recently the Chairman of The Beck Company and Managing Director and Chief Executive Officer of HCBECK, Inc., a construction and real estate services company, each of which are members of The Beck Group. Mr. Wilson also serves as an Advisory Director of TXU. Mr. Wilson holds an L.L.B. degree from the Woodrow Wilson College of Law in Atlanta, Georgia and is a graduate of the Emory University Advanced Management Program.

Committees: Compensation (Chairman), Corporate Governance

THOMAS J. HYNES, JR. is an independent trustee on our board of trustees and has served in such capacity since our initial public offering in October 1996. Mr. Hynes is President of Meredith & Grew Incorporated, a Boston-based real estate services firm, and has served in that capacity since 1988. Mr. Hynes has been employed by Meredith & Grew Incorporated since 1965 during which time he has held various offices. Mr. Hynes holds a B.A. degree from Boston College and an Honorary Degree of Doctorate of Laws from Emmanuel College.

Mr. Hynes is Chairman of the Massachusetts Business Roundtable, a non-profit, nonpartisan, statewide public affairs organization of chief executive officers representing Massachusetts leading industry and business enterprises.

Committees: Compensation, Corporate Governance

BARRY J.C. PARKER is an independent trustee on our board of trustees and has served in such capacity since our initial public offering in October 1996. Mr. Parker is a private investor and is a past President and Chief Executive Officer of Luby's, Inc., a chain of 238 restaurants. Mr. Parker is also a past Chairman of the Board, President and Chief Executive Officer of County Seat, Inc., a nationwide chain of 750 specialty apparel stores. Prior to joining County Seat, Inc. in 1985, Mr. Parker worked for the Children's Place, Inc. for 10 years and held various offices with that company including Senior Vice President and Chief Financial Officer. Mr. Parker worked for Federated Department Stores, Inc. prior to 1975 and held various management positions with that company's F&R Lazarus Department Store division. Mr. Parker holds a B.A. degree from Washington University in St. Louis and an MBA degree from the University of Pennsylvania's Wharton School of Finance and Commerce.

Committees: Audit, Corporate Governance

LAWRENCE J. KRUEGER serves as Executive Vice President and Managing Director of our Midwest Region. His responsibilities include the development, acquisitions, leasing, construction, property management and asset management activities in this region. Mr. Krueger has served in such capacity for us since 1994. He served as Senior Vice President Development from 1990 to 1994, Vice President Development of one of our affiliates, Prentiss Properties Limited, Inc., from 1987 to 1990 and Vice President Development of Cadillac Urban from 1986 to 1987. Mr. Krueger holds a B.A. degree in Business from Indiana University and a Masters degree in Urban Land Economics and Real Estate Investment Analysis from the University of Wisconsin. He is a member of the National Association of Industrial and Office Parks, CORENET Global Corporate Real Estate Network and the Chicago Development Council.

ROBERT K. WIBERG serves as Executive Vice President and Managing Director of our Mid-Atlantic Region. His responsibilities include the development, acquisitions, leasing, construction, property management and asset management activities in this region. The portfolio of properties Mr. Wiberg oversees includes 4.1 million square feet of owned property and another 6.3 million square feet of managed properties. Mr. Wiberg has worked in our Washington, D.C. office since 1988,

and prior to that served as a Development Officer in our Los Angeles, Atlanta and Dallas offices. Mr. Wiberg holds an MBA from the University of California at Berkeley, a Master of City and Regional Planning degree from Harvard University, and a B.A. degree from Cornell University. He has served on the Board of Directors of the Northern Virginia Chapter of the National Association of Industrial and Office Parks and holds a Virginia real estate license.

CHRISTOPHER M. HIPPS serves as Executive Vice President and Managing Director of our Southwest Region. Mr. Hipps has served as Managing Director of our Southwest Region since January 1, 2002 and was promoted from Senior Vice President to Executive Vice President in March 2002. Prior to becoming Managing Director of the Southwest Region, Mr. Hipps served as the Managing Director of the former West Region. Mr. Hipps was responsible for all business activities of the West Region including acquisitions, development, strategic planning and implementation of the annual business plan. Mr. Hipps started his career in the Washington, D.C. offices of Cadillac Fairview Urban leasing the award-winning 1001 Pennsylvania Avenue. He subsequently was responsible for marketing activities for our master-planned development, Fairview Park, located in Northern Virginia. In 1992, Mr. Hipps moved to our corporate office in Dallas, Texas. While in Dallas, he has held various responsibilities, including CBD leasing assignments, our acquisitions in Houston, regional marketing of our property management business and work on the development of properties in Austin, Texas. Mr. Hipps holds a Texas real estate license and has been involved in various organizations such as the National Association of Industrial and Office Parks and the Real Estate Council. He received a BBA from Southern Methodist University.

DANIEL K. CUSHING serves as the Senior Vice President and Managing Director of our Northern California Region and has served in such capacity since January 1, 2002. His responsibilities include acquisitions, development, leasing, construction, property management, facilities management, and business development. Mr. Cushing joined us in 1985 and has held a variety of increasingly senior roles in Dallas, Washington, DC and Chicago. Prior to his appointment as the Managing Director of the Northern California Region, Mr. Cushing was instrumental in the growth of our Midwest Region. As our Senior Vice President of Development/Acquisitions he was responsible for various suburban development projects and acquisitions. He holds a Bachelor of Science degree in Civil Engineering from the University of Illinois.

6

CHRISTOPHER B. MAHON serves as Senior Vice President and Managing Director of our Southern California Region and has served in such capacity since January 1, 2002. Mr. Mahon joined us in 1999. Mr. Mahon is responsible for all business management activities, most particularly guidance of property operations and implementation of acquisition, development and disposition strategies that enhance earnings and portfolio value. Mr. Mahon started his career in New York in the commercial construction industry. Since coming to California in 1977, Mr. Mahon has worked in various capacities, including management, acquisitions, development, marketing and leasing with diverse property portfolios at The Irvine Company, Ferguson Partners, Shuwa Investments Corporation and Equity Office. Mr. Mahon graduated Phi Beta Kappa from St. Lawrence University in Canton, New York, is a former President of the Orange County chapter of BOMA and is a licensed California real estate broker.

MICHAEL A. ERNST serves as an Executive Vice President and as our Chief Financial Officer. In such capacities Mr. Ernst has responsibility for capital planning, financial strategy, corporate accounting, raising capital, evaluating new investment opportunities and investor relations. Mr. Ernst joined us in 1997 as Vice President and Treasurer and was promoted to Chief Financial Officer in March 1999. Mr. Ernst was promoted from Senior Vice President to Executive Vice President in March 2002. Prior to joining us, Mr. Ernst served as a Senior Vice President in Bank of America's Real Estate Finance Group where he managed a team of lenders covering national accounts including many public real estate companies. Mr. Ernst holds an MBA with a focus on Real Estate and Finance, and a B.A. in American Government, both from the University of Virginia. Mr. Ernst has been a member of the Associate Leadership Council of the Real Estate Council and was a member of the Board of Directors of the Dallas Area Habitat for Humanity from 1999 to 2003.

Terms of Office

Our board of trustees elects our officers annually at a meeting held after each annual meeting of shareholders, or as soon thereafter as necessary and convenient in order to fill vacancies or newly created offices. Each officer holds office until his successor is duly elected and qualified or until death, resignation or removal, if earlier. The board of trustees may remove any officer or agent elected or appointed by the board of trustees whenever in its judgment our best interests will be served thereby, but such removal shall be without prejudice to the contractual rights, if any, of the person so removed.

7

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Nominations of persons for election to the board of trustees may be made at an annual meeting of shareholders (i) pursuant to our notice of meeting, (ii) by or at the direction of the trustees or (iii) by any of our shareholders who was a shareholder of record at the time of giving of notice provided for in our bylaws, who is entitled to vote at the meeting and who complied with the notice procedures set forth in our current bylaws and the rules and regulations promulgated under the Securities Exchange Act of 1934. Only such persons who are nominated in accordance with the procedures set forth in our bylaws shall be eligible to serve as trustees. Our Corporate Governance Committee recommends nominees for election to the board of trustees, our board approves such nominees and recommends our shareholders elect such nominees at our annual meeting of shareholders. For information regarding the duties and membership of our Corporate Governance Committee, see the section of this proxy statement entitled "Committees and Meetings of the Board of Trustees - Corporate Governance Committee."

Nominee Consideration Process

The Corporate Governance Committee identifies nominees by first evaluating the current members of the board willing to continue in service. Current members of the board with skills and experience that are relevant to our business and who are willing to continue in service are considered for re-nomination, balancing the value of continuity of service by existing members of the board with that of obtaining a new perspective. If any member of the board does not wish to continue in service or if the Corporate Governance Committee decides not to recommend a member for re-election, the Corporate Governance Committee will identify the desired skills and experience of a new nominee in light of the criteria below. Research may be performed to identify qualified individuals. To date, we have not engaged third parties to identify or evaluate or assist in identifying potential nominees, although we reserve the right in the future to retain a third party search firm, if necessary.

Nominee Evaluation and Criteria for Board Membership

In evaluating trustee nominees, the Corporate Governance Committee considers the following factors:

the composition of the board as a whole;

the requisite skills, characteristics and experience of nominees including experience in technology, business, finance, administration or public service, in light of prevailing business conditions and the knowledge, skills and experience already possessed by other members of the board;

the status of the nominee as "independent" under the New York Stock Exchange's listing standards and the rules and regulations of the Securities and Exchange Commission;

experience with accounting rules and practices; and

the desire to balance the considerable benefit of continuity with the periodic injection of the fresh perspective provided by new members.

The Corporate Governance Committee's goal is to assemble a board of trustees that brings to Prentiss Properties Trust a variety of perspectives and skills derived from high quality business and professional experience. In doing so, the Corporate Governance Committee also considers candidates with appropriate non-business backgrounds.

Other than the foregoing, there are no stated minimum criteria for trustee nominees, although the Corporate Governance Committee may also consider such other factors as it may deem are in our and our shareholders' best interests. The Corporate Governance Committee does, however, believe it appropriate

for at least one, and, preferably, several, members of the board to meet the criteria for an "audit committee financial expert" as defined by the rules and regulations of the Securities and Exchange Commission. In addition, the New York Stock Exchange listing standards require that a majority of the members of the board meet the definition of "independent director" under the New York Stock Exchange's listing standards. The Corporate Governance Committee also believes it appropriate for certain key members of our management to participate as members of the board.

After completing its evaluation, the Corporate Governance Committee makes a recommendation to the full board of trustees as to the persons who should be nominated by the board of trustees, and the board of trustees determines the nominees after considering the recommendation and report of the Corporate Governance Committee.

Shareholder Nominees

The rules and regulations promulgated under the Securities Exchange Act of 1934, as amended, and our bylaws contain provisions which address the process by which a shareholder may nominate an individual to stand for election to the board of trustees at our annual meeting of shareholders. Any shareholder wishing to recommend a nominee should submit a recommendation in writing, indicating the nominee's qualifications and other relevant biographical information and provide confirmation of the nominee's consent to serve as a trustee if elected and to being named in the proxy statement and certain information regarding the status of the shareholder submitting the recommendation, to Gregory S. Imhoff, our Corporate Secretary at 3890 West Northwest Highway, Suite 400, Dallas, Texas 75220. Such nomination recommendation must be received by the Company at the address provided immediately above not less than 120 days nor more than 150 days prior to the first anniversary of the date of mailing of the notice for the preceding year's annual meeting, as provided in our current bylaws.

Following verification of the shareholder status of persons proposing candidates, recommendations will be aggregated and considered by the Corporate Governance Committee at a regularly scheduled or special meeting. If any materials are provided by a shareholder in connection with the nomination of a trustee candidate, such materials will be forwarded to the Corporate Governance Committee. To date, we have not received any recommendations from shareholders requesting that the Corporate Governance Committee consider a candidate for inclusion among the committee's slate of nominees in our proxy statement.

9

PROPOSAL ONE: ELECTION OF TRUSTEES

Nominees for Election to the Board of Trustees

Our declaration of trust divides the board of trustees into three classes as nearly equal in number as possible, with each class serving a term of three years. If a quorum is present, a plurality of all the votes cast by shareholders, in person or by proxy, will elect each nominee for trustee. The board of trustees has set the number of trustees constituting the current board of trustees at seven, two of whom will be re-elected at the Annual Meeting.

The Corporate Governance Committee of our board of trustees has nominated the two present Class II trustees, Dr. Leonard M. Riggs, Jr. and Ronald G. Steinhart to serve as Class II trustees until our Annual Meeting in 2007 and until the respective successor of each is duly elected and qualified. The remaining members of the board of trustees will continue as members thereof until their respective terms expire, as indicated above, or until their respective successors are duly elected and qualified.

If any nominee becomes unavailable or unwilling to serve us as a trustee for any reason, the persons named as proxies in the proxy card are expected to consult with our management in voting the shares represented by them. The board of trustees has no reason to doubt the availability of the nominees, and each has indicated his willingness to serve as a trustee if reelected by the shareholders at the Annual Meeting.

NOMINEES FOR ELECTION AS CLASS II TRUSTEE (TERM EXPIRING 2007)

LEONARD M. RIGGS, JR., M.D. is an independent trustee on our board of trustees and has served in such capacity since our initial public offering in October 1996. Dr. Riggs is a private investor and until recently was Chairman and Chief Executive Officer of EmCare, Inc., a publicly-held outsourced healthcare business services company specializing in emergency medicine. EmCare manages over 400 hospital emergency departments and provides the business services for the practices of over 4,000 physicians. Dr. Riggs has also served as the Director of Emergency Medicine at Baylor University Medical Center from 1974 until 1998. Dr. Riggs is a former president of the American College of Emergency Physicians. He holds a B.S. degree from Centenary College of Shreveport, Louisiana and an M.D. degree from the University of Texas Southwestern Medical School in Dallas, Texas.

Committees: Audit, Corporate Governance (Chairman)

RONALD G. STEINHART is an independent trustee on our board of trustees and has served in such capacity since our initial public offering in October 1996. Mr. Steinhart is a private investor and served as Chairman and Chief Executive Officer, Commercial Banking Group of Bank One Corporation from December, 1996 until his retirement in January, 2000. From January, 1995 to December, 1996, Mr. Steinhart was Chairman and Chief Executive

Officer of Bank One Texas, N.A. Mr. Steinhart joined Bank One in connection with the merger of Team Bank, which he founded in 1988. Mr. Steinhart serves as a Director of United Auto Group, Inc. and Carreker Corporation and as a trustee of MFS/Compass Group of Funds. Mr. Steinhart holds BBA and MBA degrees from the University of Texas at Austin and is a Certified Public Accountant.

Committees: Audit (Chairman), Corporate Governance

THE BOARD OF TRUSTEES UNANIMOUSLY RECOMMENDS A VOTE FOR EACH OF THE NOMINEES LISTED IN PROPOSAL ONE.

10

COMMITTEES AND MEETINGS OF THE BOARD OF TRUSTEES

Trustee Meetings

Our business is under the general management of our board of trustees as required by our declaration of trust, bylaws and the laws of Maryland. Our declaration of trust requires that a majority of our trustees must not also be officers, employees or affiliates of any of our subsidiaries or any partnership which is one of our affiliates. There are presently seven trustees on our board of trustees, including five trustees who the board has determined to be independent under the New York Stock Exchange's listing standards and the rules and regulations of the Securities and Exchange Commission. The board of trustees held six meetings during 2003, and each of the trustees attended at least 75% of the aggregate of the board of trustees' and applicable committee meetings.

The board of trustees presently has an Audit Committee, a Compensation Committee and a Corporate Governance Committee. The charters of each of the Audit, Compensation and Corporate Governance Committees and our Corporate Governance Guidelines are located on our website. Our website address is www.prentissproperties.com. The board may, from time to time, form other committees as circumstances warrant. Such committees will have authority and responsibilities as delegated by the board of trustees.

Audit Committee

The board of trustees has established an Audit Committee which currently consists of three independent trustees, Messrs. Steinhart, Riggs and Parker. Mr. Steinhart is Chairman of the Audit Committee. All of the members of the Audit Committee are independent within the meaning of the rules and regulations of the Securities and Exchange Commission, the listing standards of the New York Stock Exchange and the requirements of the Internal Revenue Service. The Audit Committee's functions include the following: (a) monitor (1) the quality and integrity of the financial statements of the company; (2) the audit process; (3) the independent auditor's qualifications, independence and performance; (4) the performance of the company's internal audit function; (5) the operation of the company's system of internal controls and disclosure controls and procedures which management has established; and (6) the company's compliance with legal and regulatory requirements; (b) prepare the report required by the Securities and Exchange Commission for inclusion in the company's annual proxy statement; (c) appoint, retain, evaluate and terminate the company's independent accountant; and (d) approve/pre-approve audit and non-audit services to be performed by the independent accountant as required under the rules and regulations of the Securities and Exchange Commission.

The board has determined that each of Messrs. Steinhart, Riggs and Parker qualifies as an audit committee financial expert within the meaning of the rules and regulations of the Securities and Exchange Commission. The board has also determined that each of Messrs. Steinhart, Riggs and Parker has accounting and related financial management expertise within the meaning of the listing standards of the New York Stock Exchange. The Audit Committee's charter was adopted by the full board of trustees, and a copy of the charter is attached as Annex A hereto. The Audit Committee held eleven meetings during 2003.

Compensation Committee

The board of trustees has established a Compensation Committee which currently consists of two trustees, Messrs. Wilson and Hynes. All of the members of the Compensation Committee are independent within the meaning of the rules and regulations of the Securities and Exchange Commission, the listing standards of the New York Stock Exchange and the requirements of the Internal Revenue Service. Mr. Wilson is chairman of the Compensation Committee. The Compensation Committee determines compensation for our executive officers, establishes salaries of and awards of performance-based bonuses to our executive officers, and determines awards of restricted shares and grants of share options under our share incentive plans. The Compensation Committee held one meeting during 2003.

11

Corporate Governance Committee

The board of trustees established a Corporate Governance Committee and adopted its charter on October 23, 2002. The committee is comprised of Messrs. Hynes, Parker, Riggs, Steinhart and Wilson, each of which the board has determined to be independent as defined under the listing standards of the New York Stock Exchange, the rules and regulations of the Securities and Exchange Commission and the requirements of the Internal Revenue Service. Mr. Riggs is Chairman of the Corporate Governance Committee. The Corporate Governance Committee is responsible for the development, recommendation and evaluation of the board's Corporate Governance Guidelines. In addition, the committee assists the board by identifying individuals qualified to become board members and recommends board member nominees to be elected at each annual meeting of shareholders. The committee also recommends board committee member nominees and is responsible for leading the board in its annual review of board performance. The Corporate Governance Committee held three meetings in 2003.

Meetings of Non-Management Trustees

On October 23, 2002, the board of trustees adopted Corporate Governance Guidelines, as recommended by the Corporate Governance Committee. The Corporate Governance Guidelines, in part, provide that the non-management trustees of our board of trustees shall meet in executive sessions every quarter apart from the full board. Ronald G. Steinhart has been selected to be the lead independent trustee at the meetings of the non-management trustees. Shareholders and other parties interested in communicating directly with the lead independent trustee of the non-management trustee sessions or with the non-management trustees as a group may do so by writing to attention: Ronald G. Steinhart, Lead Independent Trustee, at 3890 West Northwest Highway, Suite 400, Dallas, Texas 75220.

Shareholder Communication with the Board of Trustees

As described above, shareholders who are interested in communicating directly with the non-management trustees may do so by writing to our Lead Independent Trustee at the address provided in the immediately preceding section. Similarly, shareholders who would like to communicate directly with the full board of trustees may do so by directing their questions or comments to Ronald G. Steinhart, Lead Independent Trustee, at 3890 West Northwest Highway, Suite 400, Dallas, Texas, 75220. Shareholders may also submit questions or comments, on an anonymous basis if desired, to the board of trustees through our 24-hour hotline at 1-800-291-4361. All such anonymous correspondence will also be forwarded directly to Mr. Steinhart. We welcome and encourage shareholder communication with the board and believe we have been extremely responsive to all shareholder communication with the board.

Board Member Attendance at Annual Meeting

Although we do not have a formal policy regarding attendance by members of the board of trustees at our annual meeting of shareholders, we encourage trustees to attend and historically 100% of the trustees have attended our annual shareholders meetings. The Corporate Governance Committee will give consideration during the upcoming year to formalizing this excellent attendance record into a formal policy, so as to maximize attendance by trustees, taking into account the trustees' schedules and the timing requirements of applicable law.

REPORT OF THE AUDIT COMMITTEE

The board of trustees has established an Audit Committee which currently consists of three trustees, Messrs. Steinhart, Riggs and Parker, each of whom the board of trustees has deemed to be independent as required under the New York Stock Exchange's listing standards and the rules and regulations of the Securities and Exchange Commission. The board of trustees has adopted a written charter for the Audit Committee, a copy of which is attached hereto as Annex A. The Audit Committee's functions include the following: (a) monitor (1) the quality and integrity of the financial statements of the company; (2) the audit process; (3) the independent auditor's qualifications, independence and performance; (4) the performance of the company's internal audit function; (5) the operation of the company's system of internal controls and disclosure controls and procedures which management has established; and (6) the company's compliance with legal and regulatory requirements; (b) prepare the report required by the Securities and Exchange Commission for inclusion in the company's annual proxy statement; (c) appoint, retain, evaluate and terminate the company's independent accountant; and (d) approve/pre-approve audit and non-audit services to be performed by the independent accountant as required under the rules and regulations of the Securities and Exchange Commission. The Audit Committee held eleven meetings during 2003. In performing its duties, the Audit Committee meets with the independent accountants without the presence of any of the members of management and meets with management without the presence of PricewaterhouseCoopers LLP, to help ensure the independence of PricewaterhouseCoopers LLP. The Audit Committee then meets without the presence of either of PricewaterhouseCoopers LLP or management.

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Our management has the primary responsibility for the financial statements and the reporting process including the systems of internal controls. Our independent public accountants are responsible for expressing an opinion on the conformity of our audited financial statements with accounting principles generally accepted in the United States.

PricewaterhouseCoopers LLP has served as our and our subsidiaries' independent auditor for the year ended December 31, 2003 and will, pending ratification by our shareholders at the Annual Meeting, continue to so serve for the year ending December 31, 2004 until and unless changed by action of the board of trustees. A representative of PricewaterhouseCoopers LLP is expected to be present at the Annual Meeting, will have the opportunity to make a statement if he desires to do so, and is expected to be available to respond to appropriate questions.

In connection with the fiscal year 2003 financial statements, the Audit Committee (1) reviewed and discussed the audited financial statements with management; (2) discussed with the auditors the matters required by Statement on Auditing Standards No. 61; (3) received the written disclosure letter regarding Independence Standards Board Statement No. 1 and discussed with the auditors the matters required by Independence Standards Board Statement No. 1; (4) discussed the auditor's independence with the auditors; and (5) considered whether the provision of services by the auditors for matters other than the annual audit and quarterly reviews is compatible with maintaining the auditor's independence. Based on these reviews and discussions, the Audit Committee has recommended to the board of trustees, and the board of trustees has resolved that our audited financial statements be included in the Securities and Exchange Commission Annual Report on Form 10-K for the fiscal year ended December 31, 2003. The Audit Committee believes that the provision of services by PricewaterhouseCoopers LLP to us is compatible with maintaining the principal accountant's independence.

The Audit Committee's policy is to pre-approve all audit and permissible non-audit services provided by the independent auditors. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The Audit Committee has delegated pre-approval authority to the Chairman of the Audit Committee, Ronald G. Steinhart, when expedition of services is necessary. All fees paid to the independent auditors in 2003 were pre-approved by the Audit Committee.

13

Audit Fees. Aggregate Audit Fees for 2002 totaled \$280,991. Fees for 2002 included \$226,500 for professional services rendered in connection with the audit of our annual financial statements, including those contained in our annual report on Form 10-K, and the review of the financial statements included in our quarterly reports on Form 10-Q. Fees also included \$17,115 for financial review pursuant to the filing of post-effective amendments to our Form S-3 (File No. 333-49433) and \$37,376 for financial review pursuant to the filing of a Form S-3 (File No. 333-85660). Aggregate Audit Fees for 2003 totaled \$338,900. Fees for 2003 included \$253,200 for professional services rendered in connection with the audit of our annual financial statements, including those contained in our annual report on Form 10-K, and the review of the financial statements included in our quarterly reports on Form 10-Q. Fees also included \$33,700 for financial review and the issuance of a comfort letter pursuant to the filing of a prospectus supplement to our Form S-3 (File No. 3330-49433) and \$52,000 for a review of the SEC Comment Letter covering our 2002 Form 10-K.

Audit Related Fees. Aggregate Audit Related Fees for 2002 totaled \$46,240. Fees included \$15,000 for audit of our Employee Savings Plan & Trust and \$31,240 for certain audits of our properties. Aggregate Audit Related Fees for 2003 totaled \$61,000 which included \$31,000 for certain audits of our properties and \$30,000 for a review of our Executive Choice Deferred Compensation Plan.

Tax Fees. Aggregate Tax Fees for 2002 totaled \$64,647. Fees included \$32,648 for 2001 Tax Review, \$9,230 for review of our dividend tax attributes, \$2,112 for tax review of a joint venture and \$20,657 for tax software. Aggregate Tax Fees paid in 2003 totaled \$25,366. Fees included \$9,383 for review of our dividend tax attributes, \$2,112 for tax review of a joint venture and \$9,870 for 2002 tax review (an additional \$32,947 was paid in 2004 for the 2002 tax review).

All Other Fees. Aggregate All Other Fees for 2002 totaled \$6,775 and included \$2,773 for miscellaneous work and \$4,002 for a German tax representation fee. There were no Other Fees for 2003.

This Report has been furnished by the members of the Audit Committee.

Barry J.C. Parker
Dr. Leonard M. Riggs, Jr.
Ronald G. Steinhart

14

PROPOSAL TWO: RATIFICATION OF THE APPOINTMENT OF INDEPENDENT ACCOUNTANTS

The Audit Committee of our board of trustees has appointed PricewaterhouseCoopers LLP as our independent accountants for the fiscal year ending December 31, 2004. PricewaterhouseCoopers LLP (formerly Coopers & Lybrand LLP) has served as our independent accountants since 1996.

Our board of trustees has decided to afford our shareholders the opportunity to express their opinions on the matter of our auditors, and, accordingly, is submitting to our shareholders at the Annual Meeting this proposal to ratify the Audit Committee's appointment of PricewaterhouseCoopers LLP as our independent auditors for fiscal 2004. In the event shareholders do not ratify the appointment, the appointment will be reconsidered by the Audit Committee. **THE BOARD OF TRUSTEES UNANIMOUSLY RECOMMENDS A VOTE FOR PROPOSAL TWO TO RATIFY THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS OUR INDEPENDENT ACCOUNTANTS FOR FISCAL 2004.**

A representative of PricewaterhouseCoopers LLP is expected to be present at the Annual Meeting to respond to appropriate questions and to make such statements as the representative may desire.

15

PERFORMANCE GRAPH

The following performance graph compares the change in the cumulative total shareholder return on our common shares for the period December 31, 1998 through December 31, 2003, with the changes in the S&P 500 Index, the SNL Securities Office/Industrial REIT Index and the National Association of Real Estate Investment Trusts Equity Index (the NAREIT Equity Index) for the same period. The performance graph assumes a base share price of \$100 for our common shares on December 31, 1998 and each index for comparative purposes. Total return equals appreciation in share price plus dividends paid, and assumes that all dividends are reinvested. The performance graph is not necessarily indicative of future investment performance. Information in the performance graph was compiled by SNL Securities L.C.

<i>Index</i>	<i>Period Ending</i>					
	<u>12/31/98</u>	<u>12/31/99</u>	<u>12/31/00</u>	<u>12/31/01</u>	<u>12/31/02</u>	<u>12/31/03</u>
Prentiss Properties Trust	100.00	103.90	141.44	155.95	173.18	217.67
S&P 500*	100.00	121.11	110.34	97.32	75.75	97.51
SNL Office REITs	100.00	100.51	136.69	143.57	137.60	183.57
NAREIT All Equity REIT Index	100.00	95.38	120.53	137.32	142.57	195.51

16

**COMPENSATION COMMITTEE REPORT
ON EXECUTIVE COMPENSATION**

To the board of trustees of Prentiss Properties Trust:

The Compensation Committee is responsible for establishing and administering compensation policies, establishing salaries of and awarding performance-based bonuses to our executive officers, and determining awards of restricted shares and grants of share options under our share plans. The Compensation Committee's policy is to devise and implement compensation for our officers and employees which shall be commensurate with their position and determined with reference to compensation paid to similarly situated employees and officers of companies that the Compensation Committee deems to be comparable to ours and of various other REITs as reported by the National Association of Real Estate Investment Trusts' annual Study of Executive Compensation, prepared by FPL Associates, an independent executive compensation consulting firm based in Chicago, Illinois. Messrs. Hynes and Wilson comprise the Compensation Committee of the board of trustees. Mr. Wilson is the Chairman of the Compensation Committee. We do not employ any of the members of the Compensation Committee.

Base Compensation and Bonuses

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Pursuant to the directive of the Compensation Committee and our board of trustees, the base compensation of the executive officers named below for 2003 was established as follows:

Executive Officer	Annual Base Salary
Michael V. Prentiss, Chairman of the Board	\$ 450,000
Thomas F. August, President and CEO	500,000
Lawrence J. Krueger, Executive Vice President	205,000
Robert K. Wiberg, Executive Vice President	210,000
Christopher M. Hipps, Executive Vice President	194,000

Our annual incentive bonus program is an incentive program that rewards achievement at specified levels of financial and individual performance. The bonus program assigns an incentive based on certain levels of performance, expressed as a percentage of annual base salary, for each officer position. Two components comprised the 2003 bonus program, which was unchanged from the prior year: (1) a formula that takes into account our results in such areas as FFO (Funds From Operations) and FAD (Funds Available for Distribution) per share, occupancy, operating margins, tenant improvements and commissions per square foot per year, and tenant satisfaction, compared against the annual plan proposed by the Compensation Committee and approved by the board, and (2) a discretionary amount based upon an assessment of each officer's performance and contribution to Prentiss Properties Trust during the year. The bonus program places greater emphasis on the financial component than on the discretionary component. Bonuses may be paid in cash or in options or other stock awards pursuant to our 1996 Share Incentive Plan.

Share Options under the 1996 Share Incentive Plan

Our incentive compensation awards are designed to reward and motivate key employees for achieving financial and operational objectives and increasing long term value of our common shares. We pay incentive compensation annually through a combination of stock option and restricted stock awards based upon the achievement of target objectives for certain performance measures for the most recently completed fiscal year. The Compensation Committee uses equal weightings of total shareholder return and our performance relative to our peer group of REITs as our primary performance measures for determining incentive compensation awards. Incentive compensation amounts actually paid are determined based on whether the threshold, target or maximum pre-determined levels for each performance measure are met. If target performance is achieved, each participant's total award will be between the median and 75th percentile of the market competitive incentive remuneration practices found among our peer group of REITs. Should we exceed our target performance levels, the total compensation to each participant should

17

approximate the 75th percentile of such competitive practices, while if less than target performance is achieved, the total compensation will be substantially below the median of such competitive practices. Annual incentives will not be awarded if the threshold levels of performance are not realized.

The Compensation Committee approved the grant of share options to the following executive officers pursuant to the 1996 Share Incentive Plan, as follows:

Executive Officer	Number of Shares Subject to Options				
	1999 Awards	2000 Awards	2001 Awards	2002 Awards	2003 Awards
Michael V. Prentiss, Chairman of the Board	75,000	150,000			
Thomas F. August, President and CEO	55,000	150,000	36,900	106,000	84,000
Lawrence J. Krueger, Executive Vice President	22,725	46,000	11,800	30,000	14,750
Robert K. Wiberg, Executive Vice President	23,790	48,000	12,500	32,000	26,450
Christopher M. Hipps, Executive Vice President	34,600	40,000	11,800	30,000	22,000

Messrs. Prentiss, August, Krueger, Wiberg and Hipps exercised options during 2003. See the section of this proxy statement entitled Executive Compensation - Option Exercises in Last Fiscal Year. The Compensation Committee may also award shares of Restricted Shares, performance shares or SARs to our executive officers pursuant to the 1996 Share Incentive Plan. All such awards have been reflected herein.

Chairman of the Board and CEO Compensation

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Prentiss Properties Trust achieved specific levels of performance for 2003 that resulted in a payout to Messrs. Prentiss and August under the annual incentive bonus program described above in the amounts of \$309,000 and \$343,000 respectively. The performance criteria set by the Committee for the Chairman and CEO that the Board believed was of primary importance to the Company, focused primarily on FFO and FAD per share, occupancy, tenant improvements and commissions per square foot per year.

In addition, the Committee determined that Mr. August should be granted a long-term incentive award in the form of 84,000 share options and 28,000 shares of restricted stock. This award was based upon the achievement of various performance targets previously established by the Compensation Committee. In order to ensure alignment with shareholder interests, the Compensation Committee established a performance measurement that focused on total shareholder return in determining the size of annual long-term incentive awards, weighted equally between absolute and relative returns.

In determining the appropriate compensation for our Chairman of the Board and Chief Executive Officer, the Compensation Committee uses as its guide our performance, competitive practices, and the Compensation Committee's policy, as discussed above, of determining compensation with reference to the compensation paid to similarly situated executives of comparable companies. The Compensation Committee considers appropriate adjustments in the compensation of our Chairman of the Board and Chief Executive Officer concurrently with similar adjustments it makes for our other executive officers, based on individual and Company performance.

On March 15, 2004, we adjusted Mr. August's 2004 compensation to \$550,000. On January 1, 2004, pursuant to the terms of his employment agreement, we adjusted Mr. Prentiss' 2004 base compensation to \$500,000.

On March 5, 2003, we adjusted Messrs. Prentiss' and August's 2003 compensation to \$450,000 and \$500,000, respectively. We did not adjust Messrs. Prentiss' or August's compensation in 2002, and thus their compensation remained \$350,000 and \$330,000, respectively, in 2002 for 2002. We adjusted Messrs. Prentiss' and August's compensation to \$350,000 and \$330,000, respectively, in 2001 for 2001.

18

Messrs. Prentiss and August received a bonus in March 2004 for the 2003 year of \$309,000 and \$343,000, respectively. Messrs. Prentiss and August received a bonus in March 2003 for the 2002 year of \$230,000 and \$220,000, respectively. Messrs. Prentiss and August received a bonus in March 2002 for the 2001 year of \$256,515 and \$241,857, respectively. Messrs. Prentiss and August received a bonus in March 2001 for the 2000 year of \$418,400 and \$410,861, respectively.

This report has been furnished by the members of the Compensation Committee.

Thomas J. Hynes, Jr.
Lawrence A. Wilson

19

EXECUTIVE COMPENSATION

Compensation Committee Interlocks and Insider Participation

During 2003, the Compensation Committee of our board of trustees consisted of Messrs. Hynes and Wilson, each of whom are independent trustees. Our board of trustees adopted a Compensation Committee Charter on October 23, 2002. The Compensation Committee Charter provides that officers of the Company may not attend the meetings of the Compensation Committee unless invited by the Chairman of the Compensation Committee (this codified the Committee's policy that was already in effect for 2002). Consequently, no officers of the Company, including Messrs. Prentiss and August, participated in deliberations of the Compensation Committee during 2003.

Summary Compensation Table

The following table sets forth the annual and long-term compensation with respect to our Chief Executive Officer and our four most highly compensated executive officers other than the Chief Executive Officer for services rendered during 2003, 2002 and 2001.

<u>Annual Compensation</u>	<u>Long-Term Compensation</u>
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Name and Principal Position	Year	Salary (\$)	Bonus\$(1)	Other Annual Compensation(\$)	Restricted Stock Awards (\$)	Securities Underlying Options, SARs (#)(2)	All Other Compensation(\$)
Michael V. Prentiss	2003	\$ 450,000	\$ 309,000	\$ 140,890(3)	\$ 0	0	\$ 6,135(4)
Chairman of the Board	2002	350,000	230,000	106,395(3)	0	0	4,298(4)
	2001	344,500	256,515	86,139	0	0	6,100(4)
Thomas F. August	2003	\$ 471,667	\$ 343,000	\$ 11,004	\$ 957,600(5)	84,000	\$ 155,176(4)(6)
President and Chief Executive Officer	2002	330,000	220,000	0	926,195(7)	106,000	153,523(4)(6)
	2001	326,667	241,857	0	345,630(8)	36,900	15,369(4)
Lawrence J. Krueger	2003	\$ 204,167	\$ 61,000	\$ 4,680	\$ 171,000(5)	14,750	\$ 119,956(4)(6)
Executive Vice President and Managing Director, Midwest Region	2002	200,000	90,000	0	260,900(7)	30,000	52,997(4)(6)(9)
	2001	198,833	132,689	0	112,400(8)	11,800	4,847(4)
Robert K. Wiberg	2003	\$ 206,667	\$ 99,000	\$ 324	\$ 307,800(5)	26,450	\$ 119,833(4)(6)
Executive Vice President and Managing Director, Mid-Atlantic Region	2002	190,000	110,000	7,713	286,990(7)	32,000	134,669(4)(6)(9)
	2001	188,667	131,955	0	118,020(8)	12,500	4,841(4)
Christopher M. Hips	2003	\$ 193,167	\$ 86,000	\$ 0	\$ 256,500(5)	22,000	\$ 111,689(4)(6)(10)
Executive Vice President and Managing Director, Southwest Region	2002	189,000	95,000	0	260,900(7)	30,000	88,925(4)(6)(10)
	2001	187,667	117,291	42,876	112,400(8)	11,800	3,501(4)

(1) Bonuses represent amounts earned by the respective executive officers during the referenced year, although paid subsequent to such year. The Company historically pays bonuses each March for the prior year. Bonuses earned in 2003 were deferred by Mr. August (100%) and Mr. Wiberg (100%) pursuant to the KEYSOP Plan, and by Mr. Prentiss (100%) pursuant to the Executive Choice Deferred Compensation Plan. Bonuses earned in 2002 were deferred by Mr. August (100%) and Mr. Hips (50%) pursuant to the KEYSOP Plan, and Mr. Prentiss (100%) and Mr. Wiberg (100%) pursuant to the Executive Choice Deferred Compensation Plan. Bonuses earned in 2001 were deferred by Messrs. Prentiss, August and Krueger pursuant to the KEYSOP Plan.

20

- (2) All options referenced in 2003 were granted on February 23, 2004 as incentive compensation awards under the 1996 Share Incentive Plan based on our performance in 2003. All options referenced in 2002 were granted on March 5, 2003 as incentive compensation awards under the 1996 Share Incentive Plan based on our performance in 2002. All options referenced in 2001 were granted on February 28, 2002 as incentive compensation awards under the 1996 Share Incentive Plan based on our performance in 2001.
- (3) Includes \$63,835 and \$62,158 for in-house accounting services provided to Mr. Prentiss for the years 2003 and 2002, respectively.
- (4) The numbers include our matching 401(k) plan contributions and insurance payments as follows:

Name and Principal Position	Year	401(k) Match	Insurance Premiums
Michael V. Prentiss	2003	\$ 3,000	\$ 3,135
Chairman of the Board	2002	2,750	1,548
	2001	4,591	1,519

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Thomas F. August	2003	\$ 3,000	\$ 2,176
President and Chief Executive Officer	2002	2,750	773
	2001	4,591	10,778
Lawrence J. Krueger	2003	\$ 3,000	\$ 289
Executive Vice President and Managing Director, Midwest Region	2002	2,750	247
	2001	4,591	256
Robert K. Wiberg	2003	\$ 2,908	\$ 258
Executive Vice President and Managing Director, Mid-Atlantic Region	2002	\$ 2,750	\$ 252
	2001	4,591	250
Christopher M. Hipps	2003	\$ 2,407	\$ 179
Executive Vice President and Managing Director, Southwest Region	2002	\$ 2,750	\$ 160
	2001	3,336	165

- (5) Represents the value, as of the grant date of 28,000, 5,000, 9,000, and 7,500 common shares granted to Messrs. August, Krueger, Wiberg and Hipps, respectively, as incentive compensation awards under the 1996 Share Incentive Plan based on our performance in 2003.
- (6) Includes amounts forgiven in each of 2003 and 2002 of \$150,000, \$116,667, \$116,667 and \$66,667 for Messrs. August, Krueger, Wiberg and Hipps, respectively, pursuant to our Officer Loan Program as described in the Certain Relationships and Related Transactions section of this proxy statement.
- (7) Represents the value, as of the grant date of 35,500, 10,000, 11,000 and 10,000 common shares granted to Messrs. August, Krueger, Wiberg and Hipps, respectively, as incentive compensation awards under the 1996 Share Incentive Plan based on our performance in 2002.
- (8) Represents the value, as of the grant date of 12,300, 4,000, 4,200, and 4,000 common shares granted to Messrs. August, Krueger, Wiberg and Hipps, respectively, as incentive compensation awards under our 1996 Share Incentive Plan based on our performance in 2001.
- (9) Includes miscellaneous incentive bonuses of \$33,333 and \$15,000 paid for 2002 to Messrs. Krueger and Wiberg, respectively.
- (10) Includes the portion of the loan forgiveness and imputed interest of \$40,408 and \$22,258, for 2003 and 2002 respectively pursuant to Mr. Hipps moving loans described in the Certain Relationships and Related Transactions section of this proxy statement.

21

Option/SAR Grants in Last Fiscal Year

The following table sets forth information regarding grants of options to our named executive officers during the 2003 fiscal year. During 2003 we granted options to our executive officers pursuant our 1996 Share Incentive Plan. No SARs were granted during 2003. For additional information on and certain terms of options, see also the section of this memo entitled Proposal Four: Amendment of the 1996 Share Incentive Plan Material Terms of the 1996 Share Incentive Plan.

Individual Grants

Name	Number of Securities Underlying Options Granted (#)	Percentage of Total Options Granted to Employees in Fiscal Year(1)	Exercise or Base Price (\$/share)	Expiration Date	Grant Date Present Value (2)
Michael V. Prentiss	0	0%	\$ 34.20	N/A	\$ 0
Thomas F. August	84,000	35.3%	34.20	2/23/14	137,760
Lawrence J. Krueger	14,750	6.2%	34.20	2/23/14	24,190
Robert K. Wiberg	26,450	11.1%	34.20	2/23/14	43,378
Christopher M. Hipps	22,000	9.3%	34.20	2/23/14	36,080

- (1) Represents the percentage of options granted to all employees during 2003. Options to purchase a total of 237,650 common shares were granted during 2003.
- (2) The values in the Grant Date Present Value column were established using the Black-Scholes stock option valuation model. The following assumptions were used in the model: expected volatility of 16.25%, risk free interest rate of 3.03%, dividend yield of 6.55%, and expected life of the options of five years. The actual value of the options will depend on the future performance of our common shares, the option holder's continued employment through the option period, and the date on which the options are exercised.
- Prior to this year's proxy statement, the Options/SAR Grants in Last Fiscal Year table included two columns which provided the hypothetical gains that could be achieved for the respective options if exercised at the end of the option term. Such gains are based on assumed annual rates of stock price appreciation of 5% and 10% compounded annually from the date the respective options are granted to their expiration date and do not reflect our estimates or projections of future prices of our common shares. For option grants in 2003, if the assumed annual rate of stock price appreciation is 5%, the hypothetical gains on such grants for Messrs. Prentiss, August, Krueger, Wiberg and Hipps would be \$0, \$1,806,688, \$317,246, \$568,892, and \$473,180, respectively. For option grants in 2003, if the assumed annual rate of stock price appreciation is 10%, the hypothetical gains for Messrs. Prentiss, August, Krueger, Wiberg and Hipps on such grants would be \$0, \$4,578,503, \$803,963, \$1,441,683, and \$1,199,132, respectively. Such gains are net of the option exercise price, but do not include deductions for taxes or other expenses associated with the exercise. Actual gains, if any, on stock option exercises will depend on the future performance of our common shares, the option holder's continued employment through the option period, and the date on which the options are exercised.

22

Option/SAR Exercises in Last Fiscal Year

The following table sets forth certain information regarding the exercise of stock options during the last completed year and the fiscal year-end value of unexercised options held by the named executive officers as of December 31, 2003. For additional information on and certain terms of options, see also the section of this memo entitled Proposal Four: Amendment of the 1996 Share Incentive Plan Material Terms of the 1996 Share Incentive Plan. The below-named executive officers exercised options to purchase 442,040 common shares during 2003.

Name	Shares Acquired On Exercise (#)	Value Realized (\$)	Number of Securities Underlying Unexercised Options at Fiscal Year-End(#)		Value of Unexercised In-the-Money Options at Fiscal Year-End\$(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Michael V. Prentiss	216,667	\$ 1,569,794	25,000	0	\$ 326,313	\$ 0
Thomas F. August	138,333	1,065,309	12,300	24,600	60,147	120,294
Lawrence J. Krueger	38,242	269,804	3,933	19,232	53,200	372,581
Robert K. Wiberg	23,930	169,031	4,167	20,377	56,333	394,188
Christopher M. Hipps	24,868	212,016	3,933	19,232	51,200	356,001

- (1) Value for in-the-money options represents the positive spread between the respective exercise prices of outstanding options and the closing price of our common shares on the New York Stock Exchange of \$32.99 per share on December 31, 2003.

23

Savings Plan

Along with our operating partnership Prentiss Properties Acquisition Partners, L.P., and designated subsidiaries, including Prentiss Properties Limited, Inc., we have adopted the Employee Savings Plan & Trust of our predecessor company, which originally adopted the Employee Savings Plan & Trust in 1987. Prior service with the predecessor company is credited in full as service with us or Prentiss Properties Acquisition Partners, L.P. and designated subsidiaries for all purposes under the Employee Savings Plan & Trust, including eligibility and vesting.

The Employee Savings Plan & Trust is a defined contribution plan that is qualified under Section 401(k) of the Internal Revenue Code of 1986. Contributions made by employees or by us to the plan, and income earned on these contributions, are not taxable to employees until withdrawn from the plan. Our employees may enroll in the Employee Savings Plan & Trust on March 1, June 1, September 1, and December 1 after completing one year of employment with us and attaining age 21. Plan participants are immediately vested in their pre-tax contributions, matching and our discretionary contributions, and earnings thereon.

The Employee Savings Plan & Trust permits each plan participant to elect to defer up to 15% of base compensation, subject to the annual statutory limitation (\$12,000 for 2003, \$11,000 for 2002, \$10,500 for 2001, \$10,500 for 2000, \$10,000 for 1999 and 1998 and \$9,500 for 1997 and 1996) prescribed by Section 402(g) of the Internal Revenue Code, on a pre-tax basis. Along with Prentiss Properties Acquisition Partners, L.P., and designated subsidiaries, we will make matching contributions for our respective plan participants equal to 25% of amounts deferred up to 6% of the participant's compensation.

For the years 2000 and 2001, we made an additional matching contribution in a total amount of \$600,000 for both years combined to the Employee Savings Plan & Trust. This matching contribution was in addition to the match participating employees currently receive. The first portion of the additional match was \$300,000 and was available to all employees who made contributions to their account during the calendar year 2000 and were employees as of December 31, 2000. The second additional match was \$300,000 and was available to all employees who made contributions to their accounts during 2001 and were employees as of December 31, 2001. The second match was made in January 2002. We did not make an additional matching contribution for 2002 or 2003.

Share Purchase Plan

Under our Share Purchase Plan, and with respect only to year 2001, our employees were able to purchase our common shares directly from us at a 25% discount to the then-current market value at the date of purchase for the first \$10,000 of an individual employee's payroll deduction. Employees may make subsequent purchases, including purchases in all subsequent years, of our common shares at a 15% discount. An employee's purchases, on an annual basis, under the Share Purchase Plan will be limited to the lesser of 20% of the employee's base salary or \$25,000. The maximum number of our common shares that may be purchased under the Share Purchase Plan is 500,000. Employees who participate in the plan will recognize income, and we will be allowed a business expense deduction, equal to the discount at the time of a purchase. As of March 19, 2004, a total of 288,751 of our common shares have been issued under the Share Purchase Plan with approximately 150 individuals participating in 2003.

On October 23, 2002, our board of trustees adopted an amendment to the Share Purchase Plan which prohibits the adjustment of the price per share of shares purchased on the exercise of an option without the consent of our shareholders.

Key Employee Share Option Plan

We have adopted a Key Employee Share Option Plan. Pursuant to the Key Employee Share Option Plan, our officers and other selected employees who earn bonuses may have the option of deferring the payment of such bonuses. When an election to defer is made and accepted by the Compensation Committee, the participant may elect to have such deferred compensation deemed to be invested in various mutual funds. The Company then will issue an option to purchase the shares of such funds at a future date. If the Company then purchases the mutual fund shares to later satisfy the option exercise, the mutual fund shares will be deposited in a trust that is subject to the claims of the Company's creditors upon the Company's bankruptcy or insolvency. If a participant elects to purchase our common shares with the deferred bonus compensation, we will purchase our common shares on the open market and place them in the trust discussed above for the benefit of such participant. An option may be exercised, and the trust may deliver our common shares or other property held for the benefit of a participant beginning six months from the date they were placed in the trust. Options generally remain exercisable until one month from the date of voluntary employment termination by the employee, the date of termination by us for cause, one year from the date of termination from employment for any other reason, and the fifteenth anniversary of the date of grant of the option. The purpose of the Key Employee Share Option Plan is to provide a vehicle for the payment of compensation otherwise payable to the participants, in a form that will provide incentives and rewards for meritorious performance and encourage the participants' continuance as employees. The Compensation Committee administers

the Key Employee Share Option Plan.

Trustees Share Incentive Plan

See the discussion of the material terms of the Amended and Restated Trustees Share Incentive Plan contained in the section of this proxy statement entitled Proposal Three: Amendment of the Amended and Restated Trustees Share Incentive Plan Material Terms of the Amended and Restated Trustees Share Incentive Plan.

1996 Share Incentive Plan

See the discussion of the material terms of the 1996 Share Incentive Plan contained in the section of this proxy statement entitled Proposal Four: Amendment of the 1996 Share Incentive Plan Material Terms of 1996 Share Incentive Plan.

Trustee Compensation

Currently, each of our trustees who is also one of our executive officers or employees receives no compensation as such for service as members of either the board of trustees or committees thereof. Independent trustees receive a fee of \$1,250 plus expenses for attendance in person at each meeting of the board of trustees, \$500 for each telephonic meeting of the board of trustees and \$750 for each committee meeting attended. We pay the fee for attending committee meetings only when a committee meeting is not held on the same day as a meeting of the board of trustees. Each member of the Audit Committee receives \$3,000 annually. The independent trustees receive a fee of \$25,000 per year payable quarterly in common shares and options to purchase 7,500 common shares which vest immediately. Independent trustees are also eligible to receive our common shares, options to purchase our common shares and other forms of equity compensation pursuant to the Amended and Restated Trustees Share Incentive Plan as discussed in the section of this proxy statement entitled Proposal Three: Amendment of the Amended and Restated Trustees Share Incentive Plan Material Terms of the Amended and Restated Trustees Share Incentive Plan.

Deferred Compensation Plans

As of February 12, 2003, we adopted deferred compensation plans for our executive officers and independent trustees. The Executive Choice Share Deferral Plan for our executives allows our executive officers to elect to defer the receipt of shares issued upon the exercise of options pursuant to our 1996 Share

25

Incentive Plan. In addition, the Executive Choice Share Deferral Plan allows our officers to defer receipt of restricted securities issued pursuant to our 1996 Share Incentive Plan and to defer receipt of our common shares received pursuant to our Key Employee Share Option Plan and Share Purchase Plan. The Executive Choice Deferred Compensation Plan provides a means for our executives to defer receipt of salary and bonus and property received under the Key Employee Share Option Plan, other than our common shares.

We also adopted two deferred compensation plans for our trustees, similar to those adopted for our executives. Under the Executive Choice Share Deferral Plan for Trustees, the independent members of our board of trustees may defer receipt of shares issued upon the exercise of options received under the Amended and Restated Trustees Share Incentive Plan. Under the Executive Choice Deferred Compensation Plan for Trustees, our independent trustees may defer other compensation received pursuant to service on our board of trustees.

For each of the deferred compensation plans described above, the executive's or the trustee's receipt of shares and other compensation is deferred by placing such shares or other compensation in an account, which is treated as an unfunded deferred compensation obligation of the Company, and the employee or trustee does not receive the shares or other compensation until he elects to receive the shares or other compensation at a future date. Each of the plans described above is intended solely as a means of deferring gain that would otherwise be realized by our officers and trustees and is not intended to amend any other plan or program.

Employment Agreements

We entered into employment agreements with Messrs. Prentiss and August on October 22, 1996. Mr. Prentiss' agreement was amended and restated effective January 1, 2004 and has an initial employment term of five years. Mr. Prentiss' agreement is renewable upon mutual agreement of both parties. Mr. August's agreement was amended and restated effective May 10, 2000 and has an initial employment term of three years. Mr. August's agreement will automatically be renewed for successive one-year periods unless otherwise terminated pursuant to the agreement. Messrs. Prentiss' and August's agreements provide for 2004 base annual compensation of \$500,000 for Mr. Prentiss and \$550,000 for Mr. August. Incentive compensation for Messrs. Prentiss and August is to be determined by the Compensation Committee. Mr. Prentiss

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employment agreement provides for an annual \$50,000 increase in base salary through 2006 and thereafter shall be subject to determination by the Compensation Committee. Mr. August's agreement provides that the Compensation Committee may approve increases in his base salary. Each of the employment agreements provides for certain severance payments in the event of a change in control of Prentiss Properties Trust, disability or termination by us without cause or by the employee with cause. We employ no other individuals pursuant to an employment agreement.

The terms of Messrs. Prentiss and August's employment agreements require that Messrs. Prentiss and August devote substantially all of their business time to our affairs. These agreements also, subject to certain exceptions, prohibit them from engaging, directly or indirectly, during the term of their employment plus the period beginning on the date of the termination of employment with us and ending on the second anniversary of such date, in any activity anywhere in the U.S. in which we compete.

26

Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth certain information, as of December 31, 2003, with respect to all compensation plans previously approved by our security holders, as well as compensation plans not previously approved by our security holders.

	Number of Securities To be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Far Left Column)
Equity compensation plans approved by security holders	984,456	\$ 26.45	1,042,213(2)
Equity compensation plans not approved by security holders	83,047(1)	(1)	(1)
Total	1,067,503	\$ 26.45	1,042,213

(1) Pursuant to our Key Employee Share Option Plan, the material terms of which are described above, officers and other selected key employees of our operating partnership or management service company who earn bonuses have the option of deferring the payment of such bonuses. Such deferred compensation may be used to purchase various mutual funds and/or our common shares. Pursuant to the participant's election, we purchase shares on the open market and place them in a trust for the benefit of such participant. The trust may deliver to the participant shares or the fair market value of such shares beginning 6 months from the date they were placed in the trust. The purpose of the deferred compensation plan is to provide a vehicle for the payment of compensation otherwise payable to the participants, in a form that will provide incentives and rewards for meritorious performance and encourage the recipients' continuance as our employees. As of December 31, 2003 the investments included 83,047 of our common share purchased in the open market.

(2) Includes 211,249 shares available for issuance under the Share Purchase Plan.

27

**PROPOSAL THREE: AMENDMENT OF THE AMENDED AND RESTATED TRUSTEES
SHARE INCENTIVE PLAN**

Proposed Amendment

On March 26, 2004 the board of trustees approved the Second Amendment to our Amended and Restated Trustees Share Incentive Plan and is recommending that the shareholders approve and adopt the Second Amendment. The Second Amendment to our Amended and Restated Trustees Share Incentive Plan increases the aggregate number of our common shares that may be issued under the Amended and Restated Trustees Share Incentive Plan by 50,000 shares. Approval of the Second Amendment to our Amended and Restated Trustees Share Incentive Plan requires the affirmative vote of a majority of the votes cast on Proposal Three, and requires that the total votes cast on the proposal represent over 50% in interest of all securities entitled to vote on the proposal. The full text of the Second Amendment to the Amended and Restated Trustees Share Incentive Plan is attached to this proxy statement as Annex B.

Recommendation

Our board of trustees believes that increasing the aggregate number of our common shares that may be issued under the Amended and Restated Trustees Share Incentive Plan, is necessary to recruit and retain trustees now and in the future and to promote a greater identity of interest between trustees and shareholders by enabling such persons to participate in our future success. **THE BOARD OF TRUSTEES UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR PROPOSAL THREE TO ADOPT THE SECOND AMENDMENT TO THE AMENDED AND RESTATED TRUSTEES SHARE INCENTIVE PLAN.**

Material Terms of the Amended and Restated Trustees Share Incentive Plan

Shareholders approved our Amended and Restated Trustees Share Incentive Plan at our 2002 Annual Shareholders Meeting. The Amended and Restated Trustees Share Incentive Plan increased by 300,000 shares the aggregate number of our common shares that could be issued under the prior Trustees Share Incentive Plan, extended the duration of the Trustees Share Incentive Plan by 10 years, and gave the board of trustees broader authority in terms of the types, amounts and dates of share grants that they may authorize than they were given under the prior Trustees Share Incentive Plan. In addition to providing for the issuance of options, our Amended and Restated Trustees Share Incentive Plan gives us the discretion to issue restricted stock and other share-based awards each subject to such terms and conditions as the Compensation Committee determines.

Pursuant to our Amended and Restated Trustees Share Incentive Plan, we may grant nonqualified options to purchase our common shares to our independent trustees. Pursuant to the Amended and Restated Trustees Share Incentive Plan, each independent trustee receives quarterly grants of our common shares having a fair market value of approximately \$6,250 on the date of issuance. Each independent trustee automatically receives an option for 10,000 common shares on the date of the first board of trustees meeting following the annual meeting of shareholders at which the independent trustee is first elected to the board of trustees. However, an independent trustee who is first elected or appointed to the board of trustees other than at an annual meeting of shareholders will receive an option for 10,000 of our common shares on the date of such election or appointment. Independent trustees are granted options to purchase 7,500 common shares annually on July 1.

The exercise price of options granted under the Amended and Restated Trustees Share Incentive Plan is the fair market value of our common shares on the date of grant. Options granted under the Amended and Restated Trustees Share Incentive Plan upon election or appointment of an independent trustee become exercisable for 2,500 shares on each of the first through fourth anniversaries of the date of grant, provided that the trustee is a member of the board of trustees on such anniversary date. Annual options granted to an independent trustee are fully vested and exercisable when granted. The maximum number of our common shares that we may issue under the current plan is 500,000. If the Second

Amendment to the plan is approved, the total number of common shares that the Company may issue under the plan will be increased by 50,000 shares.

As of March 19, 2004, five of our trustees were eligible to receive options under the Amended and Restated Trustees Share Incentive Plan. As of March 19, 2004, 250,000 options had been granted under the Amended and Restated Trustees Share Incentive Plan, 190,000 of which had been exercised, none of which had been forfeited and 60,000 of which remained outstanding as of such date. A total of 220,130 of our common shares remain available for grant as of March 19, 2004. To see a table setting forth information regarding grants of options to our executive officers during the 2003 fiscal year, see Executive Compensation Option Grants in Last Fiscal Year. We did not grant SARs under the Amended and Restated Trustees Share Incentive Plan in 2003.

Effective January 1, 2002, the board of trustees approved an award of up to 10,000 shares to each independent trustee, to increase each independent trustee's compensation and to reward each trustee for five years of service on our board of trustees. Each award will vest subject to our performance at the end of fiscal 2006. The exact amount of each award will depend on the total return to our shareholders over the five year

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award period, with the full 10,000 shares being awarded to each trustee if the total return to our shareholders over the five-year period has been greater than 14%. No shares will be awarded if the total return to our shareholders over the five-year period is less than 8%.

On October 23, 2002, our board of trustees adopted an amendment to the Amended and Restated Trustees Share Incentive Plan which prohibits the adjustment of the price per share of shares purchased on the exercise of an option without the consent of our shareholders.

Tax Consequences

The grant of a non-qualified option under the Amended and Restated Trustees Share Incentive Plan will not result in taxable income to the participant. Except as described below, the participant will realize ordinary income at the time of exercise in an amount equal to the excess of the fair market value of the shares acquired over the exercise price for those shares, and we will be entitled to a corresponding deduction. Gains or losses realized by the participant upon disposition of such shares will be treated as capital gains and losses, with the basis in such shares equal to the fair market value of the shares at the time of exercise.

The exercise of non-qualified options through the delivery of previously acquired stock will generally be treated as a non-taxable, like-kind exchange as to the number of shares surrendered and the identical number of shares received under the option. That number of shares will take the same basis and, for capital gains purposes, the same holding period as the shares that are given up. The value of the shares received upon such an exchange that are in excess of the number given up will be includible as ordinary income to the participant at the time of the exercise. The excess shares will have a new holding period for capital gain purposes and a basis equal to the value of such shares determined at the time of exercise.

An award of shares under the Amended and Restated Trustees Share Incentive Plan will result in taxable ordinary income at the time of the award in the amount of the fair market value of the shares awarded. We will be entitled to a deduction in the amount of such ordinary income.

Unless the participant makes an election under section 83(b) of the Internal Revenue Code, the lapse of restrictions with respect to an award of restricted shares under the Amended and Restated Trustees Share Incentive Plan will result in taxable ordinary income to the participant at the time of the lapse in the amount of the fair market value of the shares with respect to which the restrictions have lapsed. We will be entitled to a deduction in the amount of such ordinary income. If the participant makes the section 83(b) election, he or she will realize ordinary income at the time of the grant of the award in the amount of the full value of the restricted stock and we will be entitled to a corresponding deduction.

29

PROPOSAL FOUR: AMENDMENT OF THE 1996 SHARE INCENTIVE PLAN

Proposed Amendment

On March 26, 2004, the board of trustees approved the Sixth Amendment to the 1996 Share Incentive Plan, subject to shareholder approval at the Annual Meeting of Shareholders. The Sixth Amendment increases the aggregate number of our common shares that may be issued under the 1996 Share Incentive Plan by 1,500,000 common shares. Approval of the Sixth Amendment to our 1996 Share Incentive Plan requires the affirmative vote of a majority of the votes cast on Proposal Four, and requires that the total votes cast on the proposal represent over 50% in interest of all securities entitled to vote on the proposal. The full text of the proposed Sixth Amendment to the 1996 Share Incentive Plan is contained in [Annex C](#) of this proposal statement.

Recommendation

Our management, board of trustees and Compensation Committee believe that the issuance of options and other share grants is a key aspect of our ability to attract and retain qualified personnel in the face of high demand for qualified personnel. Our board of trustees, upon the recommendation of the Compensation Committee, has approved the Sixth Amendment to our 1996 Share Incentive Plan in order to ensure that we have, for a period of 3 years, based on current business plans, the ability to continue to make option and other share grants to our employees at levels deemed appropriate by the Compensation Committee. If Proposal Four regarding the approval of the Sixth Amendment to our 1996 Share Incentive Plan is not approved by our shareholders, and as a consequence we are not able to continue to make option and other share grants at competitive levels, we believe that this will negatively affect our ability to meet our needs for highly qualified personnel and our ability to manage future growth. **THE BOARD OF TRUSTEES UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR PROPOSAL FOUR TO ADOPT THE SIXTH AMENDMENT TO THE 1996 SHARE INCENTIVE PLAN.**

Material Terms of the 1996 Share Incentive Plan

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Prior to our initial public offering, the board of trustees adopted, and our then sole shareholder approved, the 1996 Share Incentive Plan for the purpose of attracting and retaining executive officers, trustees and employees. The Compensation Committee of the board of trustees administers the 1996 Share Incentive Plan. The Compensation Committee may not delegate its authority with respect to grants and awards to individuals subject to Section 16 of the Exchange Act.

Our officers and employees generally will be eligible to participate in the 1996 Share Incentive Plan. The Compensation Committee selects the individuals who will participate in the 1996 Share Incentive Plan. The Compensation Committee may not grant to a participant in the 1996 Share Incentive Plan, in any calendar year, options to purchase more than 390,000 of our common shares or SARs that cover more than 390,000 common shares. Options granted with tandem SARs shall be treated as a single award for purposes of applying the limitation in the preceding sentence. No participant in the 1996 Share Incentive Plan may be issued, in any calendar year, more than 50,000 common shares pursuant to an award of Restricted Shares (defined below) or Performance Shares (defined below).

The 1996 Share Incentive Plan currently authorizes the issuance of up to 5,000,000 common shares. The 1996 Share Incentive Plan provides for the grant of (i) share options not intended to qualify as incentive share options under Section 422 of the Internal Revenue Code, (ii) Performance Shares, (iii) SARs, issued alone or in tandem with options, (iv) Restricted Shares, which are contingent upon the attainment of performance goals or subject to vesting requirements or other restrictions and (v) incentive awards. The Compensation Committee prescribes the conditions that must occur for Restricted Shares to vest or for Performance Shares to vest and incentive awards to be earned.

30

We believe that our incentive award program further aligns the interests of our executives with those of our shareholders since share-related compensation is directly tied to shareholder value. Stock options and restricted shares awarded under this aspect of the 1996 Share Incentive Plan vest 33.3% per annum beginning one year following the anniversary of the award grant.

In connection with the grant of options under the 1996 Share Incentive Plan, the Compensation Committee will determine the option exercise period and any vesting requirements. An option may be exercised for any number of whole shares less than the full number for which the option could be exercised. A plan participant will have no rights as a shareholder with respect to our common shares subject to his or her option until the option is exercised. To the extent an option has not become exercisable at the time of a plan participant's termination of employment, the plan participant will forfeit the option unless the Compensation Committee exercises its discretion to accelerate vesting for the plan participant. If a plan participant is terminated due to dishonesty or similar reasons, all unexercised options, whether vested or unvested, will be forfeited. Any common shares subject to options which are forfeited (or expire without exercise) pursuant to the vesting requirement or other terms established at the time of grant will again be available for grant under the 1996 Share Incentive Plan. The exercise price of options granted under the 1996 Share Incentive Plan may not be less than the fair market value of our common shares on the date of grant. Payment of the exercise price of an option granted under the 1996 Share Incentive Plan may be made in cash, cash equivalents acceptable to the Compensation Committee or, if permitted by the option agreement, by exchanging common shares having a fair market value equal to the option exercise price.

As of March 19, 2004 all trustees on our board of trustees and approximately 470 of our employees were eligible to receive options under the 1996 Share Incentive Plan. As of March 19, 2004, we had granted 4,741,962 options under the 1996 Share Incentive Plan, 3,502,843 of which had been exercised, 519,246 of which had been forfeited and 719,873 of which remained outstanding as of such date. A total of 283,234 common shares remain available for grant as of March 19, 2004. To see a table setting forth information regarding grants of options to our executive officers during the 2003 fiscal year, see Executive Compensation-Option Grants in Last Fiscal Year. We did not grant SARs under the 1996 Share Incentive Plan in 2003.

Grants under the 1996 Share Incentive Plan are within the discretion of the Compensation Committee. We cannot determine, and therefore have not disclosed, the benefits or amounts to be allocated in the future under the 1996 Share Incentive Plan. The following is a table of all restricted share and share option grants under the 1996 Share Incentive Plan for 2003 (all options and grants were issued on February 23, 2004 but relate to the 2003 fiscal year):

	Restricted Share Grants	Value of Restricted Share Grants	Stock Option Grants	Value of Stock Option Grants
Michael V. Prentiss Chairman of the Board	0	0	0	0
Thomas F. August President and Chief Executive Officer	28,000	\$ 957,600	84,000	*

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Lawrence J. Krueger Executive Vice President and Managing Director, Midwest Region	5,000	\$	171,000	14,750	*
Robert K. Wiberg Executive Vice President and Managing Director, Mid- Atlantic Region	9,000	\$	307,800	26,450	*
Christopher M. Hipps Executive Vice President and Managing Director, Southwest Region	7,500	\$	256,500	22,000	*
All Current Executive Officers as a Group	72,000	\$	2,462,400	210,650	*
All Employees as a Group (excluding executive officers)	17,000	\$	581,400	27,000	*

* The values of options granted in 2003 depend on the future price of our common shares of beneficial interest, and thus exact values are not currently determinable. However, estimates of such values are provided in the Options/SAR Grants in Last Fiscal Year table above.

31

We may not grant options, SARs, Restricted Shares, incentive award or performance shares under the 1996 Share Incentive Plan after December 31, 2006. The board of trustees may amend or terminate the 1996 Share Incentive Plan at any time, but an amendment will not become effective without shareholder approval if the amendment materially (i) increases the number of shares that may be issued under the 1996 Share Incentive Plan (other than adjustments provided in the 1996 Share Incentive Plan); (ii) changes the eligibility requirements; or (iii) increases the benefits that may be provided under the 1996 Share Incentive Plan. In addition, amendments to the plan that are material as provided under the listing standards of the New York Stock Exchange require shareholder approval. No amendment will affect a participant's outstanding award without the participant's consent.

On October 23, 2002, our board of trustees adopted an amendment to the 1996 Share Incentive Plan which prohibits the adjustment of the price per share of shares purchased on the exercise of an option without the consent of our shareholders.

Tax Consequences

The grant of a non-qualified option under the 1996 Share Incentive Plan will not result in taxable income to the participant. Except as described below, the participant will realize ordinary income at the time of exercise in an amount equal to the excess of the fair market value of the shares acquired over the exercise price for those shares, and we will be entitled to a corresponding deduction. Gains or losses realized by the participant upon disposition of such shares will be treated as capital gains and losses, with the basis in such shares equal to the fair market value of the shares at the time of exercise.

The exercise of non-qualified options through the delivery of previously acquired stock will generally be treated as a non-taxable, like-kind exchange as to the number of shares surrendered and the identical number of shares received under the option. That number of shares will take the same basis and, for capital gains purposes, the same holding period as the shares that are given up. The value of the shares received upon such an exchange that are in excess of the number given up will be includible as ordinary income to the participant at the time of the exercise. The excess shares will have a new holding period for capital gain purposes and a basis equal to the value of such shares determined at the time of exercise.

An award of shares under the 1996 Share Incentive Plan will result in taxable ordinary income at the time of the award in the amount of the fair market value of the shares awarded. We will be entitled to a deduction in the amount of such ordinary income.

Unless the participant makes an election under section 83(b) of the Internal Revenue Code, the lapse of restrictions with respect to an award of restricted shares under the 1996 Share Incentive Plan will result in taxable ordinary income to the participant at the time of the lapse in the amount of the fair market value of the shares with respect to which the restrictions have lapsed. We will be entitled to a deduction in the amount of such ordinary income. If the participant makes the section 83(b) election, he or she will realize ordinary income at the time of the grant of the award in the amount of the full value of the restricted stock and we will be entitled to a corresponding deduction.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Beneficial Owners

The following table sets forth information, as of March 19, 2004, regarding each person that we know to be the beneficial owner of more than 5% of our outstanding common shares. Unless otherwise indicated, such common shares are owned directly and the indicated entity has sole voting and investment power with respect thereto.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class (1)
Clarion CRA Securities, LP 259 N. Radnor Chester Road Suite 205 Radnor, PA 19087	3,325,900(2)	7.50%
Security Capital Group, Inc. 125 Lincoln Avenue Santa Fe, NM 87501	3,773,585(3)	8.51%
Cohen & Steers Capital Management, Inc. 757 Third Avenue New York, NY 10017	6,225,572(4)	14.04%
AEW Capital Management, L.P. World Trade Center East Two Seaport Lane Boston, MA 02110-2021	3,553,016	8.02%

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- (1) Based on 44,310,853 of our common shares outstanding pursuant to the rules and regulations of the Securities Exchange Act of 1934, as amended, as of March 19, 2003.
- (2) Clarion CRA Securities, LP beneficially owns 3,325,900 of our common shares of beneficial interest, 2,499,970 of which it has sole voting power, 3,297,200 of which it has sole dispositive power, and 28,700 of which it has shared dispositive power.
- (3) Includes 3,773,585 of our common shares of beneficial interest issuable upon conversion of Series D Cumulative Convertible Redeemable Preferred Shares of Beneficial interest upon 60 days prior written notice.
- (4) Cohen & Steers Capital Management beneficially owns 6,225,572 of our common shares of beneficial interest, 5,814,572 of which it has sole voting power and 6,225,572 of which it has sole dispositive power.

Trustee, Chairman, CEO and Senior Officer Share Ownership Guidelines

In October 2003, the Corporate Governance Committee adopted, and our board of trustees approved the Prentiss Properties Trust Trustee, Chairman, CEO and Senior Officer Share Ownership Policy. The policy requires members of the board of trustees, the Chairman and CEO, and senior officers of the Company who are at the Senior Vice President level and above to establish and hold specified share ownership levels in our common shares. The policy was implemented in order to better align the interests of our trustees, Chairman, CEO and senior officers with the financial interests of our shareholders, create ownership focus, and build long term commitment.

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Subject to exceptions and additional requirements as set forth in the policy, the following are the common share ownership guidelines: The Chairman of the board of trustees must purchase and hold our common shares worth at least \$5,000,000 as of the effective date of the policy; Each non-executive trustee must purchase and hold our common shares worth at least five times his or her annual retainer (which is currently \$25,000); Our CEO must purchase and hold our common shares worth at least five times his or her base salary; and, Each of our officers who is a Senior Vice President or above must purchase and hold our common shares worth three times his or her base salary by the end of three years from the effective date of the policy or the date of his or her date of hire or promotion to such position, whichever is later.

Management Ownership Table

The following table sets forth the beneficial ownership of our common shares as of March 19, 2004, by (1) each of our trustees; (2) each of our named executive officers; and (3) our trustees and executive officers as a group. Unless otherwise indicated in the footnotes, all of such interests are owned directly, and the indicated person has sole voting and investment power.

Name of Beneficial Owner	Number of Shares Beneficially Owned(1)
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