PROLOGIS
Form S-4/A
August 10, 2005

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As filed with the Securities and Exchange Commission on August 10, 2005

Registration No. 333-126560

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 1
to
Form S-4
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933
PROLOGIS
(Exact Name of Registrant as Specified in Its Charter)

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

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

Copies to:

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

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

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

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

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

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

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PROPOSED MERGER YOUR VOTE IS VERY IMPORTANT

Dear Shareholders:

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

The issuance of ProLogis common shares contemplated by the merger agreement requires the approval of ProLogis shareholders. In addition, the merger agreement must be adopted by Catellus stockholders. ProLogis and Catellus have each scheduled special meetings of their shareholders on September 14, 2005 to vote on these matters. Regardless of the number of shares that you own or whether you plan to attend your special meeting, it is important that your shares be represented and voted at the meeting. Voting instructions are provided inside.

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

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

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

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

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

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

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

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

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued in the merger or passed upon the adequacy or accuracy of this document. Any representation to the contrary is a criminal offense.

This document is dated August 10, 2005, and it is first being mailed to shareholders on or about August 15, 2005.

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ADDITIONAL INFORMATION

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

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

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

If you would like to request documents incorporated by reference, please do so by September 7, 2005, in order to ensure timely delivery before the date your proxy is due. Please be sure to include your complete name and address in your request.

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

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PROLOGIS
14100 East 35th Place
Aurora, Colorado 80011
NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
To Be Held On September 14, 2005

A special meeting of the shareholders of ProLogis, a Maryland real estate investment trust, will be held at 10:00 a.m., Mountain time, on September 14, 2005, at 14100 East 35th Place, Aurora, Colorado 80011, for the following purposes:

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

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

Only holders of record of ProLogis common shares at the close of business on August 8, 2005, the record date for the ProLogis special meeting, are entitled to notice of, and to vote at, the special meeting and any adjournments or postponements of the special meeting.

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

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

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

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

By Order of the Board of Trustees,

Edward S. Nekritz
Secretary

Aurora, Colorado
August 10, 2005

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CATELLUS DEVELOPMENT CORPORATION
201 Mission Street, Second Floor
San Francisco, California 94105
NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
To Be Held On September 14, 2005

A special meeting of the stockholders of Catellus Development Corporation, a Delaware corporation, will be held at 9:00 a.m., Pacific time, on September 14, 2005, at the Palace Hotel, 2 New Montgomery Street, San Francisco, California 94105, for the following purposes:

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

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

Only holders of record of Catellus common stock at the close of business on August 8, 2005, the record date for the Catellus special meeting, are entitled to notice of, and to vote at, the special meeting and any adjournments or postponements of the special meeting. Catellus will keep at its offices in San Francisco, California, a list of stockholders entitled to vote at the special meeting available for inspection for any purpose relevant to the special meeting during normal business hours for the 10 days before the special meeting.

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

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

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

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

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

By Order of the Board of Directors,

Vanessa L. Washington
Secretary

San Francisco, California
August 10, 2005

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QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETINGS

About the Merger

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

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

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

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

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

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

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

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

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

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

A: Based on the number of ProLogis common shares and shares of Catellus common stock outstanding as of August 8, 2005, the record date for the special meetings, immediately after the effective time of the merger, former Catellus stockholders and holders of Catellus restricted stock, restricted stock units and

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stock options will own approximately 23% of the then-outstanding ProLogis common shares.

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

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

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

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

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

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

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

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

A: ProLogis board of trustees will be increased to 14 members at the effective time of the merger and will include the 12 current ProLogis trustees, in addition to Nelson C. Rising, who is currently Catellus Chairman of the Board and Chief Executive Officer, and Christine Garvey, a current member of Catellus board of directors. ProLogis existing management team will continue to manage the operations of ProLogis after the merger. Ted R. Antenucci, who is currently the President of Catellus Commercial Development Corporation, will join ProLogis as President of Global Development.

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

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

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

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

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

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

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quarterly dividends on its common shares are $0.37 per share.

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

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

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

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

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

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

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

About the Special Meetings

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

A: *ProLogis Shareholders.* The ProLogis special meeting will take place at 14100 East 35th Place, Aurora, Colorado 80011, on September 14, 2005, at 10:00 a.m., Mountain time.

Catellus Stockholders. The Catellus special meeting will take place at the Palace Hotel, 2 New Montgomery Street, San Francisco, California 94105, on September 14, 2005, at 9:00 a.m., Pacific time.

Q: *Who is entitled to vote?*

A: Holders of record of ProLogis common shares or Catellus common stock at the close of business on August 8, 2005, the record date for the ProLogis and Catellus special meetings, are entitled to vote at their respective special meetings. On that date, there were 187,073,907 ProLogis common shares outstanding and entitled to vote and 104,192,014 shares of Catellus common stock outstanding and entitled to vote.

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

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

Q: ***What vote is required?***

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

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

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

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

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

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

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

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

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

About Electing the Merger Consideration

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

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

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

In order to make a timely election, your properly completed, signed election form must be received by ProLogis exchange agent by 5:00 p.m., Eastern time, on September 13, 2005, which is one business day before the Catellus *special meeting. See the sections of this document entitled The Merger Agreement Catellus Stockholder Elections and The Merger Agreement Reallocation and Proration of Catellus Stockholder Elections.*

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

A: Yes. You must return your Catellus common stock certificates with your completed and signed election form to the exchange agent

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before 5:00 p.m., Eastern time, on September 13, 2005, in accordance with the instructions in the election form (unless you hold your shares in book entry form) or your election will not be valid. A return envelope is enclosed with your election form for submitting the election form and Catellus stock certificates to the exchange agent. This is different from the envelope in which to return your completed proxy card that is enclosed with this document. **Please do not include your Catellus stock certificates or election form in the envelope provided for your proxy card.** If you do not send your Catellus stock certificates to the exchange agent with your election form, then following the completion of the merger, the exchange agent will send to you a transmittal letter containing written instructions for surrendering your stock certificates in order to receive the merger consideration. If the merger is not completed for any reason, any Catellus stock certificates that you send to the exchange agent will be returned to you.

How to Get More Information

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

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

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

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

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

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SUMMARY

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

The Merger (see page 29)

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

The Companies (see page 21)

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

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

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

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

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

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

The Special Meetings (see page 23)

ProLogis Special Meeting; Vote Required

The ProLogis special meeting will be held at 14100 East 35th Place, Aurora, Colorado 80011, on September 14, 2005 at 10:00 a.m., Mountain time. At the ProLogis special meeting, holders of ProLogis common shares will vote on the approval of the issuance of ProLogis common shares contemplated by the merger agreement.

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

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

Catellus Special Meeting; Vote Required

The Catellus special meeting will be held at the Palace Hotel, 2 New Montgomery Street, San Francisco, California 94105, on September 14, 2005 at 9:00 a.m., Pacific time. At the Catellus special meeting, holders of Catellus common stock will vote on the adoption of the merger agreement.

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

Adoption of the merger agreement requires the affirmative vote in person or by proxy of the

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holders of at least a majority of the shares of Catellus common stock outstanding and entitled to vote.

Merger Consideration to Catellus Stockholders; Election, Reallocation and Proration of Merger Consideration (see page 70 and page 72)

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

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

Treatment of Catellus Stock Options, Restricted Stock and Restricted Stock Units (see page 71)

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

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

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

Material U.S. Federal Income Tax Considerations (see page 87)

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

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

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

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

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

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

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

August 9, 2005 the last full trading day before the date of this document.

Date	ProLogis Common Share Price	Catellus Common Stock Price	Equivalent Price Per Share of Catellus Common Stock
June 3, 2005	$ 41.37	$ 29.24	$ 34.01
August 9, 2005	$ 41.22	$ 33.67	$ 33.88

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

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

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

On the record date for the ProLogis special meeting a total of 858,087, or approximately 0.46%, of the outstanding ProLogis common shares entitled to vote at the ProLogis special meeting were held by ProLogis trustees, executive officers and their respective affiliates, all of whom ProLogis expects will vote their shares for the approval of the issuance of ProLogis common shares contemplated by the merger agreement.

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

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

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

On the record date for the Catellus special meeting, a total of 765,850, or approximately 0.74%, of the outstanding shares of Catellus common stock entitled to vote at the Catellus special meeting were held by Catellus directors, executive officers and their respective affiliates. Under a voting agreement with ProLogis, Nelson C. Rising (the Chairman of the Board and Chief Executive Officer of Catellus), Ted R. Antenucci (the President of Catellus Commercial Development Corporation), C. William Hosler (Senior Vice President and Chief Financial Officer of Catellus) and Vanessa L. Washington (Senior Vice President and General Counsel of Catellus), who hold a total of 653,383, or approximately 0.63%, of the outstanding shares of Catellus common stock entitled to vote at the Catellus special meeting, have agreed to vote all shares of Catellus common stock held by them in favor of the merger.

Catellus expects that all of its other directors, executive officers and their respective affiliates will also vote their shares in favor of the merger.

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

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

- the appointment of Mr. Rising and Ms. Garvey, both of whom are current members of Catellus board of directors, to ProLogis board of trustees upon completion of the merger;

- the potential receipt of change in control payments by Catellus executive officers under existing employment arrangements of approximately $16.4 million in the aggregate (excluding gross-up payments, if any);

- the execution of an employment agreement between ProLogis and Mr. Antenucci, which provides for the employment of Mr. Antenucci as ProLogis President of Global Development for a term beginning upon completion of the merger and ending on December 31, 2007;

- the acceleration and conversion of all vested and unvested Catellus stock options, restricted stock and restricted stock units into the right to receive a payment in the form of 65% ProLogis common shares and 35% cash, totaling approximately $65.0 million in the aggregate for Catellus executive officers and directors;

- the payout to Catellus employees who are entitled to receive a bonus, including Catellus executive officers, of up to a full-year bonus for 2005, which would result in payments to Catellus executive officers of up to approximately $3.7 million in the aggregate; and

- the continued indemnification of current directors and officers of Catellus under the merger agreement and the provision of directors and officers insurance to these individuals.

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

Opinions of Financial Advisors

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

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

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

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

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

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

The Merger Agreement

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

What We Need to Do to Complete the Merger (see page 75)

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

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

Catellus Prohibited from Soliciting Other Offers (see page 80)

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

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

Termination of the Merger Agreement (see page 83)

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

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

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

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

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

Catellus can also terminate the merger agreement if:

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

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

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

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

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

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

Termination Fees and Expenses (see page 84)

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

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

Other Information

Appraisal Rights (see page 64)

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

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

Regulatory Matters (see page 67)

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

Listing of ProLogis Common Shares on the New York Stock Exchange (see page 83)

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

Accounting Treatment (see page 68)

ProLogis will account for the merger using the purchase method of accounting. Under that method of accounting, the aggregate merger consideration that ProLogis pays to Catellus stockholders will be allocated to Catellus assets and liabilities based on their fair values, with any excess being treated as goodwill. ProLogis currently expects that about $150 million of the aggregate merger consideration will be allocated to goodwill, but that estimate is subject to change.

Differences in ProLogis Shareholders and Catellus Stockholders Rights (see page 104)

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

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Selected Historical Consolidated Financial Data of ProLogis

The following information is provided to aid you in your analysis of the financial aspects of the merger. This information has been derived from ProLogis audited consolidated financial statements for the years ended December 31, 2000 through 2004 and from ProLogis unaudited consolidated financial statements for the six months ended June 30, 2004 and 2005.

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

	Years Ended December 31,					Six Months Ended June 30,	
	2004	**2003**	**2002**	**2001**	**2000**	**2005**	**2004**
						(Unaudited)	
	(In thousands, except per share data)						
Consolidated Statement of Earnings Data:							
Operating income	$ 366,008	$ 341,530	$ 365,078	$ 356,517	$ 334,726	$ 219,677	$ 180,964
Earnings from continuing operations	$ 233,428	$ 248,406	$ 247,273	$ 126,435	$ 212,713	$ 167,919	$ 126,004
Net earnings	$ 232,795	$ 250,675	$ 248,881	$ 128,144	$ 214,478	$ 144,951	$ 140,066
Net earnings attributable to common shares	$ 202,813	$ 212,367	$ 216,166	$ 86,038	$ 157,715	$ 132,243	$ 122,792
Net earnings per common share basic:							
Net earnings per common share from continuing operations	$ 1.12	$ 1.17	$ 1.21	$ 0.49	$ 0.95	$ 0.83	$ 0.60
Net earnings per common share	$ 1.11	$ 1.18	$ 1.22	$ 0.50	$ 0.96	$ 0.71	$ 0.68
Weighted average common shares outstanding basic	182,226	179,245	177,813	172,755	163,651	186,436	181,066
Net earnings per common share diluted:							
Net earnings per common share from continuing operations	$ 1.09	$ 1.15	$ 1.19	$ 0.48	$ 0.95	$ 0.81	$ 0.59
Net earnings per common share	$ 1.08	$ 1.16	$ 1.20	$ 0.49	$ 0.96	$ 0.69	$ 0.66
Weighted average common shares outstanding diluted	191,801	187,222	184,869	175,197	164,401	196,484	190,018

	December 31,					June 30,
	2004	2003	2002	2001	2000	2005
						(Unaudited)
	(In thousands, except per share data)					
Consolidated Balance Sheet and Other Data:						
Total assets	$ 7,097,799	$ 6,367,466	$ 5,911,380	$ 5,557,984	$ 5,946,334	$ 7,344,116
Total debt/long-term obligations and redeemable preferred shares	$ 3,763,961	$ 3,465,669	$ 3,131,978	$ 2,978,340	$ 3,369,139	$ 4,011,189
Cash dividends declared per common share	$ 1.46	$ 1.44	$ 1.42	$ 1.38	$ 1.34	$ 0.74

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Selected Historical Consolidated Financial Data of Catellus

The following information is provided to aid you in your analysis of the financial aspects of the merger. This information has been derived from Catellus audited consolidated financial statements for the years ended December 31, 2000 through 2004 and from Catellus unaudited consolidated financial statements for the six months ended June 30, 2004 and 2005.

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

	Years Ended December 31,					Six Months Ended June 30,	
	2004	**2003**	**2002**	**2001**	**2000**	**2005**	**2004**
						(Unaudited)	
	(In thousands, except per share data)						
Consolidated Statement of Earnings Data:							
Operating income	$ 194,408	$ 179,783	$ 131,084	$ 162,615	$ 159,505	$ 79,730	$ 66,253
Earnings from continuing operations	$ 148,956	$ 228,076	$ 84,430	$ 95,728	$ 109,378	$ 65,559	$ 64,391
Net earnings	$ 171,798	$ 234,799	$ 100,656	$ 96,521	$ 111,007	$ 59,500	$ 67,425
Net earnings per common share basic:							
Net earnings per common share from continuing operations	$ 1.45	$ 2.28	$ 0.86	$ 0.87	$ 0.93	$ 0.63	$ 0.63
Net earnings per common share	$ 1.67	$ 2.35	$ 1.03	$ 0.87	$ 0.95	$ 0.57	$ 0.66
Weighted average common shares outstanding basic	103,064	99,941	97,642	110,613	117,216	103,832	102,933
Net earnings per common share diluted:							
Net earnings per common share from continuing operations	$ 1.43	$ 2.23	$ 0.84	$ 0.84	$ 0.91	$ 0.62	$ 0.62
Net earnings per common share	$ 1.64	$ 2.30	$ 1.01	$ 0.85	$ 0.93	$ 0.56	$ 0.65
Weighted average common shares outstanding diluted	104,520	102,171	100,118	113,340	119,672	105,406	104,116

	December 31,	June 30,

	2004	2003	2002	2001	2000	2005
						(Unaudited)
	(In thousands, except per share data)					
Consolidated Balance Sheet and Other Data:						
Total assets	$ 2,708,344	$ 2,595,309	$ 2,695,449	$ 2,415,515	$ 2,274,416	$ 2,493,407
Total debt/long-term obligations	$ 1,440,528	$ 1,378,054	$ 1,500,955	$ 1,310,457	$ 1,134,563	$ 1,208,835
Cash dividends declared per common share	$ 1.53	$ 0.57(1)	$	$	$	$ 0.54

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

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Comparative Per Share Data

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

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

			Catellus	
	ProLogis Historical	Combined Company Unaudited Pro Forma	Historical	Unaudited Equivalent Pro Forma
Earnings from continuing operations per common share for the year ended December 31, 2004:				
Basic	$ 1.12	$ 0.67	$ 1.45	$ 0.55
Diluted	$ 1.09	$ 0.66	$ 1.43	$ 0.54
Cash dividends declared per common share for the year ended December 31, 2004	$ 1.46	$ 1.46	$ 1.53	$ 1.20
Earnings from continuing operations per common share for the six months ended June 30, 2005:				
Basic	$ 0.83	$ 0.62	$ 0.63	$ 0.51
Diluted	$ 0.81	$ 0.61	$ 0.62	$ 0.50
Cash dividends declared per common share for the six months ended June 30, 2005	$ 0.74	$ 0.74	$ 0.54	$ 0.61
Book value per common share as of June 30, 2005	$ 14.68	$ 20.73	$ 7.20	$ 17.04

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Selected Unaudited Pro Forma Condensed Consolidated Financial and Other Data

The following unaudited pro forma condensed consolidated financial information gives effect to the merger using the purchase method of accounting. The pro forma condensed consolidated statement of operations data gives effect to the merger as if it had occurred on January 1, 2004. The pro forma condensed consolidated balance sheet data gives effect to the merger as if it had occurred on June 30, 2005. The information is based upon the historical financial statements of ProLogis and Catellus. The information should be read in conjunction with those historical financial statements, the related notes and other information contained elsewhere or incorporated by reference in this document. Certain items derived from ProLogis and Catellus historical financial statements have been reclassified to conform to the pro forma presentation.

The unaudited pro forma condensed consolidated financial information is presented for illustrative purposes only and is not necessarily indicative of what the actual combined financial position or results of operations would have been had the merger been completed on the dates described above, nor does it give effect to (1) any transaction other than the merger, (2) ProLogis or Catellus results of operations since June 30, 2005, (3) certain cost savings and one-time charges expected to result from the merger or (4) the results of final valuations of the assets and liabilities of Catellus, including property and intangible assets. We are currently developing plans to integrate the operations of the companies, which may involve various costs and other charges that may be material. We will also revise the allocation of the purchase price when additional information becomes available. Accordingly, the pro forma condensed consolidated financial information does not purport to be indicative of the financial position or results of operations as of the date of this document, as of the effective date of the merger, any period ending at the effective date of the merger or as of any other future date or period. The foregoing matters could cause both ProLogis pro forma financial position and results of operations, and ProLogis actual future financial position and results of operations, to differ materially from those presented in the following unaudited pro forma condensed consolidated financial information.

	Year Ended December 31, 2004	Six Months Ended June 30, 2005
	(In thousands, except per share data)	
Pro Forma Condensed Consolidated Statement of Earnings Data:		
Operating income	$ 404,215	$ 253,564
Earnings from continuing operations attributable to common shares	$ 159,065	$ 151,311
Earnings from continuing operations per common share basic	$ 0.67	$ 0.62
Weighted average common shares outstanding basic	237,290	242,114
Earnings from continuing operations per common share diluted	$ 0.66	$ 0.61
Weighted average common shares outstanding diluted	246,865	252,162

	June 30, 2005
	(In thousands, except per share data)
Pro Forma Condensed Consolidated Balance Sheet and Other Data:	
Total assets	$ 12,920,159
Total debt/long-term obligations and redeemable preferred shares	$ 6,668,441
Cash dividends declared per common share	$ 0.74

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RISK FACTORS

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

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

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

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

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

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

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

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

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

- the merger agreement provides that Nelson C. Rising, the Chairman of the Board and Chief Executive Officer of Catellus, and Christine Garvey, a current member of Catellus board of directors, will be appointed to ProLogis board of trustees upon completion of the merger;
- the executive officers of Catellus are parties to employment agreements or memoranda of understanding with Catellus that entitle them to certain severance and other benefits if their employment terminates following a change in control, which if all of Catellus executive officers (excluding Ted R. Antenucci, President of Catellus Commercial Development Corporation) were terminated would result in aggregate payments to such Catellus executive officers of approximately $16.4 million (excluding gross-up payments, if any);
- the executive officers and directors of Catellus will receive payments consisting of ProLogis common shares and cash totalling approximately $65.0 million in the aggregate in connection with the cancellation of their Catellus restricted stock, restricted stock units and stock options in accordance with the terms of the merger agreement;
- Mr. Antenucci has entered into an employment agreement with ProLogis, which provides for his employment as ProLogis President of Global Development, that will become effective upon completion of the merger for a term ending on December 31, 2007;
- the merger agreement provides that all Catellus employees entitled to receive a bonus, including Catellus executive officers, will be paid their annual bonuses for 2005, which would result in payments to Catellus executive officers of up to approximately $3.7 million in the aggregate; and
- the merger agreement provides that ProLogis will indemnify Catellus directors and executive officers as described in the section of this document entitled The Merger Agreement Covenants and Other Agreements Indemnification; Directors and Officers Insurance.

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

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

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

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

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

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

Catellus is subject to pending audits by the IRS and the California Franchise Tax Board of its 1999 through 2002 income tax returns, including certain of its subsidiaries and partnerships. The unaudited pro forma condensed consolidated balance sheet included in this document reflects a liability of $140 million, which is ProLogis management s best estimate of the liabilities that may arise from these audits. Any tax liability will be assumed by ProLogis in the merger, and ProLogis may need to increase or decrease the amount of the pro forma tax liability after the completion of the merger due to changes in circumstances. The audits may result in an adjustment in which the actual liabilities or settlement costs, including interest and potential penalties, may prove to be more than the liability reflected in the unaudited pro forma condensed consolidated balance sheet. If the actual amount proves to be more than the reflected liability, then ProLogis will be required to make payments in an amount in excess of the reflected liability. ProLogis will also need to increase the pro forma liability by an accrual of interest after the completion of the merger. Any change in the liability after the merger (other than accrued interest) will be reflected in goodwill.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ProLogis real estate development strategies may not be successful.

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

development opportunities may be abandoned and the related investments may be written off;

construction costs of a property may exceed the original estimates or construction may not be concluded on schedule, which could make the project less profitable than originally estimated (specific risks include the possibility of contract default, the effects of local weather conditions, the possibility of local or national strikes and the possibility of shortages in materials, building supplies or energy and fuel for equipment); and

occupancy levels and the rents that can be charged for a completed project may not make the project as profitable as originally estimated.

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

ProLogis and Catellus acquire, and after the merger the combined company will continue to acquire, distribution properties from time to time. The acquisition of properties involves risks, including the risk that the acquired property will not perform as anticipated and the risk that any actual costs for rehabilitation, repositioning, renovation and improvements identified in the pre-acquisition due diligence process will exceed estimates. There is, and it is expected that there will continue to be, significant competition for investment opportunities that meet ProLogis investment criteria as well as risks associated with obtaining financing for acquisition activities, if necessary.

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

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

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

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

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

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

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

Under various federal, state and local laws, ordinances and regulations, a current or previous owner, developer or operator of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances at, on, under or in its property. Catellus is, and the combined company will be, involved in projects that require a substantial amount of environmental remediation. The presence of hazardous or toxic substances on ProLogis or Catellus real estate investments, or the failure to remedy environmental hazards properly, may adversely affect ProLogis or Catellus ability to sell or lease those investments or to borrow money using those investments as collateral and may also have an adverse effect on the combined company s distributable cash flow. Future environmental costs are difficult to estimate because of such factors as the unknown magnitude of possible contamination, the unknown timing and extent of the corrective actions that may be required, the determination of ProLogis or Catellus potential liability in proportion to that of other potentially responsible parties, and the extent to which such costs are recoverable from insurance. Laws governing remediation often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release or presence of such hazardous substances. The costs of removal or remediation of such substances could be substantial. While neither ProLogis nor Catellus has been notified nor are they aware of any environmental conditions with respect to their real estate assets that are likely to be material to the combined company s operating results or financial condition, there can be no assurances that such conditions do not exist or may not arise in the future.

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

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

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

ProLogis has pursued and will continue to pursue growth opportunities in international markets and often invests in countries where the U.S. dollar is not the national currency. As a result, ProLogis is, and the combined company will be, subject to foreign currency risk due to potential fluctuations in exchange rates between foreign currencies and the U.S. dollar. A significant depreciation in the value of the foreign currency of one or more countries where ProLogis has a significant investment may have a material adverse effect on ProLogis results of operations and financial position. Although ProLogis attempts, and the combined company will attempt, to mitigate adverse effects by borrowing under debt agreements

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denominated in foreign currencies and through the use of foreign currency put option contracts, there can be no assurance that those attempts to minimize foreign currency risk will be successful.

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

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

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

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

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

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

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

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could also be negatively perceived in the capital markets, which could adversely affect the market price of ProLogis common shares.

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

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

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

ProLogis elected to be taxed as a REIT under the Internal Revenue Code commencing with its taxable year ended December 31, 1993. To maintain its REIT status, ProLogis must meet a number of highly technical requirements on a continuing basis. Those requirements seek to ensure, among other things, that the gross income and investments of a REIT are largely real estate related, that the REIT s ownership is not overly concentrated and that a REIT distributes substantially all its ordinary taxable income to shareholders on a current basis. If ProLogis fails to make a required distribution as a result of an adjustment to its tax return by the IRS, ProLogis may retroactively cure the failure by paying a deficiency dividend, plus applicable penalties and interest, within a specified period. Due to the complex nature of these rules, the available guidance concerning interpretation of the rules, the importance of ongoing factual determinations and the possibility of adverse changes in the law, administrative interpretations of the law and changes in ProLogis business, there can be no assurance that ProLogis will qualify as a REIT for any particular year.

If ProLogis fails to qualify as a REIT, it will be taxed as a regular corporation, and distributions to ProLogis shareholders will not be deductible in computing ProLogis taxable income. The resulting corporate income tax liabilities could materially reduce the distributable cash flow to ProLogis shareholders or funds available for reinvestment. Further, ProLogis might not be able to elect to be treated as a REIT for the four taxable years after the year during which it ceased to qualify as a REIT. In addition, if ProLogis later requalified as a REIT, it might be required to pay a full corporate-level tax on any unrealized gain in its assets as of the date of requalification and to make distributions to ProLogis shareholders in an amount equal to any earnings accumulated during the period of non-REIT status. In the absence of REIT status, distributions to ProLogis shareholders would no longer be required.

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

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

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

To maintain its REIT status, ProLogis must annually distribute to its shareholders at least 90% of its ordinary taxable income, excluding net capital gains. This requirement limits ProLogis ability to accumulate capital. ProLogis may not have sufficient cash or other liquid assets to meet these distribution requirements due to competing demands for funds or due to timing differences between tax reporting and cash receipts and disbursements because income may have to be reported before cash is received, because

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expenses may have to be paid before a deduction is allowed or because deductions may be disallowed or limited or the IRS may make a determination that adjusts reported income. In these situations, ProLogis may be required to borrow funds or sell properties on adverse terms in order to meet the distribution requirements. If ProLogis fails to make a required distribution, it would cease to qualify as a REIT for federal income tax purposes. If ProLogis fails to make a required distribution as a result of an adjustment to its tax return by the IRS, ProLogis may retroactively cure the failure by paying a deficiency dividend, plus applicable penalties and interest, within a specified period.

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

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

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

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

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

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

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

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

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THE COMPANIES

ProLogis

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

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

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

Catellus Development Corporation

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

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

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MARKET PRICES AND DIVIDEND INFORMATION

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

	ProLogis Common Shares			Shares of Catellus Common Stock		
	High	Low	Dividends/ Distributions	High	Low	Dividends/ Distributions
2003						
First Quarter	$ 26.60	$ 23.63	$ 0.36	$ 21.70	$ 18.85	
Second Quarter	$ 28.60	$ 25.60	$ 0.36	$ 23.35	$ 20.92	
Third Quarter	$ 30.39	$ 26.97	$ 0.36	$ 24.75	$ 22.00	$ 0.30
Fourth Quarter	$ 32.62	$ 28.34	$ 0.36	$ 26.61	$ 21.75	$ 4.10(1)
2004						
First Quarter	$ 36.00	$ 30.80	$ 0.365	$ 27.35	$ 23.95	$ 0.27
Second Quarter	$ 36.39	$ 27.62	$ 0.365	$ 26.43	$ 20.46	$ 0.27
Third Quarter	$ 36.95	$ 32.74	$ 0.365	$ 27.87	$ 24.26	$ 0.27
Fourth Quarter	$ 43.33	$ 35.30	$ 0.365	$ 32.20	$ 26.65	$ 0.72(2)
2005						
First Quarter	$ 43.50	$ 36.68	$ 0.37	$ 30.78	$ 26.29	$ 0.27
Second Quarter	$ 42.34	$ 36.50	$ 0.37	$ 34.20	$ 26.25	$ 0.27
Third Quarter (through August 9, 2005)	$ 46.41	$ 40.12	$ 0.37(3)	$ 36.47	$ 32.83	$ 0.27(3)

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

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

(3) Distribution/dividend was declared on July 27, 2005 to be paid on August 31, 2005 to holders of record as of August 16, 2005.

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THE SPECIAL MEETINGS

	ProLogis	Catellus
Time, Place and Date	September 14, 2005 10:00 a.m., Mountain time ProLogis 14100 East 35th Place Aurora, Colorado 80011 The special meeting may be adjourned or postponed to another date or place for proper purposes, including for the purpose of soliciting additional proxies. See the section of this document entitled The Merger Agreement Covenants and Other Agreements Other Agreements Relating to the Period Before the Effective Time.	September 14, 2005 9:00 a.m., Pacific time Palace Hotel 2 New Montgomery Street San Francisco, California 94105 The special meeting may be adjourned or postponed to another date or place for proper purposes, including for the purpose of soliciting additional proxies. See the section of this document entitled The Merger Agreement Covenants and Other Agreements Other Agreements Relating to the Period Before the Effective Time.
Purposes	To consider and vote on the approval of the issuance of ProLogis common shares of beneficial interest contemplated by the Agreement and Plan of Merger, dated as of June 5, 2005, by and among ProLogis, Palmtree Acquisition Corporation and Catellus; and To transact any other business as may properly come before the special meeting or any adjournments or postponements of the special meeting. At the present time, ProLogis knows of no other matters that will be presented for consideration at the special meeting.	To consider and vote on the adoption of the Agreement and Plan of Merger, dated as of June 5, 2005, by and among ProLogis, Palmtree Acquisition Corporation and Catellus, pursuant to which Catellus will merge with and into Palmtree Acquisition Corporation; and To transact any other business as may properly come before the special meeting or any adjournments or postponements of the special meeting. At the present time, Catellus knows of no other matters that will be presented for consideration at the special meeting.
Quorum	Presence, in person or by proxy, of a majority of the holders of the outstanding ProLogis common shares entitled to vote at the special meeting. Abstentions and broker non-votes represented at the meeting will be counted for determining whether a quorum is present.	Presence, in person or by proxy, of stockholders holding a majority of the shares of Catellus common stock entitled to vote at the special meeting. Abstentions and broker non-votes represented at the meeting will be counted for determining whether a quorum is present.

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	ProLogis	Catellus
Record Date	Close of business on August 8, 2005.	Close of business on August 8, 2005.
Shares Entitled to Vote	You may vote at the ProLogis special meeting if you owned ProLogis common shares as of the record date. You may cast one vote for each ProLogis common share that you owned on the record date.	You may vote at the Catellus special meeting if you owned Catellus common stock as of the record date. You may cast one vote for each share of Catellus common stock that you owned on the record date.
Recommendations of the Boards	*ProLogis board of trustees has approved the merger agreement and the merger and declared that the merger agreement and the merger are advisable and in the best interests of ProLogis and its shareholders. One ProLogis trustee was not present at the board meeting at which the merger agreement was approved but has stated that he fully supports the other trustees actions in approving the merger agreement. ProLogis board of trustees unanimously recommends that ProLogis shareholders vote FOR approval of the issuance of ProLogis common shares contemplated by the merger agreement.*	*Catellus board of directors has approved the merger agreement and the merger and declared that the merger agreement and the merger are advisable and fair to, and in the best interests of, Catellus and its stockholders. Catellus board of directors unanimously recommends that Catellus stockholders vote FOR the adoption of the merger agreement.*
Votes Required	*Approval of the Issuance of ProLogis Common Shares* The affirmative vote of the holders of at least a majority of the votes cast in person or by proxy is required to approve the issuance of ProLogis common shares contemplated by the merger agreement, provided that the total votes cast represent at least a majority of the ProLogis common shares entitled to vote.	*Adoption of the Merger Agreement* The affirmative vote in person or by proxy of the holders of at least a majority of the outstanding shares of Catellus common stock is required to adopt the merger agreement. Abstentions will have the same effect as votes against the adoption of the merger agreement.

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	ProLogis	Catellus
Votes Required (continued)	Abstentions will not affect the outcome of the vote with respect to the issuance of ProLogis common shares contemplated by the merger agreement, unless the holders of less than a majority of the ProLogis common shares vote, in which case abstentions will have the effect of a vote against the proposal. Assuming a quorum is present, the failure of a ProLogis shareholder to vote in person or by proxy will not affect the outcome of the ProLogis vote.	The failure of a Catellus stockholder to vote in person or by proxy will also have the effect of a vote against the adoption of the merger agreement.
Shares Outstanding	As of the record date, there were 187,073,907 ProLogis common shares outstanding and entitled to vote.	As of the record date, there were 104,192,014 shares of Catellus common stock outstanding and entitled to vote.

Voting Procedures

A proxy card will be sent to each ProLogis shareholder and Catellus stockholder of record. If you have timely and properly submitted your proxy, clearly indicated your vote and have not revoked your proxy, your shares will be voted as indicated. If you have timely and properly submitted your proxy but have not clearly indicated your vote, your shares will be voted FOR the proposal to approve the issuance of ProLogis common shares contemplated by the merger agreement, in the case of ProLogis shareholders, and FOR the proposal to adopt the merger agreement, in the case of Catellus stockholders.

If any other matters are properly presented at the meeting for consideration, the persons named in your proxy will have the discretion to vote on these matters in accordance with their best judgment. Proxies voted against the proposals related to the merger will not be voted in favor of any adjournment or postponement of the meeting for the purpose of soliciting additional proxies.

	Voting by ProLogis Shareholders	Voting by Catellus Stockholders
	ProLogis shareholders may vote, or instruct the proxy holder how to vote, using any of the following methods:	Catellus stockholders may vote, or instruct the proxy holder how to vote, using any of the following methods:
	phone the toll-free number listed on	phone the toll-free number listed on

	your proxy card and follow the recorded instructions;	your proxy card and follow the recorded instructions;

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	ProLogis	Catellus
Voting Procedures (continued)	go to the internet website listed on your proxy card and follow the instructions provided;	go to the internet website listed on your proxy card and follow the instructions provided;
	complete, sign and mail your proxy card in the postage-paid envelope; or	complete, sign and mail your proxy card in the postage-paid envelope; or
	attend the special meeting and vote in person.	attend the special meeting and vote in person.
	Revocation or Change of Proxy	*Revocation or Change of Proxy*
	ProLogis shareholders may revoke or change their proxy at any time prior to its exercise by:	Catellus stockholders may revoke or change their proxy at any time prior to its exercise by:
	giving written notice of revocation to the Secretary of ProLogis;	giving written notice of revocation to the Secretary of Catellus;
	appearing and voting in person at the ProLogis special meeting;	appearing and voting in person at the Catellus special meeting;
	phoning the toll-free number listed on your proxy card and following the recorded instructions (no later than 11:59 p.m., Eastern time, on September 13, 2005);	phoning the toll-free number listed on your proxy card and following the recorded instructions (no later than 11:59 p.m., Eastern time, on September 13, 2005);
	going to the internet website listed on your proxy card and following the instructions provided (no later than 11:59 p.m., Eastern time, on September 13, 2005); or	going to the internet website listed on your proxy card and following the instructions provided (no later than 11:59 p.m., Eastern time, on September 13, 2005); or
	properly completing and executing a later dated proxy and delivering it to the Secretary of ProLogis at or before the ProLogis special meeting.	properly completing and executing a later dated proxy and delivering it to the Secretary of Catellus at or before the Catellus special meeting.
	Your presence, without voting at the meeting, will not automatically revoke your proxy, and any revocation during the meeting will not affect votes previously taken.	Your presence, without voting at the meeting, will not automatically revoke your proxy, and any revocation during the meeting will not affect votes previously taken.

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

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

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THE MERGER

Background of the Merger

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

During the week of April 4, 2005, Mr. Schwartz contacted Mr. Rising and Mr. Antenucci to discuss a potential business combination. On April 11, 2005, Mr. Schwartz and Mr. Antenucci met to discuss the general terms of a potential business combination. On April 26, 2005, Messrs. Schwartz, Rising, Antenucci

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On August 4, 2005, Catellus board of directors and a special committee of ProLogis board of trustees approved an amendment to the merger agreement providing for the determination of 2005 annual bonuses for continuing and transition employees after the completion of the merger by a committee composed of Messrs. Rising, Antenucci and Hosler. ProLogis, Palmtree Acquisition Corporation and Catellus executed that amendment on August 8, 2005. All references in this document to the merger agreement mean the Agreement and Plan of Merger, dated as of June 5, 2005, by and among ProLogis, Palmtree Acquisition Corporation and Catellus, as amended by the First Amendment to the Agreement and Plan of Merger, dated as of August 8, 2005, by and among ProLogis, Palmtree Acquisition Corporation and Catellus.

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

Recommendation of ProLogis Board of Trustees. *ProLogis Board of Trustees has approved the merger agreement and the merger and declared that the merger agreement and the merger are advisable and in the best interests of ProLogis and its shareholders. One ProLogis trustee was not present at the board meeting at which the merger agreement was approved but has stated that he fully supports the other*

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trustees actions in approving the merger agreement. ProLogis board of trustees unanimously recommends that ProLogis shareholders vote FOR approval of the issuance of ProLogis common shares contemplated by the merger agreement.

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

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

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

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

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

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

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

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

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

Per Share Accretion. ProLogis expects that the merger will be accretive to its per share funds from operations (FFO) beginning in 2006. ProLogis believes that this accretion will primarily be

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due to general and administrative cost savings from the merger and the positive impact of integrating Catellus development operations into ProLogis property fund management business. ProLogis anticipates that significant cost savings will be realized from the merger, primarily from reductions of employee-related costs for asset management and corporate headcount. ProLogis estimates that cost savings achieved from the merger will be between $35 million and $39 million on a full-year basis following completion of the integration.

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

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

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

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

Tax Considerations Related to Catellus Prior Years Returns. Catellus is subject to pending audits by the IRS and the California Franchise Tax Board of its 1999 through 2002 income tax returns, including certain of its subsidiaries and partnerships. The unaudited pro forma condensed consolidated balance sheet included in this document reflects a liability of $140 million, which is ProLogis management s best estimate of the liabilities that may arise from these audits. Any tax liability will be assumed by ProLogis in the merger, and ProLogis may need to increase or decrease the amount of the pro forma tax liability after the completion of the merger due to changes in circumstances. The audits may result in an adjustment in which the actual liabilities or settlement costs, including interest and potential penalties, may prove to be more than the liability reflected in the unaudited pro forma condensed consolidated balance sheet. If the actual amount proves to be more than the reflected liability, then ProLogis will be required to make payments in an amount in excess of the reflected liability. ProLogis will also need to increase the pro forma liability by an accrual of interest after the completion of the merger. Any change in the liability after the merger (other than accrued interest) will be reflected in goodwill.

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

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plans do change or if a purchase option is exercised, ProLogis may not be successful in structuring a tax-deferred exchange.

Uncertainty as to Accretion. The combined company may not realize the accretion to per share FFO that ProLogis expects from the merger. It is possible that the merger may be dilutive to per share FFO or one or more other measures of the combined company s financial performance in the future. Future events that could reduce or eliminate such accretion or cause such dilution include adverse changes in:

- the expected costs of the merger and the expected costs of integrating Catellus business with ProLogis business;
- the combined company s ability to contribute, and the timing of contribution of, certain of Catellus development properties into property funds managed by the combined company and recognition of the gains related to those contributions;
- the combined company s ability to achieve anticipated cost savings from the merger;
- the pending IRS and California Franchise Tax Board audits of Catellus prior years tax returns or the resolution or settlement of any issues that may arise from those audits;
- competitive conditions;
- environmental remediation costs and compliance expenses related to the combined company s properties;
- costs to develop existing and future properties; and
- general economic conditions and their effect on the REIT industry, including the combined company.

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

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

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

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

Non-Industrial Assets. Catellus owns and leases non-industrial assets, such as office, hotel, residential and retail properties, that ProLogis does not have significant experience owning and

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operating. If ProLogis fails to successfully operate these non-industrial assets, the market price of ProLogis common shares may decline. In addition, if ProLogis determines to sell these non-industrial assets over time, it may not be successful in doing so or may not do so at attractive prices, which could also adversely affect the market price of ProLogis common shares.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

other terms of the merger agreement, including:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Opinions of Financial Advisors

Opinion of Banc of America Securities LLC Financial Advisor to ProLogis

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

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

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

For purposes of its opinion, Banc of America Securities:

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

reviewed internal financial statements and other financial and operating data concerning ProLogis and Catellus, respectively;

reviewed financial forecasts relating to ProLogis and Catellus provided to or discussed with Banc of America Securities by the managements of ProLogis and Catellus, respectively;

reviewed and discussed with ProLogis senior executives information relating to cost savings and strategic, financial and operational benefits anticipated by ProLogis management to result from the merger;

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

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

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

compared the financial performance of ProLogis and Catellus and the prices and trading activity of ProLogis common shares and Catellus common stock with each other and with that of certain other publicly traded companies which Banc of America Securities deemed relevant;

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compared financial terms of the merger to financial terms, to the extent publicly available, of certain other business combination transactions which Banc of America Securities deemed relevant;

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

reviewed the merger agreement; and

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

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

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

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

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

Catellus Analyses

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

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

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

CenterPoint Properties Trust;

AMB Property Corporation;

EastGroup Properties, Inc.;

Liberty Property Trust;

Duke Realty Corporation;

First Industrial Realty Trust, Inc.; and

ProLogis.

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

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

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

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

Selected Non-Industrial REIT Transactions

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

Selected Industrial/Office REIT Transactions

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

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

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

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

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

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

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

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

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

ProLogis Analysis

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

CenterPoint Properties Trust;

AMB Property Corporation;

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EastGroup Properties, Inc.;

Liberty Property Trust;

Duke Realty Corporation;

First Industrial Realty Trust, Inc.; and

Catellus.

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

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

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

Historical Exchange Ratio Analysis

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

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

Pro Forma Merger Accretion/ Dilution Analysis

Banc of America Securities analyzed the potential pro forma effect of the merger on ProLogis estimated FFO for fiscal years 2006 and 2007 based on financial forecasts and estimates provided to or discussed with Banc of America Securities by the managements of ProLogis and Catellus after giving effect to cost savings and strategic, financial and operational benefits anticipated by ProLogis management to result from the merger. Based on the implied blended per share value of the merger consideration, this analysis indicated that the merger could be accretive to ProLogis estimated FFO for fiscal years 2006 and

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2007. The actual results achieved by the combined company may vary from projected results and the variations may be material.

Other Factors

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

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

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

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

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

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

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

Miscellaneous

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

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

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prices at which any securities have traded or may trade at any time in the future. Accordingly, the estimates used in, and the ranges of valuations resulting from, any particular analysis described above are inherently subject to substantial uncertainty and should not be taken to be Banc of America Securities view of the actual value of ProLogis or Catellus.

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

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

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

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

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

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The full text of Morgan Stanley s written opinion, dated June 5, 2005, which sets forth, among other things, assumptions made, procedures followed, matters considered and qualifications and limitations on the review undertaken in rendering the opinion, is attached as Annex C to this document. You are urged to, and should, read the opinion carefully and in its entirety. Morgan Stanley s opinion is directed to Catellus board of directors, addresses only the fairness, from a financial point of view, of the consideration to be received by Catellus stockholders in the merger agreement and does not address any other aspect of the merger or constitute a recommendation to any Catellus stockholder as to how to vote at the Catellus special meeting or what election such stockholder should make with respect to the consideration offered. This summary is qualified in its entirety by reference to the full text of such opinion.

In connection with rendering its opinion, Morgan Stanley:

- reviewed certain publicly available financial statements and other business and financial information of Catellus and ProLogis, respectively;
- reviewed certain internal financial statements and other financial and operating data concerning Catellus and ProLogis prepared by the managements of Catellus and ProLogis, respectively;
- reviewed certain internal financial projections prepared by the managements of Catellus and ProLogis, respectively;
- discussed the past and current operations and financial condition and the prospects of Catellus and ProLogis with senior executives of Catellus and ProLogis, respectively;
- reviewed the reported prices and trading activity for Catellus common stock and ProLogis common shares;
- compared the financial performance of Catellus and ProLogis and the prices and trading activity of Catellus common stock and ProLogis common shares with that of certain other publicly-traded companies comparable with Catellus and ProLogis, respectively, and their securities;
- reviewed the financial terms, to the extent publicly available, of certain comparable transactions;
- reviewed information relating to certain strategic, financial and operational benefits anticipated from the merger, prepared by the management of ProLogis;
- reviewed the pro forma impact of the merger on ProLogis funds from operations per share, consolidated capitalization, and financial ratios;
- participated in discussions and negotiations among representatives of Catellus, Catellus legal advisors, ProLogis, and ProLogis financial and legal advisors;
- reviewed the draft merger agreement dated June 5, 2005 and certain related documents; and
- considered such other factors and performed such other analyses as Morgan Stanley deemed appropriate.

In arriving at its opinion, Morgan Stanley assumed and relied upon without independent verification the accuracy and completeness of the information supplied or otherwise made available to Morgan Stanley by Catellus and ProLogis for the purposes of its opinion. With respect to the financial projections, including the estimates of cost savings expected to be derived from the merger and the pro forma accounting for the merger, and other information relating to certain strategic, financial and operational benefits anticipated from the merger, Morgan Stanley assumed that they were reasonably prepared on bases reflecting the then best currently available estimates and judgments of the future financial performance of Catellus and ProLogis. In addition, Morgan Stanley assumed that the merger would be consummated in accordance with the terms set forth in the draft merger agreement dated June 5, 2005 without any waiver, amendment or delay of any terms or conditions, including, among other things, that the merger will be treated as a tax-free reorganization pursuant to the Internal Revenue Code. Morgan Stanley is not a legal, tax or regulatory advisor and it relied upon, without independent verification, the

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assessment of Catellus and ProLogis and their legal, tax and regulatory advisors with respect to legal, tax and regulatory matters. Morgan Stanley did not make any independent valuation or appraisal of the assets and liabilities of Catellus, nor was Morgan Stanley furnished with any such appraisals. The opinion of Morgan Stanley was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to Morgan Stanley as of, June 5, 2005. Events occurring after such date may affect Morgan Stanley s opinion and the assumptions used in preparing it, and Morgan Stanley did not assume any obligation to update, revise or reaffirm its opinion.

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

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

Catellus Standalone Valuation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Although the comparable companies in this analysis were compared to Catellus and ProLogis for purposes of this analysis, Morgan Stanley noted that no company utilized in this analysis is identical to Catellus or ProLogis because of differences between the assets, regulatory environment, operations and other characteristics of Catellus, ProLogis and the comparable companies. In evaluating the comparable companies and in selecting the multiple ranges it used in its analysis, Morgan Stanley necessarily made judgments and assumptions with regard to industry performance, general business, economic, regulatory, market and financial conditions and other matters, many of which are beyond the control of Catellus and ProLogis, such as the impact of competition on the business of Catellus and ProLogis and on the industry generally, industry growth and the absence of any adverse material change in the financial condition and prospects of Catellus and ProLogis or the industry or in the markets generally. Mathematical analysis (such as determining the average or median) is not in itself a meaningful method of using comparable company data.

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

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

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

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

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

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

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

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

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

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

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

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

Combined Company Valuation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Interests of Catellus Executive Officers and Directors in the Merger

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

Representation on ProLogis Board of Trustees

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

Catellus Employment Agreements

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

Employment Agreement with Mr. Rising

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

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

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

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

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

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

Memorandum of Understanding with Mr. Wenzell

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

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

For purposes of the agreement, good reason includes, among other things, the assignment of duties that are a reduction in any substantial respect from Mr. Wenzell s position, authority or responsibilities as

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of May 19, 2005, a requirement to relocate outside of certain geographic areas or the failure of Catellus to obtain a satisfactory agreement from any successor to Catellus to assume and to perform the obligations of Catellus under the agreement. A termination for cause under the agreement generally has the same meaning as provided in Mr. Rising s employment agreement.

Memorandum of Understanding with Mr. Sham

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

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

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

Payment of 2005 Bonuses

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

Cash Severance Payments under Employment Agreements and Memoranda of Understanding

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

In addition, we may be required to make gross-up payments to Mr. Hosler and Ms. Washington in connection with excise tax liability under Section 4999 of the Internal Revenue Code incurred as a result of the merger. The actual amount of the gross-up payments, if any, will be based on a variety of factors that cannot be determined with certainty as of the date of this document.

ProLogis expects that it will enter into a non-competition and confidentiality agreement with Mr. Hosler and Ms. Washington pursuant to which each of Mr. Hosler and Ms. Washington will provide certain non-competition and confidentiality covenants to ProLogis.

Equity Compensation Awards

Stock Options. The merger agreement provides that, as of the effective time of the merger, all vested and unvested Catellus stock options outstanding immediately prior to the effective time of the merger,

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

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

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

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Summary of Equity Compensation Payments. Based on equity compensation holdings as of August 8, 2005, Catellus executive officers and directors will receive the following payments with respect to shares of vested and unvested restricted stock, stock options and restricted stock units held by them assuming a stock price of $33.81, payable in the form of 65% ProLogis common shares and 35% cash:

	Unvested Restricted Stock	Vested Stock Options	Unvested Stock Options	Vested Restricted Stock Units(1)	Unvested Restricted Stock Units(1)
Executive Officers					