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PROLOGIS TRUST  
Form 10-K  
March 26, 2001

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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM 10-K

(MARK ONE)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000.

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO .

COMMISSION FILE NUMBER 1-12846

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PROLOGIS TRUST  
(Exact name of registrant as specified in its charter)

MARYLAND  
(State or other jurisdiction of  
of incorporation or organization)

74-2604728  
(I.R.S. employer  
identification no.)

14100 EAST 35TH PLACE  
AURORA, COLORADO 80011  
(Address of principal executive offices and zip code)

(303) 375-9292  
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS -----	NAME OF EACH EXCHANGE ON WHICH REGISTERED -----
Common Shares of Beneficial Interest, par value \$0.01 per share	New York Stock Exchange
Series A Cumulative Redeemable Preferred Shares of Beneficial Interest, par value \$0.01 per share	New York Stock Exchange

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Series B Cumulative Convertible Redeemable Preferred Shares of Beneficial Interest, par value \$0.01 per share	New York Stock Exchange
Series D Cumulative Redeemable Preferred Shares of Beneficial Interest, par value \$0.01 per share	New York Stock Exchange
Series E Cumulative Redeemable Preferred Shares of Beneficial Interest, par value \$0.01 per share	New York Stock Exchange
Preferred Share Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Based on the closing price of the registrant's shares on March 16, 2001, the aggregate market value of the voting shares held by non-affiliates of the registrant was \$2,455,192,440.

At March 16, 2001, there were outstanding approximately 173,560,729 common shares of beneficial interest of the registrant.

### DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for the 2001 annual meeting of its shareholders are incorporated by reference in Part III of this report.

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### PART I

#### ITEM 1. BUSINESS

##### PROLOGIS TRUST

ProLogis Trust ("ProLogis") is a real estate investment trust ("REIT") that operates a global network of industrial distribution facilities. ProLogis owns (directly, through consolidated entities or through investments in other real estate entities accounted for under the equity method) 171.7 million square feet of industrial distribution facilities operating or under development in North America and Europe. Additionally, ProLogis owns, operates under lease agreements or has under development 369.9 million cubic feet of temperature-controlled distribution facilities (including 35.5 million cubic feet of dry distribution space located in temperature-controlled distribution facilities) located in the United States and Europe. This network of distribution facilities makes ProLogis the largest publicly held U.S.-based global owner and lessor of industrial distribution and temperature-controlled distribution facilities. The ProLogis Operating System(TM), comprised of the Market Services Group, the Global Services Group, the Global Development Group and the Integrated Solutions Group, combined with ProLogis' international network of distribution facilities, enables ProLogis to meet its customers' distribution space needs globally. ProLogis believes it has distinguished itself from its competition by developing an organizational structure and service delivery system built around its customers. ProLogis believes that its service approach, which combines international scope and expertise and a strong local presence in each of its target markets, makes it attractive to its targeted customer base that includes the largest global users of distribution facilities. ProLogis is organized under

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Maryland law and has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the "Code").

ProLogis' business strategy is designed to: (i) achieve long-term sustainable growth in cash flow; (ii) minimize the need to issue direct public debt or public equity capital; and (iii) increase the overall return on equity for shareholders. ProLogis has organized its business into three operating segments in order to achieve its objectives. For a discussion of certain financial information regarding each segment see Note 10 to ProLogis' Consolidated Financial Statements in Item 8. ProLogis' three operating segments are:

- Property Operations -- The long-term ownership, management and leasing of industrial distribution facilities in North America and Europe, primarily distribution space that is adaptable for both distribution and light manufacturing or assembly uses. This operating segment generates income from rents and reimbursement of property operating expenses from unaffiliated customers and earns management fees from entities in which ProLogis has an ownership interest. As of December 31, 2000, in this operating segment ProLogis owned and operated (directly or through its consolidated and unconsolidated entities) 161.5 million square feet of operating facilities at an investment of \$6.0 billion. Of the total, 126.3 million square feet at an investment of \$4.3 billion are owned directly by ProLogis and its consolidated entities. Facilities in this operating segment located in North America aggregate 145.4 million square feet of the total with the remaining 16.1 million square feet located in Europe.
- Corporate Distribution Facilities Services Business ("CDFS Business") -- The development of industrial distribution facilities to be disposed of to unaffiliated customers or entities in which ProLogis has an ownership interest in North America and Europe or for a development fee for unaffiliated customers in North America and Europe. Income from this operating segment is derived from the profit resulting from the disposition of the facilities developed and from fees paid by customers for the development of facilities on their behalf. The development activities in this segment are performed directly by ProLogis, directly by a consolidated entity in which ProLogis recognizes substantially all of the economic benefits or through an unconsolidated entity, accounted for under the equity method, in which ProLogis recognizes substantially all of the economic benefits. Once an entity in which ProLogis has an ownership interest acquires the facilities from ProLogis or its consolidated and unconsolidated entities, the operations of these facilities and the management fees earned by ProLogis related to these facilities are reflected in ProLogis' property operations segment. As of December 31, 2000, ProLogis had (directly or through its consolidated and unconsolidated entities) 10.2 million square feet of distribution facilities under development with a total budgeted cost of \$491.4 million. Of the total, 8.7 million square feet at

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a total budgeted development cost of \$355.2 million were owned directly by ProLogis and its consolidated entity. Also, as of December 31, 2000, ProLogis owned or controlled (directly or through its consolidated and unconsolidated entities) 5,126 acres of land with the capacity for developing approximately 85.7 million square feet of distribution facilities. Of the total, 3,279 acres of land with the capacity for developing approximately 57.4 million square feet of distribution facilities were owned directly by ProLogis and its consolidated entity. Land positions in North America aggregated 2,385

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acres with the remaining 2,741 acres located in Europe. Upon completion, ProLogis expects to dispose of the facilities developed to unaffiliated customers or to entities in which ProLogis has an ownership interest.

- Temperature-Controlled Distribution Operations -- The operation of temperature-controlled distribution facilities earning revenues from unaffiliated customers for various services associated with a temperature-controlled distribution environment. Such services include: (i) total supply chain management; (ii) management of customer inventory and related services, (i.e. case picking, sorting, labeling, shrink-wrapping and blast freezing); (iii) temperature-controlled product consolidation and transportation services; and (iv) third-party logistics services and facility management for leading grocery retailers. In this operating segment, ProLogis recognizes substantially all of the economic benefits of two companies that are accounted for under the equity method. As of December 31, 2000, ProLogis' unconsolidated entities owned or operated under lease agreements 363.6 million cubic feet of temperature-controlled distribution space (including 35.5 million cubic feet of dry distribution space located in temperature-controlled distribution facilities) and had 6.3 million cubic feet of temperature-controlled distribution facilities under development. Of the total cubic feet in operation, 175.9 million cubic feet are located in the United States and 187.7 million cubic feet are located in Europe. The facilities under development are located in Anaheim (4.0 million cubic feet) and Houston (2.3 million cubic feet).

### 2000 Operating Performance

Total funds from operations increased by \$56.5 million from \$320.2 million in 1999 to \$376.7 million in 2000. This increase was driven by ProLogis' successful operating and investment strategies. The contribution to total funds from operations by ProLogis' operating segments for 2000 and 1999 is as follows (see Note 10 to ProLogis' Consolidated Financial Statements in Item 8):

- 69.6% and 70.6% of total funds from operations is attributable to the property operations segment in 2000 and 1999, respectively;
- 27.5% and 20.3% of total funds from operations is attributable to the CDFS business segment in 2000 and 1999, respectively; and
- 2.9% and 9.1% of total funds from operations is attributable to the temperature-controlled distribution operations segment in 2000 and 1999, respectively.

Funds from operations is a performance measure used by REITs and it is defined and discussed in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity of Capital Resources -- Funds from Operations".

ProLogis' net earnings attributable to Common Shares increased to \$157.7 million in 2000 from \$124.0 million in 1999. ProLogis generated earnings from operations of \$241.8 million in 2000, an increase of \$75.3 million over 1999. ProLogis' cash flow provided by operating activities for 2000 was \$336.8 million, an increase of \$65.4 million over 1999. See ProLogis' Consolidated Financial Statements in Item 8.

### BUSINESS STRATEGY AND OPERATING SEGMENTS

#### Business Strategy

ProLogis was originally formed in 1991 with the objective of building a distribution and light manufacturing asset base at costs significantly below

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replacement cost and a land inventory for the future development of industrial distribution facilities. Additionally, ProLogis intended to create a national operating company that

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would differentiate itself from its competition through its ability to meet a corporate customer's distribution facility requirements on a national, regional and local basis. In 1997, ProLogis expanded its property operations into Mexico and Europe to meet the needs of its targeted national and international customers as they expanded and reconfigured their distribution facility requirements globally. In December 1998, ProLogis added 54 operating facilities aggregating 5.2 million square feet in France to its European portfolio. To enhance its North American property operations and service platform, ProLogis completed a merger with Meridian Industrial Trust Inc. ("Meridian"), a publicly held REIT, in 1999 adding 32.2 million square feet of operating facilities and 228 acres of land for future development to ProLogis' holdings. See Note 11 to ProLogis' Consolidated Financial Statements in Item 8.

Having established its core property operations business, in 1997 and 1998 ProLogis expanded its service platform by acquiring an international temperature-controlled distribution network. Additionally, the merger with Meridian added 15.2 million cubic feet of temperature-controlled distribution facilities to ProLogis' holdings in 1999. Also, to enhance its corporate distribution facilities services business, ProLogis acquired an industrial distribution facility development company with extensive holdings in the United Kingdom in August 1998.

To further its objective of increasing cash flows without raising additional capital through direct public debt and public equity offerings, ProLogis formed four ventures in 1999 and 2000. Each of the ventures owns operating facilities acquired primarily from ProLogis with equity contributed by third party investors. ProLogis maintains an ownership interest (from 20.0% to 50.0% as of December 31, 2000) in each of the ventures. ProLogis utilizes the ProLogis Operating System(TM) to provide asset and property management services to the ventures for a fee. In North America, ProLogis has an ownership interest in three ventures. These ventures own, on a combined basis, 20.9 million square feet of operating facilities at a combined investment of \$927.0 million as of December 31, 2000. ProLogis European Properties Fund, formed in 1999, has enabled ProLogis to take advantage of the growth opportunities in the European industrial distribution market by allowing ProLogis to access over 1.06 billion euros (the currency equivalent of approximately \$986.3 million as of December 31, 2000 based on currency exchange rates quoted by Reuters) of third party equity capital that has been committed by a group of institutional investors to ProLogis European Properties Fund through 2002. ProLogis European Properties Fund owns 14.4 million square feet of operating facilities at an investment of \$792.3 million as of December 31, 2000. See "Item 2. Properties -- Unconsolidated Entities -- Property Operations" and Note 4 to ProLogis' Consolidated Financial Statements in Item 8.

Also in 1999, ProLogis formed the Integrated Solutions Group (see " -- ProLogis Operating System(TM) -- Integrated Solutions Group") with the objective of increasing ProLogis' service income thereby growing cash flows in a less capital intensive manner. In 2000, ProLogis made investments in two logistics technology companies and began earning license fees for the non-exclusive use of the ProLogis Operating System(TM) by these companies.

ProLogis believes that its network of distribution facilities along with the ProLogis Operating System(TM) have positioned it to become the global leader in the industrial distribution facility industry. ProLogis' three operating segments are discussed in further detail below.

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### Property Operations Segment

#### Investments

In the property operations segment, ProLogis owned and operated (directly or through its consolidated and unconsolidated entities) 1,461 operating facilities aggregating 161.5 million square feet as of December 31, 2000. ProLogis' investment strategy with respect to the property operations segment is to focus primarily on generic distribution facilities with an average office finish level of less than 10%. ProLogis' distribution facilities are adaptable for both distribution and light manufacturing or assembly uses. ProLogis has invested in selected distribution markets in North America and Europe where it believes the distribution dynamics are strong and supply and demand factors allow for high occupancy levels and increasing rental rates. In making its investment decisions, ProLogis evaluates market conditions that would indicate favorable distribution growth prospects. Such conditions include: (i) growth in imports and exports; (ii) long-term cost and quality of labor advantages for domestic and international manufacturers (such as markets benefiting from the U.S./Mexico twin plant program);

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(iii) proximity to large regional and local population centers with good access to transportation networks; and (iv) a high ratio of distribution space per capita.

Property operations segment investment activities in 2000 included:

- During 2000, ProLogis European Properties Fund acquired operating facilities aggregating 11.2 million square feet and disposed of a 161,000 square foot operating facility. Of the operating facilities acquired in 2000, 9.6 million square feet were acquired from ProLogis or its consolidated and unconsolidated entities. These acquisitions include 60 facilities aggregating 6.6 million square feet owned by ProLogis European Properties S.a.r.l., a wholly owned entity of ProLogis until January 7, 2000 when ProLogis contributed 50.1% of its common stock to ProLogis European Properties Fund for an equity interest. The remaining 49.9% of the common stock of ProLogis European Properties S.a.r.l. was contributed to ProLogis European Properties Fund by ProLogis for an additional equity interest on January 7, 2001. As of December 31, 2000, ProLogis' ownership in ProLogis European Properties Fund was 34.4% (increasing to 45.6% as of January 7, 2001). See "Item 2. Properties -- Unconsolidated Entities -- Property Operations Segment" and Note 4 to ProLogis' Consolidated Financial Statements in Item 8.
- In North America, ProLogis North American Properties Fund I LLC and ProLogis Iowa I LLC ("ProLogis Principal") were formed in 2000. These ventures own 8.0 million and 0.4 million square feet of operating facilities, respectively, that were all previously owned by ProLogis or its consolidated entities. ProLogis California I LLC ("ProLogis California"), which was formed in 1999, grew from 11.5 million square feet of operating facilities as of December 31, 1999 to 12.4 million square feet of operating facilities as of December 31, 2000. The increase in 2000 is the net result of the acquisition of an additional operating facility from ProLogis, the completion of two developments and the disposition of three operating facilities.
- ProLogis acquired five operating facilities in 2000, four facilities aggregating 138,000 square feet located in Dallas and a 125,000 square foot facility located in Juarez, Mexico for a total investment of \$8.7

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million. The four facilities in Dallas were acquired to complete a tax-deferred exchange transaction.

### Operations

The property operations segment generated approximately 81% of ProLogis' total income in 2000 (including amounts recognized under the equity method with respect to ProLogis' unconsolidated entities). This operating segment generated approximately 85% and 94% of ProLogis' total income in 1999 and 1998, respectively, (including amounts recognized under the equity method with respect to ProLogis' unconsolidated entities). See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Results of Operations -- Property Operations" and Notes 4 and 10 to ProLogis' Consolidated Financial Statements in Item 8.

Operational achievements in this operating segment in 2000 included:

- ProLogis' stabilized operating facilities aggregating 155.0 million square feet (including facilities owned by ProLogis and its consolidated and unconsolidated entities) was 96.2% leased (95.4% occupied) as of December 31, 2000. Also, as of December 31, 2000, ProLogis' total operating portfolio of 161.5 million square feet (including facilities owned by ProLogis and its consolidated and unconsolidated entities) was 94.1% leased (92.9% occupied). Stabilized facilities are those in which capital improvements, repositioning, new management and new marketing programs (or development and marketing, in the case of newly developed facilities) have been in effect for a sufficient period of time (generally 12 months) to achieve stabilized occupancy (typically 93%, but ranging from 90% to 95%, depending on the submarket and product type).
- During 2000, ProLogis and its consolidated and unconsolidated entities leased 36.3 million square feet of distribution space in 1,137 transactions. Rental rates on both new and renewed leases of previously leased space increased 15.5% in 2000 and ProLogis' weighted average customer retention rate was 65.7% in 2000.

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- ProLogis' "same store" portfolio of operating facilities (facilities owned by ProLogis and its consolidated and unconsolidated entities that were in operation throughout both 2000 and 1999) aggregated 105.6 million square feet. The net operating income (rental revenues less net rental expenses) of the "same store" portfolio increased by 5.94% in 2000 over 1999.

### Market Presence

As of December 31, 2000, the operating facilities in the property operations segment that are owned by ProLogis (directly or through its consolidated entities) are located in 42 cities in 24 states and the District of Columbia in the United States, 4 cities in Mexico and 6 cities in 4 countries in Europe. No individual market represents more than 10% of ProLogis' total real estate assets. ProLogis' largest markets (based on cost) are Dallas/Fort Worth (9.2%), Chicago (7.3%), Atlanta (6.5%), San Francisco (South Bay) (5.4%), San Francisco (East Bay) (5.2%) and Houston (5.1%).

The 77 operating facilities owned by ProLogis California as of December 31, 2000 are all located in the Los Angeles/Orange County market. The 33 operating facilities owned by ProLogis North American Properties Fund I as of December 31, 2000 are located in 17 cities in 12 states. The three operating facilities owned by ProLogis Principal as of December 31, 2000 are all located in the Dallas/Ft.



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Worth market. The 104 operating facilities owned by ProLogis European Properties Fund (including facilities owned by ProLogis European Properties S.a.r.l.) as of December 31, 2000 are located in 15 cities in 6 countries in Europe (including 55 buildings in Paris, France). See "Item 2. Properties -- Facilities" and "Item 2. Properties -- Unconsolidated Entities -- Property Operations".

ProLogis has sought to achieve significant market presence through the development and acquisition of distribution facilities and master-planned distribution parks in its target market cities and selected submarkets of those cities. The target market cities and submarkets are selected when ProLogis' market research indicates that the long-term demand for distribution and light manufacturing space is stable to strong. ProLogis defines market presence not only in terms of square feet of facilities and acres of development land owned, but also by the extent ProLogis has developed relationships with customers in such markets. ProLogis' operating strategy is designed to meet the needs of today's distribution space users, which means providing functional, cost-effective facilities with a comprehensive level of service. ProLogis believes that by being a significant local owner and developer in a given market, it can generate high relative rental rates and occupancy levels, primarily because it has the ability to reduce turnover by meeting its customers' needs to either expand or contract. With its network of distribution facilities and land positions, ProLogis is able to either relocate customers within its existing inventory of distribution space or develop new facilities to meet the customer's needs.

A strong market presence provides ProLogis with increased access to potential leasing and CDFS business segment transactions. ProLogis' experience has been that many members of the industrial brokerage community and many corporate users are motivated to develop relationships with the significant owners and developers in a particular market to facilitate their respective distribution needs. Having the opportunity to compete for a large percentage of the distribution space requirements in each target market is a crucial factor in achieving ProLogis' operating objectives.

### Competition

In general, there are numerous other industrial distribution facilities located in close proximity to ProLogis' facilities. The amount of rentable distribution space available in any market could have a material effect on ProLogis' ability to rent space and on the rents that ProLogis can charge. In addition, in many of ProLogis' submarkets, institutional investors and owners and developers of industrial distribution facilities (including other REITs) compete for the acquisition, development and leasing of distribution space. Many of these entities have substantial resources and experience. Competition for acquisition of existing distribution facilities and land, both from institutional capital sources and from other REITs, has increased over the past several years.

### Property Management

ProLogis provides active and effective property management to directly serve its customers at the local level; a strategy that ProLogis believes will enhance the long-term economic performance of its operating facilities and increase cash flow. ProLogis' property management group seeks to provide exceptional customer service and attention to customer needs by developing and implementing proprietary operating, recruiting and training systems to achieve consistent levels of performance and professionalism throughout the ProLogis network. Of the operating facilities owned by ProLogis (directly or by its consolidated and unconsolidated entities) as of December 31, 2000, ProLogis'

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property management group was managing 97.5% of the North American operating facilities and 100.0% of the European operating facilities.

### Customers

One of ProLogis' objectives is to develop a customer base in each market that is diverse in terms of industry concentration and represents a broad spectrum of international, national, regional and local distribution space users. As of December 31, 2000, ProLogis (including its consolidated and unconsolidated entities) had over 3,500 customers in 150.1 million square feet of occupied distribution space. ProLogis believes that having a large number of customers with generic space requirements in each submarket reduces its exposure to overall occupancy declines. ProLogis' largest customer (based on rental income) accounted for 1.5% of ProLogis' 2000 rental income (on an annualized basis) for the year ended December 31, 2000. The annualized base rent for ProLogis' 25 largest customers (based on rental income) accounted for 13.2% of ProLogis' 2000 rental income (on an annualized basis) for the year ended December 31, 2000.

### Employees

ProLogis and its consolidated entities directly employ approximately 640 persons in North America and Europe. Of the total, approximately 350 employees are assigned directly to the property operations segment. ProLogis' other employees may provide assistance in this operating segment. ProLogis believes its relationship with its employees to be good. ProLogis' employees are not represented by a collective bargaining agreement.

### Seasonal Nature of the Business

The demand for industrial distribution space is not seasonal.

### Future Plans

ProLogis believes that its current level of investment in the property operations segment in North America enables it to serve its customers at a high level and increase returns to shareholders. ProLogis' business plan for the property operations segment in North America calls for the expansion of its network of operating facilities to: (i) address the specific expansion needs of its customers; (ii) enhance its market presence in specific submarkets; or (iii) take advantage of opportunities where ProLogis believes it has the ability to achieve favorable returns, including the formation of ventures such as ProLogis North American Properties Fund I that will acquire facilities developed within the CDFS business segment.

ProLogis' market research and customer feedback continue to reflect strong demand for distribution space in Europe as cross-border trade continues to increase and many companies continue to move toward consolidation and reconfiguration of their distribution networks. Consolidation and the emergence of dominant regional distribution centers have provided, and ProLogis believes will continue to provide, opportunities for ProLogis as a single-source pan-European provider of distribution facilities. Consequently, ProLogis' business plan for the property operations segment in Europe emphasizes growth in key distribution markets, primarily from the development of facilities within ProLogis' CDFS business segment that will be acquired by ProLogis European Properties Fund and then managed by ProLogis.

ProLogis intends to self-fund its future investment activities in the property operations segment in 2001 with operating cash flow and the proceeds from dispositions of facilities to third parties and real estate entities in which ProLogis maintains an ownership interest. See the discussion of factors that could affect the future plans

of ProLogis and its consolidated and unconsolidated entities in the property operations segment at "Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition -- Risk Factors".

#### CDFS Business Segment

##### Investments

ProLogis operates its CDFS business segment in North America directly and through ProLogis Development Services Incorporated ("ProLogis Development Services"), a consolidated entity in which ProLogis realizes substantially all of the economic benefits. See "Item 2. Properties -- Consolidated Entities -- ProLogis Development Services". In Europe (excluding the United Kingdom), ProLogis directly operates the CDFS business segment. In the United Kingdom, the CDFS business segment is operated by Kingspark S.A. and its wholly owned subsidiary, Kingspark Group Holdings Limited ("ProLogis Kingspark") (collectively "the Kingspark entities"). Kingspark S.A. is an unconsolidated entity in which ProLogis recognizes substantially all of the economic benefits under the equity method through its ownership of 100% of Kingspark S.A.'s preferred stock. On January 2, 2001, ProLogis acquired an ownership interest in the common stock of Kingspark S.A. This transaction resulted in ProLogis having control of Kingspark S.A. Accordingly, the accounts of the Kingspark entities will be consolidated in ProLogis' financial statements along with ProLogis' other majority-owned and controlled subsidiaries and partnerships as of that date. See "Item 2. Properties -- Unconsolidated Entities -- CDFS Business" and Note 4 to ProLogis' Consolidated Financial Statements in Item 8.

Within this operating segment, ProLogis, ProLogis Development Services and the Kingspark entities develop distribution facilities with the intent to dispose of the facilities to customers, third parties or entities in which ProLogis maintains an ownership interest. Also within this operating segment, ProLogis, ProLogis Development Services and the Kingspark entities develop facilities for customers or third parties for a development fee. Proceeds from the disposition of these facilities are redeployed into land acquisitions and other development opportunities. ProLogis addresses specific needs of customers with respect to a specialized facility or the need to have a facility in a market that ProLogis does not consider to have favorable dynamics by developing the facility on a fee development basis or through a pre-sale agreement within this operating segment.

As of December 31, 2000, all of ProLogis' development activities were part of the CDFS business segment. As of December 31, 2000, ProLogis, ProLogis Development Services and the Kingspark entities had 10.2 million square feet of facilities under development with a total budgeted development cost of \$491.4 million. Of the total, 8.7 million square feet with a total budgeted development cost of \$355.2 million are owned directly by ProLogis and ProLogis Development Services. Facilities under development in North America aggregated 6.3 million square feet at a total budgeted cost of \$257.5 million and facilities under development in Europe aggregated 3.9 million square feet at a total budgeted cost of \$233.9 million. These facilities are being developed with the objective of disposing of the facility to a third party or to an entity in which ProLogis has an ownership interest. To the extent the facilities are acquired by entities in which ProLogis has an ownership interest, ProLogis' continuing interest in the operations of these facilities will be included in its property operations segment (see "-- Property Operations Segment"). ProLogis Development Services and the Kingspark entities also earn fees under development management agreements. During 2000, 2.7 million square feet were developed under such agreements generating development fees of \$11.5 million.

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ProLogis, ProLogis Development Services and the Kingspark entities have land positions (land owned or controlled through option, letter of intent, development rights agreement or contingent contract) aggregating 5,126 acres with the capacity for developing approximately 85.7 million square feet of distribution facilities. Of the total land positions, 3,279 acres, with the capacity for developing approximately 57.4 million square feet of distribution facilities, are owned or controlled by ProLogis and ProLogis Development Services. Land positions in North America total 2,385 acres with the capacity for developing approximately 42.3 million square feet of distribution facilities and land positions in Europe total 2,741 acres with the capacity for developing approximately 43.4 million square feet of distribution facilities.

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CDFS business segment investment activities in 2000 included:

- Development starts aggregated 13.7 million square feet at a total budgeted cost of \$651.6 million. Of the total, 12.6 million square feet at a total budgeted cost of \$509.8 million were started by ProLogis and ProLogis Development Services. Development starts in North America in 2000 aggregated 8.0 million square feet at a total budgeted cost of \$329.6 million and development starts in Europe aggregated 5.7 million square feet at a total budgeted cost of \$322.0 million.
- Development completions aggregated 15.2 million square feet at a total budgeted cost of \$736.9 million. Of the total, 13.1 million square feet at a total budgeted cost of \$512.0 million were completed by ProLogis and ProLogis Development Services. Development completions in North America in 2000 aggregated 9.8 million square feet at a total budgeted cost of \$360.2 million and development completions in Europe aggregated 5.4 million square feet at a total budgeted cost of \$376.7 million.
- Land acquisitions in 2000 aggregated 1,158 acres, 846 acres in North America and 312 acres in Europe. This land can be used for the development of approximately 24.3 million square feet of distribution facilities.

### Operations

The primary source of income in the CDFS business segment is the profits from dispositions of facilities developed and development management fees earned by ProLogis Development Services and the Kingspark entities. In 2000, the CDFS business generated \$121.9 million of ProLogis' total income as compared to 1999 and 1998 when the CDFS business generated \$70.5 million and \$20.5 million of ProLogis' total income, respectively. As a percentage of total income, this operating segment has increased in each of the last three years (to 18.9% in 2000 from 12.4% and 5.6% in 1999 and 1998, respectively). ProLogis' share of the net earnings of the Kingspark entities recognized under the equity method is included in this segment's total income (\$43.8 million in 2000, \$23.9 million in 1999 and \$2.9 million for the period from acquisition on August 14, 1998 to December 31, 1998).

The CDFS business segment generated funds from operations of \$126.8 million in 2000 (\$60.4 million in North America and \$66.4 million in Europe); \$76.5 million in 1999 (\$28.9 million in North America and \$47.6 million in Europe); and \$22.2 million in 1998 (\$17.3 million in North America and \$4.9 million in Europe). See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Results of Operations -- CDFS Business", "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Funds from Operations" and Notes 4 and 10 to ProLogis'

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Consolidated Financial Statements in Item 8.

Operational achievements in this operating segment in 2000 included:

- ProLogis, ProLogis Development Services and the Kingspark entities disposed of 11.8 million square feet of distribution facilities developed and land parcels generating net proceeds of \$672.4 million.
- ProLogis Development Services and the Kingspark entities developed 2.7 million square feet of distribution facilities on behalf of customers under development management agreements. Fees and other miscellaneous income in the CDFS business segment aggregated \$18.7 million in 2000.

### Market Presence

ProLogis' CDFS business spans substantially all of ProLogis' property operations markets. As of December 31, 2000, ProLogis had facilities under development in 16 cities in 11 states and the District of Columbia in the United States, 2 cities in Mexico and 8 cities in 4 countries in Europe. As of December 31, 2000, ProLogis' land positions were located in 30 cities in 19 states and the District of Columbia in the United States, 4 cities in Mexico and 8 cities in 7 countries in Europe.

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### Competition

There are a number of other national, regional and local developers engaged in industrial distribution facility development in the same North American markets that ProLogis conducts business. Competition for land acquisitions, from both institutional capital sources and other REITs, has increased over the past several years. The disposition market in North America is competitive and is driven by the supply of new developments, access to capital and interest rate levels.

ProLogis believes that there are no other REITs or pan-European real estate operating companies in direct competition with its operations in Europe. However, there are a number of local and regional developers in ProLogis' target markets. As in North America, the disposition market in Europe is competitive and driven by the supply of new developments, access to capital and interest rate levels. However, the formation of ProLogis European Properties Fund provides ProLogis and the Kingspark entities with a source of capital that will allow them to dispose of the facilities they develop in the CDFS business segment at independently appraised values.

ProLogis believes that it, ProLogis Development Services and the Kingspark entities have a significant competitive advantage based upon the strategic locations of the extensive land positions owned or under control. Also, as the only distribution facilities and services provider operating on a national and pan-European basis, ProLogis believes it has differentiated itself from many of its competitors.

### Customers

ProLogis leverages off its existing customer relationships, primarily within the property operations segment and utilizes the ProLogis Operating System(TM) in identifying and marketing its CDFS business. See "-- Property Operations -- Customers" and "-- ProLogis Operating System(TM)".

### Employees

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ProLogis and its consolidated entities directly employ approximately 640 persons in North America and Europe. Of the total, approximately 90 employees are assigned directly to the CDFS business segment. ProLogis' other employees may provide assistance in this operating segment. ProLogis believes its relationship with its employees to be good. ProLogis' employees are not represented by a collective bargaining agreement.

The Kingspark entities employ approximately 60 persons and these employees do not participate in a collective bargaining agreement. The Kingspark entities believe their relationship with their employees to be good.

### Seasonal Nature of the Business

The demand for the industrial distribution facilities that are developed by ProLogis' CDFS business is not impacted on a seasonal basis. However, the development process can be impeded by weather, particularly during the winter months in certain markets, which can potentially delay construction completions.

### Future Plans

ProLogis' objective is to utilize the capital generated in the CDFS business to self-fund future CDFS business activities in North America and Europe. In addition, proceeds from the disposition of operating facilities in the property operations segment to third parties can also be re-invested in new development facilities within the CDFS business segment. ProLogis believes that the reconfiguration of supply chains, necessitated by the need for customers to add efficiencies within their distribution networks, in both North America and Europe could favorably impact demand for the distribution facilities and distribution-related services provided by ProLogis within its CDFS business segment. Additionally, a limited supply of new state-of-the-art distribution space in Europe could also provide opportunities within this operating segment. See the discussion of factors that could affect the future plans of ProLogis, ProLogis Development Services and the Kingspark entities in the CDFS business segment at "Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition -- Risk Factors".

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### Temperature-Controlled Distribution Operations

#### Investments

ProLogis recognizes substantially all of the economic benefits of ProLogis Logistics Services Incorporated ("ProLogis Logistics") through its ownership of 100% of ProLogis Logistics' preferred stock. ProLogis Logistics owns 100% of CS Integrated LLC ("CSI"), a temperature-controlled distribution company operating in the United States. As of December 31, 2000, CSI owned or operated under lease agreements 59 temperature-controlled distribution facilities aggregating 175.9 million cubic feet (including 35.5 million cubic feet of dry distribution space located in temperature-controlled distribution facilities) and had 6.3 million cubic feet under development in Anaheim (4.0 million cubic feet) and Houston (2.3 million cubic feet). Additionally, ProLogis recognizes substantially all of the economic benefits of Frigoscandia S.A. through its ownership of 100% of Frigoscandia S.A.'s preferred stock. Frigoscandia S.A. owns, through its wholly owned subsidiaries, 100% of Frigoscandia AB ("Frigoscandia"), a temperature-controlled distribution company operating in Europe. As of December 31, 2000, Frigoscandia owned or operated under lease agreements 89 temperature-controlled distribution facilities aggregating 187.7 million cubic feet in 10 European countries. ProLogis accounts for its investments in ProLogis Logistics/CSI and Frigoscandia S.A./Frigoscandia under the equity method. See "Item 2. Properties -- Unconsolidated Entities -- Temperature-Controlled

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Distribution Operations" and Note 4 to ProLogis' Consolidated Financial Statements in Item 8.

In order to provide value-added supply chain management services to its customers, CSI and Frigoscandia leverage their existing temperature-controlled distribution facilities network with information technology investments that increase the velocity and visibility of inventory and information throughout the entire supply chain. CSI added 8.3 million cubic feet of operating capacity in 2000, including a 4.8 million cubic feet facility that was developed by CSI in Atlanta. Frigoscandia's operating capacity has remained virtually constant over the past three years (187.7 million as of December 31, 2000, 192.3 million as of December 31, 1999 and 192.0 million as of December 31, 1998). This trend reflects Frigoscandia's emphasis on serving its key customers through improvements and upgrades to technology systems and its existing facilities rather than increasing its operating capacity.

During 1999 and 2000, both CSI and Frigoscandia enhanced and improved their logistics information technology systems. These systems are being coordinated on a global basis which enables CSI and Frigoscandia to maximize synergies within and between the North American operations and European operations, while still maintaining operational independence. CSI's non-asset based retail dedicated business segment, where CSI provides all warehouse logistics services to supermarket retailers in distribution facilities not owned by CSI, has enabled CSI to increase its revenues without significantly increasing its invested capital. Retail-dedicated revenues are earned through fees charged to the retailer based on volume with no fixed costs attributable to the retail-dedicated operations.

### Operations

ProLogis recognizes its share of the net earnings of ProLogis Logistics/CSI and Frigoscandia S.A./ Frigoscandia under the equity method as a component of its total income. ProLogis' share of the net earnings of ProLogis Logistics/CSI was \$12.0 million in 2000, \$10.8 million in 1999 and \$7.3 million in 1998. In each year, 1998 to 2000, Frigoscandia S.A./Frigoscandia generated net losses with ProLogis' share aggregating \$20.3 million in 2000, \$4.4 million in 1999 and \$7.5 million in 1998.

ProLogis' share of the combined funds from operations of ProLogis Logistics/CSI and Frigoscandia S.A./ Frigoscandia was \$27.0 million in 2000 as compared to \$46.1 million in 1999 and \$45.7 million in 1998. See "Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition -- Results of Operations -- Temperature-Controlled Distribution Operations", "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Funds From Operations" and Notes 4 and 10 to ProLogis' Consolidated Financial Statements in Item 8.

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### Market Presence

Market presence in the temperature-controlled distribution industry is generally defined by the volume available for storage of frozen and chilled foods in addition to the transportation network in place to serve customers. ProLogis believes that CSI and Frigoscandia are well positioned to provide supply-chain management services to major food manufacturers and retailers across multiple markets. With 59 facilities aggregating 175.9 million cubic feet in operation (including 35.5 million cubic feet of dry distribution space operated in temperature-controlled distribution facilities), CSI has the third largest network in the United States (based on cubic feet in operation). CSI's largest markets (based on cubic feet in operation) are Phoenix (16.9%), Southern

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California (16.2%), Southeastern Pennsylvania (14.5%) and Atlanta (12.2%). Frigoscandia is the largest temperature-controlled distribution company in Europe with 89 facilities aggregating 187.7 million cubic feet in operation in 10 countries. Frigoscandia's largest markets (based on cubic feet in operation) are France (34.1%), the United Kingdom (24.5%) and Germany (13.7%).

### Competition

ProLogis believes that the temperature-controlled distribution industry has significant barriers to entry due to its capital-intensive nature, which limits competition. In the United States, CSI competes directly with several national temperature-controlled distribution companies. However, CSI's primary competition in many markets is from local, and considerably smaller, warehouse operators. In Europe, Frigoscandia has a distinct advantage over its competitors as few other European temperature-controlled distribution companies have operations in more than one country (as compared to the 10 countries in which Frigoscandia operates). Additionally, Frigoscandia is the largest operator of temperature-controlled distribution facilities in Europe (based on cubic feet in operation), with a temperature-controlled storage volume of approximately three times that of its closest competitor. Like CSI, Frigoscandia's primary competition in many markets is from local, and considerably smaller, warehouse operators.

### Customers

CSI has approximately 950 customers including some of the nation's leading supermarket retailers in the United States. Of CSI's total revenues, approximately 69% were derived from its 25 largest customers and CSI's largest customer accounted for approximately 36% of its total revenues. Excluding the fees generated by CSI's retail-dedicated operations where CSI provides warehouse logistics services in the distribution facilities that are owned by the customer, the 25 largest customers accounted for approximately 48% of total revenues with the largest customer accounting for approximately 6% of total revenues. See "-- Investments".

Frigoscandia has approximately 7,000 customers. Of Frigoscandia's total revenues, approximately 49% were derived from its 25 largest customers and Frigoscandia's largest customer accounted for approximately 8% of its total revenues.

### Employees

CSI and Frigoscandia directly employ all employees in the temperature-controlled distribution operations segment. CSI employs approximately 3,835 persons in the United States, of whom approximately 58% participate in collective bargaining agreements. Frigoscandia employs approximately 2,665 persons in 10 European countries, of whom approximately 80% participate in collective bargaining agreements. Both CSI and Frigoscandia believe their relationships with their employees to be good.

### Seasonal Nature of the Business

Temperature-controlled distribution operations are seasonal, in that demand for temperature-controlled distribution facilities is stronger during the third quarter of the calendar year and is at its lowest level in the first quarter of the calendar year. The seasonal nature of temperature-controlled distribution operations coincides with the lower demand for frozen foods, such as ice cream, during the winter months and the timing of the harvests of various food crops in the third quarter of the year, which increases the demand for temperature-controlled storage capacity during that time.



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### Future Plans

There will be a continued strong emphasis in 2001 on the global marketing of the varied service offerings that CSI and Frigoscandia can provide to customers who can benefit from a single-source global temperature-controlled logistics provider. CSI and Frigoscandia will continue to leverage off their investments in information technology in 1999 and 2000 to increase their service offerings to customers, including integrated supply chain management and transportation services. Additionally, both companies will focus on operational issues to increase operating efficiencies in 2001. In particular, Frigoscandia is addressing occupancy issues and other operational issues including transportation services. See "Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition -- Results of Operations -- Temperature-Controlled Distribution Operations" for a discussion of operating performance of this business segment and see the discussion of factors that could affect the future plans of ProLogis, CSI and Frigoscandia at "Item 7. Management's Discussion and Analysis of Results of Operations and Financial Condition -- Risk Factors".

ProLogis views its investments in CSI and Frigoscandia as a temperature-controlled distribution network delivering worldwide temperature-controlled logistics solutions to its United States and European customers. Expansion into new markets or within existing markets in the United States will be considered only to the extent that such expansion is necessary to enable CSI to expand its services to the major food manufacturers and retailers that operate across multiple markets. Expansion within the European operations will be considered on a limited basis to address specific customer needs. The funds for such expansions are expected to come principally from internally generated capital from this operating segment's operations.

### FINANCING STRATEGY

In order to build its network of distribution facilities, ProLogis accessed the public debt and public equity markets through the second quarter of 1999. Since that time, ProLogis has funded its capital requirements primarily with internally generated funds from its operations and from the disposition of facilities to third parties and to entities in which ProLogis maintains an ownership interest. Additionally, ProLogis has utilized, and will continue to utilize, the borrowing capacity available through its unsecured lines of credit to finance investment opportunities pending completion of asset dispositions and, as needed, longer-term debt or equity financing arrangements.

ProLogis' financing activities in 2000 included:

- ProLogis, ProLogis Development Services and the Kingspark entities generated \$806.0 million of proceeds from the disposition of facilities and land parcels in 2000. These dispositions were primarily within the CDFS business segment (\$672.3 million of proceeds) but also included dispositions within the property operations segment (\$133.7 million of proceeds). Of the total proceeds of \$806.0 million, \$55.7 million was received in the form of equity interests in the entities acquiring the facilities.
- ProLogis restructured its U.S. dollar denominated revolving credit facilities during 2000. ProLogis' previous \$550.0 million unsecured line of credit was reduced to \$475.0 million, with the ability to increase the borrowing capacity to \$500.0 million. Additionally, provisions were included in the new agreement that allows for direct borrowings by ProLogis Development Services and ProLogis Logistics. Also, ProLogis increased its borrowing capacity under its U.S. dollar denominated discretionary line of credit from \$25.0 million to \$55.0 million (with

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the additional \$30.0 million of borrowings available only in foreign currency equivalents).

- The formation of ProLogis North American Properties Fund I provided ProLogis the opportunity to access over \$300.0 million of third party debt and equity capital, including 10-year secured, non-recourse debt financing of \$232.6 million within the venture.
- From September 1999 to December 31, 2000, ProLogis has accessed 325.6 million euros (the currency equivalent of approximately \$302.9 million as of December 31, 2000 based on currency exchange rates quoted by Reuters) of third party equity capital provided by a group of institutional investors to ProLogis European Properties Fund through 2002. As of December 31, 2000, an additional 734.7 million euros (the currency equivalent of approximately \$683.4 million as of December 31, 2000 based on currency

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exchange rates quoted by Reuters) has been committed to ProLogis European Properties Fund by this investor group through 2002. This capital is to be used to fund acquisitions of operating facilities in Europe from ProLogis, the Kingspark entities or third parties.

ProLogis' revolving credit facilities (the U.S. dollar denominated unsecured borrowing arrangements aggregating \$530.0 million of capacity and ProLogis' multi-currency borrowing arrangement that allows for the currency equivalent of 325.0 million euros of borrowings) provide ProLogis with significant financial flexibility. As of December 31, 2000, ProLogis' outstanding combined revolving credit facility borrowings of \$439.8 million were at an average interest rate of 6.79% and ProLogis' total debt as a percentage of total undepreciated book capitalization (excluding accumulated comprehensive income adjustments) was 43.5%.

### PROLOGIS OPERATING SYSTEM(TM)

The cornerstone of ProLogis' business strategy is the ProLogis Operating System(TM), comprised of the Market Services Group, the Global Services Group, the Global Development Group and the Integrated Solutions Group. The ProLogis Operating System(TM) is a customer service delivery system that has been designed to provide substantial benefits to existing and prospective ProLogis customers. The customer focus of the ProLogis Operating System(TM) provides for a high-quality service level and a single point of contact for distribution solutions on a global basis and positions ProLogis to build customer relationships that will generate additional business opportunities.

#### Market Services Group

The Market Services Group is comprised of approximately 350 property management and leasing employees including 20 market officers. ProLogis' market officers have extensive experience in marketing industrial distribution space and are responsible for understanding the needs of existing and prospective customers in their respective markets. To meet such needs, market officers utilize their extensive knowledge of local market conditions, including the cost and availability of alternative space, and are supported by their team of property management and leasing professionals. A key role of the market officers is assisting the Global Services Group in identifying ProLogis' customers with multiple market requirements. ProLogis believes that the market officers' access to national and pan-European ProLogis resources improves their ability to serve customers in the local market.

Market officers do not develop projects or borrow or commit capital. Their

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focus is strictly on managing the facilities in their markets, creating and maintaining relationships with distribution space users and industrial brokers, marketing ProLogis products and identifying potential acquisition, development and leasing opportunities in their target markets.

### Global Services Group

The Global Services Group, comprised of 18 employees, is dedicated to providing service to the largest users of distribution space that ProLogis has identified as targeted customers, with the primary focus on making ProLogis the preferred provider of distribution space to these companies. The Global Services Group is headquartered in Denver and Amsterdam and has regional offices in Atlanta, Chicago and the New York City metropolitan area. ProLogis' multi-market presence permits it to accommodate the reconfiguration needs of its customers by relocating an existing customer within a market or between markets in North America or in Europe. ProLogis' development program, land inventory and existing facilities allow the Global Services Group to assist existing and prospective customers whose growing business needs require them to expand their distribution facilities. The expansion can result in relocating the customer to larger ProLogis spaces or in developing a facility specifically for the customer.

Global Services Group professionals build long-term relationships with ProLogis' customers and provide a single point of contact for multi-location global users of distribution facilities to simplify and streamline the execution of such customers' distribution space plans. ProLogis' experience to date suggests that many major corporate customers are limiting the number of services providers that they work with to meet their distribution

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facility requirements. An ancillary benefit of this extensive contact with customers is the ability to be on the forefront of international and national distribution and logistics trends.

### Global Development Group

The Global Development Group, comprised of approximately 90 employees, focuses substantial research and development efforts on creating industry-leading distribution facilities and master-planned distribution parks. Members of the Global Development Group have extensive experience in the development and construction of generic facilities that will appeal to a wide variety of customers and the development of facilities that will meet a specific customers needs. ProLogis incorporates the latest technology with respect to building design and building systems and has developed consistent standards and procedures that it strictly adheres to in the development of all facilities.

The Global Development Group is comprised principally of architects, engineers and construction professionals who oversee every aspect of the land planning and building design processes. These professionals also monitor the construction process and oversee the performance of third-party general contractors. The Global Development Group's development specialists and project managers operate regionally to better serve their markets. The project managers supervise each project with oversight from ProLogis' management, pursuant to uniform standards, procedures and specifications that have been carefully designed to achieve consistent quality.

ProLogis believes the depth and breadth of experience within the Global Development Group enhances the effectiveness of the Global Services Group and provides the market officers in the Market Services Group with a distinct competitive advantage for development opportunities in their respective markets.

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### Integrated Solutions Group

The Integrated Solutions Group, currently comprised of three employees, coordinates a menu of value-added distribution-related services to customers, including network optimization tools, strategic site selection, business location services (including tax incentive analysis and tax negotiation consulting) and design consulting services. The Integrated Solutions Group was formed in August 1999 to allow ProLogis to address all areas of its customers' distribution needs. ProLogis believes that by offering these additional services, ProLogis will be able to deepen its customer relationships and increase cash flows with relatively small additional capital requirements.

### PROLOGIS MANAGEMENT

ProLogis' success depends upon its management's ability to provide strategic and day-to-day management, research, investment analysis, acquisition and due diligence, development, marketing, asset management, capital markets, asset disposition, management information systems support and legal and accounting services. ProLogis believes that the quality of its management should be assessed in light of the following factors:

- Management Depth -- ProLogis has several senior executives with the leadership, operational, investment and financial skills and experience to oversee the entire operation of the company. See " -- Executive Officers and Trustees" and " -- Senior Officers".
- Strategic Vision -- ProLogis' management has demonstrated a strategic vision in determining an operating and investment focus that has provided favorable initial yields and long-term growth prospects. ProLogis' business strategy has focused on acquiring (at prices below replacement cost) and developing an international distribution facility network and a land inventory at attractive prices in selected distribution markets. Through the ProLogis Operating System(TM), ProLogis believes it is the first international operating company that has been able to address and service a corporate customer's distribution space requirements on an international, national, regional and local basis. Additionally, since mid-1999, ProLogis has focused on self-funding its investment activities utilizing cash generated by operations and the proceeds from the disposition of facilities, primarily to entities in which ProLogis maintains an ownership interest.
- Research Capability -- ProLogis divides its target market cities into numerous submarkets for analysis purposes. ProLogis' management has emphasized a submarket by submarket research-based approach in determining appropriate investment opportunities.

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- Investment Committee Process -- An internal investment committee provides ProLogis with discipline and guidance to allow ProLogis to achieve its investment goals. The members of ProLogis' investment committee have extensive experience in the real estate industry. The internal investment committee evaluates all prospective investments pursuant to uniform underwriting criteria prior to submission of investment recommendations to the investment committee of ProLogis' Board of Trustees (the "Board").
- Acquisitions Capability/Due Diligence Process/Asset Dispositions -- ProLogis has experienced senior personnel who perform disciplined and thorough due diligence in determining whether potential investments and divestitures meet ProLogis' long-term objectives. ProLogis has developed extensive uniform systems and procedures for analysis and due diligence to ensure that it maximizes its investment and

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divestiture opportunities.

- Development Capability -- By internally developing projects, ProLogis has captured additional value that normally escapes through sales premiums paid to third party developers. ProLogis' development employees have significant development experience. ProLogis has engaged in substantial development of distribution facilities since its inception in 1991 (64.0 million square feet at a total investment of \$2.4 billion developed).
- Operating Capability -- ProLogis believes that management can substantially improve operating performance and achieve long-term sustainable growth in cash flow by actively and effectively managing assets. ProLogis conceived of and developed the ProLogis Operating System(TM) to effectively operate ProLogis' business and provide customers with an exceptional level of coordinated, comprehensive services, including property management, leasing and development management services. ProLogis also provides comprehensive asset management services to entities in which ProLogis has an ownership interest.
- Capital Markets Capability -- ProLogis has been able to effectively raise public debt and public equity capital that has allowed it to achieve strong growth in cash flows from its investments. ProLogis enhances its ability to raise capital by its ability to effectively communicate ProLogis' business strategy and performance to investors and the financial media.

Previously, certain of ProLogis' administrative functions were supplemented by or provided by Security Capital Group Incorporated ("Security Capital"), ProLogis' largest shareholder, pursuant to an administrative services agreement. These functions included payroll and human resources, cash management, accounts payable, specified information systems support, research and insurance services. ProLogis began transferring these functions from Security Capital to ProLogis personnel during 2000. As of December 31, 2000, all functions except the cash management and certain information systems support functions had been assumed by ProLogis. These remaining functions are expected to be assumed by ProLogis personnel during the first quarter of 2001.

### Executive Officers and Trustees

K. Dane Brooksher -- 62 -- Mr. Brooksher has served as a Trustee since October 1993. Mr. Brooksher has been Chairman and Chief Executive Officer of ProLogis since March 1999 and he was Co-Chairman and Chief Operating Officer of ProLogis from November 1993 to March 1999 (through September 1997 he was employed by ProLogis' former management company). Prior thereto, Mr. Brooksher was Area Managing Partner and Chicago Office Managing Partner of KPMG Peat Marwick (now KPMG LLP), independent public accountants, where he served on the Board of Directors and Management Committee and as International Development Partner for Belgium and the Netherlands. Mr. Brooksher is a Director of Vizional Technologies, Inc. (an entity in which ProLogis has invested) and Butler Manufacturing Company and he serves as an Advisory Board Member of the J.L. Kellogg Graduate School of Management of Northwestern University. Mr. Brooksher's term as Trustee expires in 2002.

Irving F. Lyons, III -- 51 -- Mr. Lyons has served as a Trustee since March 1996. Mr. Lyons has been President of ProLogis since March 1999 and Chief Investment Officer of ProLogis since March 1997. Mr. Lyons was Co-Chairman of ProLogis from March 1997 to March 1999 and from December 1993 to March 1997, he was a Managing Director with ProLogis (through September 1997 he was employed by ProLogis' former management company). Prior thereto, Mr. Lyons was the Managing Partner of King & Lyons, a San Francisco Bay Area

industrial real estate development and management company, since its inception in 1979. Mr. Lyons' term as Trustee expires in 2003.

C. Ronald Blankenship -- 51 -- Mr. Blankenship has served as a Trustee since June 2000. Mr. Blankenship has been Director, Vice Chairman and Chief Operating Officer of Security Capital since May 1998. Mr. Blankenship was Managing Director of Security Capital from 1991 until 1998 and he was Chairman of Archstone Communities Trust, (a REIT focused on apartment communities and a former affiliate of Security Capital) until June 1997. Mr. Blankenship was a Trustee of Archstone Communities Trust from March 2000 until February 2001. Since May 1999, Mr. Blankenship has also been Interim Chairman, Chief Executive Officer and Director of Homestead Village Incorporated (an affiliate of Security Capital). He is a Trustee of City Center Retail Trust and Urban Growth Property Trust (both affiliates of Security Capital). Mr. Blankenship is a Director of BelmontCorp, Carr America Realty Corporation, InterPark Holdings Inc., Macquarie Capital Partners LLC, Regency Centers Corporation and Storage USA, Inc. (all affiliates of Security Capital). Mr. Blankenship's term as Trustee expires in 2001.

Stephen L. Feinberg -- 56 -- Mr. Feinberg has served as a Trustee since January 1993. Mr. Feinberg has been Chairman of the Board and Chief Executive Officer of Dorsar Investment Co., Inc., a diversified holding company with interests in real estate and venture capital since 1970. Mr. Feinberg is also a Director of Security Capital Preferred Growth Incorporated (an affiliate of Security Capital), Continental Transmission Corporation, The Harvill Press Limited, MetaMetrics, Inc., St. John's College, The Santa Fe Institute, and The Feinberg Foundation, Inc. He was formerly Chairman of the Board of St. John's College, and a former Director of Farrar, Strauss and Giroux, Inc. (a private publishing company), Molecular Informatics, Inc., Border Steel Mills, Inc., Springer Building Materials Corporation, Circle K Corporation, EnerServ Products, Inc. and Texas Commerce Bank-First State. Mr. Feinberg's term as Trustee expires in 2001.

Donald P. Jacobs -- 73 -- Mr. Jacobs has served as a Trustee since February 1996. Mr. Jacobs has been a faculty member of the J.L. Kellogg Graduate School of Management of Northwestern University since 1957, and Dean since 1975. Mr. Jacobs is a Director of Hartmarx Corporation, Terex Corporation, CDW Computer Centers and GP Strategies. Mr. Jacobs was formerly a Director of Commonwealth Edison and its parent company, Unicom and he was formerly Chairman of the Public Review Board of Andersen Worldwide. Mr. Jacobs was Chairman of the Advisory Committee of the Oversight Board of the Resolution Trust Corporation for the third region from 1990 to 1992, Chairman of the Board of AMTRAK from 1975 to 1979, Co-Staff Director of the Presidential Commission on Financial Structure and Regulation from 1970 to 1971 and Senior Economist for the Banking and Currency Committee of the U.S. House of Representatives from 1963 to 1964. Mr. Jacobs' term as Trustee expires in 2001.

William G. Myers -- 73 -- Mr. Myers has served as a Trustee since January 1995. Mr. Myers is Chief Executive Officer of Ojai Ranch and Investment Company, Inc., Santa Barbara, California, an agri-business and investment company that Mr. Myers founded in 1963. Mr. Myers was formerly a Trustee of Archstone Communities Trust (a former affiliate of Security Capital) and a former Director of S.E.E. International, Itedek, Inc. and Bank of A. Levy. Mr. Myers serves as a Director of the Library of Congress, James Madison Council, California Historical Society Foundation and St. Joseph's Health & Retirement Foundation. He is also a Director of the Santa Barbara Botanic Gardens, Chalone Wine Group and The Nature Conservancy and he is Trustee of H.C. and R.C. Merritt Trusts. Mr. Myers' term as Trustee expires in 2003.

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John E. Robson -- 70 -- Mr. Robson has served as a Trustee since April 1994. Mr. Robson has been Senior Advisor of Robertson Stephens and Company, a San Francisco based investment banking firm, since 1994. Mr. Robson was Deputy Secretary of the United States Treasury from 1989 to 1992, Dean and Professor of Management, Emory University School of Business Administration from 1986 to 1989, President and Chief Executive Officer and Executive Vice President and Chief Operating Officer of G.D. Searle & Co., a pharmaceutical and consumer products firm over the period 1978-1983. Mr. Robson is currently a Director of Pharmacia Corporation, Northrop Grumman Corporation, COR Solutions, Inc., SCRAM Technologies, Inc. He is also on the Business Advisory Board of Gilead Sciences, Inc. Mr. Robson's term as Trustee expires in 2003.

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Kenneth N. Stensby -- 61 -- Mr. Stensby has served as a Trustee since March 1999. Mr. Stensby was a Director of Meridian from 1996 to March 1999. Mr. Stensby was President and Chief Executive Officer of United Properties, a Minneapolis-based diversified real estate company, from 1974 until his retirement in January 1995. Mr. Stensby is past President of the National Association of Industrial and Office Parks and was a Director of First Asset Realty Advisors, a pension advisory subsidiary of First Bank of Minneapolis and Corner House. Mr. Stensby's term as Trustee expires in 2002.

J. Andre Teixeira -- 48 -- Mr. Teixeira has served as a Trustee since February 1999. Mr. Teixeira is the President of Coca-Cola for the Russia/Ukraine region and General Manager of Coca-Cola Russia, Ukraine and Belarus. Mr. Teixeira also serves as Head of Representation for the Coca-Cola Export Corporation, Moscow. From 1995 to 1998, Mr. Teixeira was Director of the Development Center, Europe, Coca-Cola Greater Europe; Director, Brussels Operations, Coca-Cola Greater Europe and Managing Director, Coca-Cola Services S.A. Mr. Teixeira was the Africa Group Account Executive, Development, for Coca-Cola from 1994 to 1995 and Director, Research & Development, Coca-Cola Greater Europe from 1990 to 1995. Mr. Teixeira's term as Trustee expires in 2001.

Thomas G. Wattles -- 49 -- Mr. Wattles has served as a Trustee since January 1993. Mr. Wattles was a Director of ProLogis' predecessor since its formation in June 1991 until January 1993. Mr. Wattles was Non-Executive Chairman of ProLogis from March 1997 to May 1998 and Co-Chairman and Chief Investment Officer of ProLogis from November 1993 to March 1997 (through September 1997 he was employed by ProLogis' former management company). Mr. Wattles is a Managing Director of Security Capital and has been with Security Capital in various capacities since March 1991. Mr. Wattles is a Trustee of City Center Retail Trust, CWS Communities Trust and Urban Growth Property Trust (all affiliates of Security Capital). He is a Director of Access Self-Storage Holdings S.A., Akeler Holdings S.A., Bernheim-Comofi S.A., CWE Property Holdings S.A., Interpark Holdings Inc., London & Henley Holdings S.A., Millers Storage Holdings S.A., Regency Centers Corporation and Security Capital European Realty, (all affiliates of Security Capital). Mr. Wattles' term as Trustee expires in 2002.

### Senior Officers

Ned K. Anderson -- 54 -- Managing Director of ProLogis since December 1998, where he is responsible for the Market Services Group in the Pacific Region of the United States. Mr. Anderson has been with ProLogis in varying capacities since December 1993 (through September 1997 he was employed by ProLogis' former management company). Prior to joining ProLogis, Mr. Anderson was a partner at King & Lyons, a San Francisco Bay Area industrial real estate development and management company.

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Paul C. Congleton -- 46 -- Managing Director of ProLogis since September 1999, where he is responsible for coordinating investment and financing opportunities utilizing institutional capital. Mr. Congleton has been with ProLogis in varying capacities since January 1995 (through September 1997 he was employed by ProLogis' former management company). Prior to joining ProLogis, he was Managing Principal with Overland Company, an Arizona based property management, leasing and consulting concern.

Tim M. Harvie -- 40 -- Managing Director and Chief Technology Officer of ProLogis since December 2000, where he is responsible for ProLogis' information technology operations. Mr. Harvie was with USFreightways Corporation, a provider of comprehensive supply chain management services from February 1989 to December 2000, most recently as Chief Information Officer.

Steven K. Meyer -- 52 -- Managing Director of ProLogis since December 1998, where he is responsible for the Market Services Group in the Central Region of the United States and in Mexico. Mr. Meyer has been with ProLogis in varying capacities since September 1994 (through September 1997 he was employed by ProLogis' former management company). Prior to joining ProLogis, Mr. Meyer was an Executive Vice President with Trammell Crow Company, a diversified commercial real estate services company in North America.

Walter C. Rakowich -- 43 -- Managing Director and Chief Financial Officer of ProLogis since December 1998, where he is responsible for worldwide corporate finance. Mr. Rakowich has been with ProLogis in varying capacities since July 1994 (through September 1997 he was employed by ProLogis' former management

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company). Prior thereto, Mr. Rakowich was a consultant to ProLogis in the area of due diligence and acquisitions and also a Principal with Trammell Crow Company.

John R. Rizzo -- 51 -- Managing Director of ProLogis since December 2000, where he is responsible for the North American operations of the Global Development Group. Mr. Rizzo has been with ProLogis in varying capacities since January 1999. Prior to joining ProLogis, Mr. Rizzo was Senior Vice President and Chief Operating Officer of Perini Management Services Incorporated, an affiliate of Perini Corporation, a construction management and general contracting firm.

John W. Seiple, Jr. -- 42 -- Managing Director of ProLogis since December 1997 and Chief Operating Officer for North American operations of ProLogis since December 1998. Mr. Seiple has been with ProLogis since October 1993 in varying capacities (through September 1997 he was employed by ProLogis' former management company). Prior to joining ProLogis, Mr. Seiple was a Senior Vice President with Trammell Crow Company.

Robert J. Watson -- 51 -- Managing Director of ProLogis since January 1993 and Chief Operating Officer for European Operations since December 1998. Mr. Watson has been with ProLogis in varying capacities since January 1993 (through September 1997 he was employed by ProLogis' former management company). Prior to joining ProLogis, Mr. Watson with Trammell Crow Company, most recently as the Regional Partner for Southwest United States Real Estate.

Robin P. R. von Weiler -- 44 -- Managing Director and Regional Head of ProLogis since December 1999, where he is responsible for the Market Services and Global Development Groups in Northern and Central Europe. Mr. von Weiler has been with ProLogis in varying capacities since October 1997. Prior to joining ProLogis, Mr. Von Weiler was with DTZ Zadelhoff V.O.F., part of DTZ Debenham Tie Lung, in Rotterdam, the Netherlands, most recently as Vice Managing Director, Real Estate Agent and Corporate Advisor. Mr. von Weiler is a registered Real



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Estate Agent.

Frank H. Fallon -- 39 -- Senior Vice President of ProLogis since September 1999, where he is responsible for the Market Services Group in the Southeast Region of the United States. Mr. Fallon has been with ProLogis in varying capacities since January 1995 (through September 1997 he was employed by ProLogis' former management company). Prior to joining ProLogis, Mr. Fallon was with Trammell Crow Company.

Ranald Hahn -- 44 -- Senior Vice President and Regional Head of ProLogis since December 2000, where he is responsible for the Market Services and Global Development Groups in Southern Europe. Mr. Hahn has been with ProLogis in varying capacities since March 1999. Prior to joining ProLogis, Mr. Hahn was the International Business Development Director of GSE, a French logistics construction company.

M. Gordon Keiser, Jr. -- 56 -- Senior Vice President since October 1995 and Treasurer of ProLogis since December 1998, where he is responsible for relationships with ProLogis' lenders. Mr. Keiser has been with ProLogis in varying capacities since October 1995 (through September 1997 he was employed by ProLogis' former management company). Prior to joining ProLogis, Mr. Keiser was Senior Vice President of JMB Realty Corporation with responsibilities for corporate finance and capital markets financing. Previously, Mr. Keiser was with KPMG Peat Marwick (now KPMG LLP).

Luke A. Lands -- 44 -- Senior Vice President and Controller of ProLogis since August 2000, where he supervises accounting, financial reporting and forecasting. Mr. Lands has been with ProLogis in varying capacities since January 1996 (through September 1997 he was employed by ProLogis' former management company). Prior to joining ProLogis, Mr. Lands was Vice President of SCG Realty Services (an affiliate of Security Capital) from February 1995 to January 1996 and he was Vice President and Controller for Lincoln Property Company, a diversified national real estate operating company. Mr. Lands is a Certified Public Accountant.

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Debra A. McRight -- 41 -- Senior Vice President of ProLogis since December 1999, where she is responsible for North American property management operations. Ms. McRight has been with ProLogis in varying capacities since September 1995 (through September 1997 she was employed by ProLogis' former management company). Prior to joining ProLogis, Ms. McRight was with Paragon Group, Inc., a full service real estate company, where she was responsible for property management operations in St. Louis, Missouri.

David S. Morze -- 40 -- Senior Vice President of ProLogis since March 1999, where he is responsible for the Market Services Group in the Mid-Atlantic Region of the United States. Mr. Morze has been with ProLogis in varying capacities since March 1995 (through September 1997 he was employed by ProLogis' former management company). Prior to joining ProLogis, Mr. Morze was the Director of Marketing for Northern California for The SARES REGIS Group.

Edward S. Nekritz -- 35 -- Senior Vice President and General Counsel of ProLogis since December 1998 and Secretary of ProLogis since March 1999, where he oversees the provision of all legal services for ProLogis and he is also responsible for ProLogis' due diligence and risk management functions. Mr. Nekritz has been with ProLogis in varying capacities since September 1995 (through September 1997 he was employed by ProLogis' former management company). Prior to joining ProLogis, Mr. Nekritz was an attorney with Mayer, Brown & Platt.

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### ENVIRONMENTAL MATTERS

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. The costs of removal or remediation of such substances could be substantial. Such laws 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 presence of such substances may adversely affect the owner's ability to sell such real estate or to borrow using such real estate as collateral. ProLogis has not been notified by any governmental authority of any non-compliance, liability or other claim in connection with any of the properties owned or being acquired at December 31, 2000, and ProLogis is not aware of any environmental condition with respect to any of its properties that is likely to be material. ProLogis or the predecessor owners have subjected each of its properties to an environmental assessment (which does not involve invasive procedures such as soil sampling or ground water analysis) by independent consultants. While some of these assessments have led to further investigation and sampling, none of the environmental assessments has revealed, nor is ProLogis aware of, any environmental liability (including asbestos-related liability) that ProLogis believes would have a material adverse effect on its business, financial condition or results of operations. No assurance can be given, however, that these assessments and investigations reveal all potential environmental liabilities, that no prior owner or operator created any material environmental condition not known to ProLogis or the independent consultants or that future uses or conditions (including, without limitation, customer actions or changes in applicable environmental laws and regulations) will not result in unreimbursed costs relating to environmental liabilities.

### INSURANCE COVERAGE

ProLogis and its consolidated and unconsolidated entities currently carry comprehensive insurance coverage including property, liability, fire, flood, earthquake, environmental, extended coverage and rental loss, as appropriate for the markets where each entities facilities and business operations are located. The insurance coverage contains policy specifications and insured limits customarily carried for similar facilities. ProLogis believes its facilities and the facilities of its consolidated and unconsolidated entities are adequately insured; however, an uninsured loss could result in loss of capital investment and anticipated profits.

### ITEM 2. PROPERTIES

#### INDUSTRIAL DISTRIBUTION FACILITIES

ProLogis and its consolidated entities (see -- "Consolidated Entities") have invested primarily in generic industrial distribution facilities with an average office finish level of less than 10%. Due to the costs associated

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with retrofitting customer spaces, service center product has been acquired only on a very limited basis, generally as part of portfolio acquisitions in which the majority of product being acquired was bulk distribution. ProLogis' industrial distribution facilities is typically used for storage, packaging, assembly, distribution and light manufacturing of consumer and industrial products.

- Distribution. -- ProLogis' distribution facilities are adaptable for both bulk distribution and light manufacturing or assembly uses. Based upon

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square footage, ProLogis' operating portfolio was comprised of 88.5% bulk distribution and 10.4% light manufacturing facilities as of December 31, 2000.

- Service Center and Other -- Under ProLogis' definition, service centers are multi-customer buildings that have a higher percentage of office space than distribution facilities and only have grade-level loading as opposed to truck dock loading. As of December 31, 2000, service center product constituted approximately 0.9% of the square feet in ProLogis' operating portfolio and other miscellaneous facilities, primarily office facilities acquired as part of portfolio acquisitions, constituted 0.2% of the square feet in ProLogis' operating portfolio.

### GEOGRAPHIC DISTRIBUTION

ProLogis and its consolidated entities (see -- "Consolidated Entities") have direct ownership of 1,285 industrial distribution facilities (operating and under development) in North America and Europe as of December 31, 2000. In the United States, ProLogis' facilities are located in 42 cities in 24 states and the District of Columbia. ProLogis' facilities in Mexico are located in four cities. In Europe, ProLogis' facilities are located in 11 cities in 5 countries. The table below demonstrates the geographic distribution of ProLogis' portfolio (operating facilities and facilities under development). The table excludes land held for future development, which is less than 5% of ProLogis' total investment, based on cost as of December 31, 2000 and 1999. The table does not include facilities that are owned by ProLogis' unconsolidated entities which are discussed under "--Unconsolidated Entities".

	DECEMBER 31,			
	2000		1999	
	NUMBER OF FACILITIES	PERCENTAGE OF ASSETS BASED ON COST(1)	NUMBER OF FACILITIES	PERCENTAGE OF ASSETS ON COST(1)
NORTH AMERICAN MARKETS (2) (3):				
Atlanta, Georgia.....	97	6.46%	103	6.46%
Austin, Texas.....	37	2.00	33	1.99
Birmingham, Alabama.....	6	0.75	6	0.37
Charlotte, North Carolina.....	32	2.57	32	1.99
Chattanooga, Tennessee.....	5	0.33	5	0.37
Chicago, Illinois.....	64	7.45	64	3.98
Cincinnati, Ohio.....	47	3.00	46	2.81
Columbus, Ohio.....	32	4.13	32	1.99
Dallas/Fort Worth, Texas.....	116	8.53	120	7.45
Denver, Colorado.....	26	1.80	28	1.71
El Paso, Texas.....	19	1.49	22	1.37
Fort Lauderdale/Miami, Florida.....	17	1.73	16	1.00
Houston, Texas.....	82	4.67	84	5.19
I-95 Corridor, New Jersey.....	31	4.89	35	2.19
Indianapolis, Indiana.....	43	2.79	45	2.81
Juarez, Mexico.....	7	0.37	6	0.37
Kansas City, Kansas/Missouri.....	29	1.28	29	1.71
Las Vegas, Nevada.....	18	2.20	18	1.11
Los Angeles/Orange County, California.....	6	1.62	4	0.25
Louisville, Kentucky.....	8	1.01	10	0.61

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DECEMBER 31,				
	2000		1999	
	NUMBER OF FACILITIES	PERCENTAGE OF ASSETS BASED ON COST (1)	NUMBER OF FACILITIES	PERCENTAGE OF ASSETS BASED ON COST (1)
Memphis, Tennessee.....	40	3.25	40	2.8
Monterrey, Mexico.....	10	0.97	10	0.9
Nashville, Tennessee.....	29	1.63	31	1.6
Oklahoma City, Oklahoma.....	6	0.24	6	0.2
Orlando, Florida.....	23	1.85	23	1.8
Phoenix, Arizona.....	31	1.67	32	1.7
Portland, Oregon.....	26	1.59	26	1.5
Reno, Nevada.....	20	1.48	19	1.4
Reynosa, Mexico.....	15	1.01	12	0.9
Rio Grande Valley (Brownsville), Texas.....	14	0.54	14	0.5
Salt Lake City, Utah.....	7	0.93	10	1.0
San Antonio, Texas.....	46	2.16	47	2.2
Seattle, Washington.....	15	1.33	15	1.3
San Francisco (East Bay), California...	54	4.79	54	4.8
San Francisco (South Bay), California.....	71	4.98	72	5.0
St. Louis, Missouri.....	15	1.05	15	1.0
Tampa, Florida.....	58	2.67	62	2.8
Tijuana, Mexico.....	5	0.60	4	0.5
Tulsa, Oklahoma.....	9	0.26	9	0.2
Washington D.C./Baltimore, Maryland....	48	4.13	40	3.8
Other (4).....	3	0.12	24	0.2
Subtotal North America (2) (3)...	1,267	96.32	1,303	90.0
EUROPEAN MARKETS (5) (6) (7) (8):				
Amsterdam, Netherlands.....	--	--	1	0.1
Brabant, Netherlands.....	1	0.27	--	--
Cologne, Germany.....	1	0.28	1	0.2
Lille, France.....	1	0.06	2	0.1
Lyon, France.....	1	0.14	3	0.2
Marseille, France.....	1	0.14	--	--
Milan, Italy.....	2	0.35	--	--
Neustadt, Germany.....	1	0.28	--	--
Paris, France.....	3	0.66	57	6.6
Rotterdam, Netherlands.....	3	0.47	3	0.4
Soest, Germany.....	1	0.31	--	--
Warsaw, Poland.....	3	0.72	9	1.0
Subtotal Europe (5) (6) (7) (8).....	18	3.68	76	9.0
Total.....	1,285 (9)	100.00%	1,379 (9)	100.0%

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- (1) Facilities under development are reflected at their total budgeted development cost, rather than cost incurred to date.
- (2) In January 2001, ProLogis acquired three operating facilities in Memphis, Tennessee aggregating 0.7 million square feet for \$16.6 million. These facilities were acquired to complete a tax-deferred exchange transaction.
- (3) In January 2001, ProLogis contributed three facilities to ProLogis North American Properties Fund I in exchange for an additional equity interest of \$34.1 million. The three facilities, one located in Atlanta and two located in Dallas/Ft. Worth, aggregated 0.9 million square feet.

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- (4) In 2000, includes one facility each in Akron, Ohio, Detroit, Michigan and Norfolk, Virginia. In 1999, includes one facility each in Akron, Ohio, Boston, Massachusetts and Norfolk, Virginia and 21 facilities in Detroit, Michigan, 20 of which were disposed of during 2000.
- (5) In January 2001, ProLogis contributed two additional facilities located in France (Lyon and Paris) to ProLogis European Properties Fund. These facilities aggregated 0.4 million square feet and generated net proceeds of \$16.1 million.
- (6) Does not include facilities owned by the Kingspark entities (13 operating facilities and 12 facilities under development as of December 31, 2000 and 15 operating facilities and 14 facilities under development as of December 31, 1999). Beginning January 2, 2001, the accounts of the Kingspark entities will be consolidated in ProLogis' financial statements along with ProLogis' other majority-owned and controlled subsidiaries and partnerships. See "-- Unconsolidated Entities -- CDFS Business" and Note 4 to ProLogis' Consolidated Financial Statements in Item 8.
- (7) On January 7, 2000, ProLogis contributed 50.1% of the common stock of ProLogis European Properties S.a.r.l., one of its wholly owned European entities, to ProLogis European Properties Fund in exchange for an equity interest. ProLogis European Properties S.a.r.l. owned 60 facilities (54 facilities in Paris, four facilities in Warsaw, one facility in Lyon and one facility in Rotterdam) as of December 31, 2000. The remaining 49.9% of the common stock of ProLogis European Properties S.a.r.l. was contributed to ProLogis European Properties Fund by ProLogis on January 7, 2001 in exchange for an additional equity interest.
- (8) ProLogis is committed to contribute substantially all of its stabilized facilities in Europe to ProLogis European Properties Fund, subject to meeting specified criteria.
- (9) Includes 41 facilities under development as of December 31, 2000 and 51 facilities under development as of December 31, 1999.

### FACILITIES

The information in the following table is as of December 31, 2000 for the facilities owned by ProLogis and its consolidated entities in North America and Europe. No individual facility or group of facilities operated as a single business unit amounted to 10% or more of ProLogis' consolidated total assets as of December 31, 2000 or generated gross revenue equal to 10% or more of ProLogis' consolidated gross revenues for the year ended December 31, 2000. The table does not include facilities that are owned by ProLogis' unconsolidated entities which are discussed under "-- Unconsolidated Entities".

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	NO. OF BLDGS.	PERCENTAGE OCCUPANCY (1)	RENTABLE SQUARE FOOTAGE	INVESTMENT (2)	ENCUMBR (3)
	-----	-----	-----	-----	-----
OPERATING FACILITIES OWNED AS OF DECEMBER 31, 2000 (4):					
NORTH AMERICAN MARKETS (5) (6):					
Atlanta, Georgia.....	95	88.04%	9,131,533	\$ 277,710,625	\$ 38,60
Austin, Texas.....	35	94.66	2,156,609	84,052,795	
Birmingham, Alabama.....	6	100.00	1,135,278	34,416,812	
Charlotte, North					
Carolina.....	32	95.70	3,980,670	118,844,478	41,20
Chattanooga, Tennessee.....	5	100.00	1,147,872	15,441,941	
Chicago, Illinois.....	61	93.51	7,689,671	309,206,016	45,61
Cincinnati, Ohio.....	45	88.44	5,031,002	131,029,528	40,70
Columbus, Ohio.....	31	94.96	5,747,391	182,533,445	40,27
Dallas/Fort Worth, Texas...	116	86.64	11,805,472	393,707,124	67,74
Denver, Colorado.....	26	95.26	3,094,209	83,268,800	
El Paso, Texas.....	18	89.86	2,231,903	61,309,592	3,12
Fort Lauderdale/Miami,					
Florida.....	16	91.04	1,694,808	75,129,319	1,96
Houston, Texas.....	82	95.20	7,210,747	215,316,366	47,46
I-95 Corridor, New					
Jersey.....	30	95.31	4,836,537	212,130,095	28,33
Indianapolis, Indiana.....	43	87.07	4,187,721	128,884,247	

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	NO. OF BLDGS.	PERCENTAGE OCCUPANCY (1)	RENTABLE SQUARE FOOTAGE	INVESTMENT (2)	ENCUMBR (3)
	-----	-----	-----	-----	-----
Juarez, Mexico.....	7	84.98	487,152	16,921,649	
Kansas City,					
Kansas/Missouri.....	29	95.83	1,578,487	59,009,721	13,08
Las Vegas, Nevada.....	18	92.97	2,296,811	101,591,116	18,28
Los Angeles/Orange County,					
California.....	2	100.00	289,283	13,762,044	
Louisville, Kentucky.....	7	100.00	1,469,988	35,339,694	6,33
Memphis, Tennessee.....	39	90.54	5,415,819	140,240,324	14,48
Monterrey, Mexico.....	10	84.82	1,167,403	44,616,155	
Nashville, Tennessee.....	29	88.99	3,084,949	75,122,667	
Oklahoma City, Oklahoma....	6	98.73	639,942	11,000,738	
Orlando, Florida.....	23	91.22	2,112,100	85,507,117	12,45
Phoenix, Arizona.....	31	96.82	2,289,922	77,084,915	
Portland, Oregon.....	26	95.42	1,957,401	73,589,606	37
Reno, Nevada.....	19	91.57	2,327,917	60,326,214	
Reynosa, Mexico.....	12	86.32	1,140,853	34,169,766	
Rio Grande Valley					
(Brownsville), Texas.....	14	99.65	916,746	24,829,871	2,68
Salt Lake City, Utah.....	7	98.19	1,643,468	43,068,889	
San Antonio, Texas.....	46	93.39	3,906,603	99,555,608	
Seattle, Washington.....	15	100.00	1,390,447	61,507,597	4,89

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San Francisco (East Bay), California.....	54	89.21	5,768,799	220,953,837	14,937,100
San Francisco (South Bay), California.....	71	99.87	3,694,781	229,646,338	19,197,100
St. Louis, Missouri.....	15	85.97	1,621,825	48,473,098	9,297,100
Tampa, Florida.....	58	97.56	3,325,581	123,217,800	29,147,100
Tijuana, Mexico.....	4	88.24	615,120	22,447,732	4,447,100
Tulsa, Oklahoma.....	9	100.00	523,623	11,894,023	2,394,100
Washington D.C./Baltimore, Maryland.....	40	97.14	3,619,350	145,650,708	36,950,100
Other.....	3	100.00	160,998	5,529,529	439,100
-----	-----	-----	-----	-----	-----
Subtotal North America(5) (6).....	1,235	92.45	124,526,791	4,188,037,939	537,617,100
-----	-----	-----	-----	-----	-----
EUROPEAN MARKETS(7) (8) (9):					
Lille, France(10).....	1	48.18	16,587	2,824,877	564,877
Lyon, France.....	1	100.00	225,194	6,390,328	1,278,328
Milan, Italy.....	2	--	444,122	16,197,430	3,239,430
Paris, France.....	1	100.00	126,477	8,724,797	1,744,797
Rotterdam, Netherlands.....	2	--	435,420	15,742,227	3,148,227
Warsaw, Poland.....	2	57.26	500,655	22,358,816	4,471,816
-----	-----	-----	-----	-----	-----
Subtotal Europe(7) (8) (9).....	9	36.97	1,748,455	72,238,475	14,447,100
-----	-----	-----	-----	-----	-----
TOTAL OPERATING FACILITIES OWNED AS OF DECEMBER 31, 2000(4).....					
=====	1,244	91.68%	126,275,246	\$4,260,276,414	\$537,617,100
=====	=====	=====	=====	=====	=====

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	NO. OF BLDGS.	RENTABLE SQUARE FOOTAGE	INVESTMENT (2)	BUDGETED DEVELOPMENT COSTS (11)
	-----	-----	-----	-----
FACILITIES UNDER DEVELOPMENT AS OF DECEMBER 31, 2000(12) (13):				
NORTH AMERICAN MARKETS:				
Atlanta, Georgia.....	2	702,000	\$ 10,331,338	\$ 20,880,728
Austin, Texas.....	2	209,600	5,339,880	8,401,120
Chicago, Illinois.....	3	725,072	19,699,727	34,551,156
Cincinnati, Ohio.....	2	214,080	4,824,015	7,273,887
Columbus, Ohio.....	1	289,280	6,763,336	8,017,382
El Paso, Texas.....	1	239,131	5,368,005	7,414,958
Fort Lauderdale/Miami, Florida.....	1	94,500	3,923,087	4,815,121
I-95 Corridor, New Jersey.....	1	299,000	9,499,837	13,473,972
Los Angeles/Orange County, California.....	4	1,084,192	43,248,515	60,824,068
Louisville, Kentucky.....	1	350,000	7,811,525	11,232,967
Memphis, Tennessee.....	1	360,000	8,486,140	9,790,347
Reno, Nevada.....	1	218,500	2,233,218	8,133,784
Reynosa, Mexico.....	3	360,294	9,154,508	12,631,053
Tijuana, Mexico.....	1	141,290	3,334,101	5,164,760

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Washington D.C./Baltimore, Maryland.....	8	1,037,261	16,963,318	44,862,321
	--	-----	-----	-----
Subtotal North America.....	32	6,324,200	156,980,550	257,467,624
	--	-----	-----	-----
EUROPEAN MARKETS:				
Brabant, Netherlands.....	1	307,700	6,911,138	12,405,285
Cologne, Germany.....	1	206,938	4,798,071	12,831,443
Marseille, France.....	1	230,576	1,247,178	6,537,121
Neustadt, Germany.....	1	212,266	903,551	12,986,249
Paris, France.....	2	675,129	4,709,040	21,932,720
Rotterdam, Netherlands.....	1	157,154	1,056,700	6,135,349
Soest, Germany.....	1	305,579	2,136,294	14,204,828
Warsaw, Poland.....	1	291,940	7,277,460	10,678,623
	--	-----	-----	-----
Subtotal Europe.....	9	2,387,282	29,039,432	97,711,618
	--	-----	-----	-----
TOTAL FACILITIES UNDER DEVELOPMENT AS OF DECEMBER 31, 2000 (12) (13) .....				
	41	8,711,482	\$186,019,982	\$355,179,242
	==	=====	=====	=====

	ACREAGE	INVESTMENT (2)	ENCUMBRANCES (3)
	-----	-----	-----
LAND HELD FOR DEVELOPMENT AS OF DECEMBER 31, 2000 (14) (15) :			
NORTH AMERICAN MARKETS:			
Atlanta, Georgia.....	228.3	\$ 14,624,463	\$ --
Austin, Texas.....	7.2	763,323	--
Charlotte, North Carolina.....	25.3	2,554,060	--
Chicago, Illinois.....	245.0	32,623,248	--
Cincinnati, Ohio.....	90.2	6,658,637	--
Columbus, Ohio.....	56.5	2,242,658	--
Dallas/Fort Worth, Texas.....	182.6	11,390,734	--
Denver, Colorado.....	15.6	1,405,890	--
El Paso, Texas.....	108.3	6,448,009	--
Houston, Texas.....	64.9	5,299,734	--
I-95 Corridor, New Jersey.....	10.1	739,801	--
Indianapolis, Indiana.....	72.7	5,873,642	--

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	ACREAGE	INVESTMENT (2)	ENCUMBRANCES (3)
	-----	-----	-----
Juarez, Mexico.....	21.4	3,812,547	--
Kansas City, Kansas/Missouri.....	16.6	1,511,000	--
Las Vegas, Nevada.....	61.8	6,937,917	312,974
Los Angeles/Orange County, California.....	27.8	5,892,455	--
Louisville, Kentucky.....	13.0	600,409	--
Memphis, Tennessee.....	47.9	3,631,205	--
Monterrey, Mexico.....	25.9	3,875,347	--



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Orlando, Florida.....	28.1	2,788,623	--
Portland, Oregon.....	18.0	2,848,334	--
Reno, Nevada.....	30.1	4,196,675	--
Reynosa, Mexico.....	82.6	6,456,419	--
Rio Grande Valley (Brownsville), Texas.....	14.8	439,288	--
Salt Lake City, Utah.....	30.3	2,015,954	--
San Antonio, Texas.....	58.1	5,289,233	--
San Francisco (East Bay), California.....	77.6	5,953,538	--
Seattle, Washington.....	10.6	1,919,882	--
Tampa, Florida.....	53.2	3,758,156	--
Tijuana, Mexico.....	14.1	2,926,257	--
Washington D.C./Baltimore, Maryland.....	22.3	1,960,650	--
	-----	-----	-----
Subtotal North America.....	1,760.9	157,438,088	312,974
	-----	-----	-----
EUROPEAN MARKETS:			
Barcelona, Spain.....	70.8	19,971,847	--
Brabant, Netherlands.....	8.9	1,710,486	--
Cologne, Germany.....	13.4	613,824	--
La Havre, France.....	123.6	1,105,112	--
Lyon, France.....	17.6	2,014,115	--
Milan, Italy.....	16.2	1,223,960	--
Tongeren, Belgium.....	3.3	182,189	--
Warsaw, Poland.....	32.3	3,145,201	--
	-----	-----	-----
Subtotal Europe.....	286.1	29,966,734	--
	-----	-----	-----
TOTAL LAND HELD FOR DEVELOPMENT AS OF DECEMBER			
31, 2000 (14) (15).....	2,047.0	\$187,404,822	\$312,974
	=====	=====	=====

	NO. OF BLDGS.	ACREAGE	RENTABLE SQUARE FOOTAGE	INVESTMENT (2)	BUDGETED DEVELOPMENT COST (11)
	-----	-----	-----	-----	-----
GRAND TOTALS AS OF DECEMBER 31, 2000:					
Operating Facilities.....	1,244	n/a	126,275,246	\$4,260,276,414	\$ n/a
Facilities Under Development....	41	n/a	8,711,482	186,019,982	355,179,24
Land Held for Development.....	n/a	2,047.0	n/a	187,404,822	n/a
	-----	-----	-----	-----	-----
Totals.....	1,285	2,047.0	134,986,728	\$4,633,701,218 (16)	\$355,179,2
	=====	=====	=====	=====	=====

(1) Percentage Occupancy is physical occupancy for the facility as of December 31, 2000. Operating facilities as of December 31, 2000 include recently completed development facilities in initial lease-up (3.4 million square feet completed in the fourth quarter of 2000) which impacts the overall occupancy percentage as of December 31, 2000.

(2) Investment is as of December 31, 2000 and represents ProLogis' historical cost.

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- (3) Certain facilities are pledged as collateral under ProLogis' mortgage notes, securitized debt and assessment bonds as of December 31, 2000. See Schedule III -- Real Estate and Accumulated Depreciation to ProLogis' Consolidated Financial Statements in Item 8 for specific facilities pledged.
- (4) All assets are utilized in the property operations segment. See "Item 1 -- Business -- ProLogis Trust".
- (5) In January 2001, ProLogis acquired three operating facilities in Memphis, Tennessee aggregating 0.7 million square feet for \$16.6 million. These facilities were acquired to complete a tax-deferred exchange transaction.
- (6) In January 2001, ProLogis contributed three facilities to ProLogis North American Properties Fund I in exchange for an additional equity interest of \$34.1 million. The three facilities, one located in Atlanta and two located in Dallas/Ft. Worth, aggregated 0.9 million square feet.
- (7) In January 2001, ProLogis contributed two additional facilities located in France (Lyon and Paris) to ProLogis European Properties Fund. These facilities aggregated 0.4 million square feet and generated net proceeds of \$16.1 million.
- (8) ProLogis is committed to contribute substantially all of its stabilized facilities in Europe to ProLogis European Properties Fund, subject to meeting specified criteria.
- (9) Does not include 13 operating facilities with an investment of \$139.2 million and 12 facilities under development with a total budgeted cost of \$136.2 million owned by the Kingspark entities in the United Kingdom as of December 31, 2000. Beginning January 2, 2001, the accounts of the Kingspark entities will be consolidated in ProLogis' financial statements along with ProLogis' other majority-owned and controlled subsidiaries and partnerships. See "-- Unconsolidated Entities -- CDFS Business" and Note 4 to ProLogis' Consolidated Financial Statements in Item 8.
- (10) Represents an office building acquired as part of a portfolio acquisition.
- (11) Represents the total budgeted development cost at completion for facilities under development, which includes the cost of land, fees, permits, payments to contractors, architectural and engineering fees and interest and property taxes to be capitalized during construction, rather than costs incurred to date.
- (12) All of the facilities under development are expected to be utilized in the CDFS business segment. See "Item 1 -- Business -- ProLogis Trust".
- (13) Includes 0.8 million square feet in the design and permitting stage.
- (14) All of the land held for future development is expected to be utilized in the CDFS business segment for the development of approximately 36.2 million square feet of distribution facilities. See "Item 1 -- Business -- ProLogis Trust". Does not include 1,232 acres of land controlled under option, letter of intent or contingent contract with the capacity of developing approximately 21.2 million square feet of distribution facilities.
- (15) Does not include 332 acres of land owned and 1,515 acres of land under control by the Kingspark entities in the United Kingdom as of December 31, 2000 which has the combined capacity for the development of approximately 28.3 million square feet of distribution facilities.

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- (16) See Schedule III -- Real Estate and Accumulated Depreciation to ProLogis' Consolidated Financial Statements in Item 8 for a reconciliation of this amount to ProLogis' total investment in real estate.

### CONSOLIDATED ENTITIES

#### Partnerships

As of December 31, 2000, ProLogis held a majority interest in and controlled five partnerships (collectively, the "Partnerships"), which are consolidated with the accounts of ProLogis. Generally, pursuant to the Partnership agreements, ProLogis or one of its wholly owned entities, is the sole controlling general partner and has full responsibility for the management and control of the Partnerships. The limited partners have no authority to transact business for, or, except as noted below, participate in the management decisions of, the Partnerships. However, any decision to amend certain provisions of the applicable partnership agreement, to dissolve a Partnership prior to the term set forth in the applicable partnership agreement or to enter into certain extraordinary transactions would require the consent of all limited partners. Pursuant to the partnership agreements, ProLogis, or its wholly owned entity, as the case may be, may not voluntarily withdraw from the

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applicable Partnership or transfer or assign its interests in the Partnership without the consent of all of the limited partners thereto. The limited partners may freely transfer their Partnership units to affiliates, provided that such transfer does not cause a termination of the Partnership for federal income tax purposes and does not cause ProLogis to cease to comply with requirements under the Code for qualification as a REIT. Each of the Partnership agreements grants to the limited partners the right to exchange their Partnership units for ProLogis common shares of beneficial interest, par value \$0.01 per share, ("Common Shares"), subject to certain conditions. For financial reporting purposes, the assets, liabilities, results of operations and cash flows of each of the Partnerships are included in ProLogis' consolidated financial statements, and the interests of the limited partners are reflected as minority interest. See Note 6 to ProLogis' Consolidated Financial Statements in Item 8. The Partnerships, which are part of the property operations segment, are as follows as of December 31, 2000:

ENTITY	FORMATION DATE	INVESTMENT IN REAL ESTATE (IN MILLIONS)	PROLOGIS' OWNERSHIP	LIMITED PARTNERSHIP UNITS OUTSTANDING
ProLogis Limited Partnership-I(1).....	1993	\$211.0 (2)	68.70%	4,520,532 (3)
ProLogis Limited Partnership-II.....	1994	\$ 58.3 (4)	97.80%	90,213 (3)
ProLogis Limited Partnership-III.....	1994	\$ 52.0 (5)	86.39%	376,347 (3)
ProLogis Limited Partnership-IV(6).....	1994	\$103.9 (7)	98.50%	68,612 (3)
Meridian Realty Partners Limited Partnership.....	(8)	\$ 10.4 (9)	88.00%	29,712 (10)

(1) These facilities cannot be sold, prior to the occurrence of certain events,

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without the consent of the limited partners thereto, other than in tax-deferred exchange transactions.

- (2) Facilities are located in the San Francisco (both South Bay and East Bay) and Tampa markets.
- (3) Convertible into Common Shares on a one for one basis.
- (4) Facilities are located in the Charlotte, Dallas/Ft. Worth, Denver, El Paso, San Francisco (East Bay), St. Louis and Washington, D.C./Baltimore markets.
- (5) Facilities are located in the Chicago, Ft. Lauderdale/Miami, Norfolk, Orlando, San Antonio and Tampa markets.
- (6) ProLogis Limited Partnership-IV was formed through a cash contribution from a wholly owned subsidiary of ProLogis, ProLogis-IV, Inc., and the contribution of distribution facilities from the limited partner. ProLogis Limited Partnership-IV and ProLogis-IV, Inc. are legal entities separate and distinct from ProLogis, its affiliates and each other, and each has separate assets, liabilities, business functions and operations. The sole assets of ProLogis-IV, Inc. are its general partner advances to and its interest in ProLogis Limited Partnership-IV. As of December 31, 2000, ProLogis Limited Partnership-IV had outstanding borrowings from ProLogis-IV, Inc., of \$0.4 million and ProLogis-IV, Inc. had outstanding borrowings from ProLogis and its affiliates of \$0.4 million.
- (7) Facilities are located in the Akron, Cincinnati, Dallas/Ft. Worth, Ft. Lauderdale/Miami, I-95 New Jersey Corridor, Orlando and Tampa markets.
- (8) Acquired in merger with Meridian in March 1999. See Note 11 to ProLogis' Consolidated Financial Statements in Item 8.
- (9) Facility is located in the Los Angeles/Orange County market.
- (10) Convertible into Common Shares on a 1.1 for one basis, plus \$2.00.

### ProLogis Development Services

ProLogis Development Services, which is part of the CDFS business segment, develops distribution facilities that are often disposed of to customers, third parties or entities in which ProLogis maintains an ownership interest. ProLogis Development Services also contracts on a fee basis to develop distribution facilities for customers or third parties. ProLogis owns 100% of the preferred stock of ProLogis Development Services and realizes substantially all economic benefits of its activities. Because ProLogis advances mortgage loans to ProLogis Development Services to fund its acquisition, development and construction activities, ProLogis

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Development Services is consolidated with ProLogis. ProLogis Development Services' real estate assets represented 9.7% of ProLogis' total real estate assets (at cost) as of December 31, 2000. ProLogis Development Services is not a qualified REIT subsidiary of ProLogis under the Code. Accordingly, provisions for federal and state income taxes are recognized, as appropriate.

### UNCONSOLIDATED ENTITIES

As of December 31, 2000, ProLogis' investments in and advances to unconsolidated entities totaled \$1.45 billion. These investments were structured to either allow ProLogis to comply with the requirements of the Code to qualify

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as a REIT or to further ProLogis' objective of increasing cash flows without raising additional capital through direct public debt and public equity offerings.

ProLogis invested in the nonvoting preferred stock of certain entities that have ownership interests in companies that produce income that is not REIT "qualifying" income (i.e., rental income and mortgage interest income) under the Code. To maintain its qualification as a REIT, ProLogis can collectively invest in these entities in amounts up to 25% of the fair market value of ProLogis' total assets, with a maximum per company investment of 5% of the fair market value of ProLogis' total assets. Of these investments, ProLogis Development Services, ProLogis Logistics, Frigoscandia S.A. and the Kingspark entities all own properties. ProLogis accounts for the investments in ProLogis Logistics, Frigoscandia S.A. and the Kingspark entities under the equity method. These entities' investments in properties are discussed under "-- CDFS Business" and "-- Temperature-Controlled Distribution Operations". Because ProLogis advances mortgage loans to ProLogis Development Services to fund its acquisition, development and construction activities, ProLogis Development Services is consolidated with ProLogis. Properties owned by ProLogis Development Services are included in the tables in "-- Geographic Distribution" and "-- Facilities" and ProLogis Development Services is discussed in "-- Consolidated Entities--ProLogis Development Services". See also "Item 7 -- Management's Discussion and Analysis of Financial Condition and Results of Operations -- New Tax Legislation".

The entities discussed below under "-- Property Operations" were all formed to allow ProLogis to generate capital for future development activities while still maintaining an ownership position in the facilities. All of ProLogis' unconsolidated entities are discussed in Note 4 to ProLogis' Consolidated Financial Statements in Item 8.

### Property Operations

As of December 31, 2000, ProLogis had a 50.0% ownership interest in ProLogis California, a 34.4% ownership interest in ProLogis European Properties Fund, a 20.0% ownership interest in ProLogis North America Properties Fund I and a 20.0% ownership interest in ProLogis Principal. See "Item 1. Business -- Business Strategy and Operating Segments -- Property Operations Segment", "Item 7. Management's Discussion and Analysis of Financial Conditions and Results of Operations -- Results of Operations -- Property Operations" and Note 4 to ProLogis' Consolidated Financial Statements in Item 8.

	NO. OF BLDGS.	RENTABLE SQUARE FOOTAGE	PERCENTAGE OCCUPANCY (1)	INVESTMENT (2)
	-----	-----	-----	-----
NORTH AMERICA:				
ProLogis California(3):				
Los Angeles/Orange County,				
California.....	77	12,394,603	99.02%	\$581,845,46
	---	-----	-----	-----
ProLogis North American Properties				
Fund I (5):				
Atlanta, Georgia.....	4	970,568	100.00%	35,074,21
Chicago, Illinois.....	1	249,576	100.00%	14,753,86
Cincinnati, Ohio.....	2	297,720	100.00%	15,028,91
Columbus, Ohio.....	2	888,691	94.62%	30,242,81
Dallas/Fort Worth, Texas.....	1	492,500	100.00%	21,463,92
Denver, Colorado.....	2	198,892	100.00%	9,113,62

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	NO. OF BLDGS.	RENTABLE SQUARE FOOTAGE	PERCENTAGE OCCUPANCY (1)	INVESTMENT (2)
	-----	-----	-----	-----
El Paso, Texas.....	1	354,159	100.00%	13,600,19
Houston, Texas.....	2	238,450	100.00%	10,854,53
Indianapolis, Indiana.....	2	719,829	86.77%	21,409,47
Louisville, Kentucky.....	3	905,800	86.75%	33,686,36
Nashville, Tennessee.....	1	412,800	100.00%	14,799,60
Northern New Jersey.....	5	1,100,320	96.18%	58,916,08
Phoenix, Arizona.....	1	156,410	100.00%	6,764,83
Salt Lake City, Utah.....	3	396,600	100.00%	16,964,60
San Antonio, Texas.....	1	244,800	100.00%	9,025,54
San Francisco (East Bay), California...	2	404,400	100.00%	16,923,71
	---	-----	-----	-----
	33	8,031,515	96.20%	328,622,31
	---	-----	-----	-----
ProLogis Principal:				
Dallas/Fort Worth, Texas.....	3	440,016	100.00%	16,513,89
	---	-----	-----	-----
Subtotal North America.....	113	20,866,134	97.95%	926,981,68
	---	-----	-----	-----
EUROPE:				
ProLogis European Properties				
Fund(8)(9):				
Amsterdam, Netherlands.....	5	804,564	100.00%	55,965,95
Annecy, France.....	1	47,028	99.59%	2,336,94
Barcelona, Spain.....	1	125,648	100.00%	5,381,63
Birmingham, United Kingdom.....	5	714,116	100.00%	66,465,45
Gelderland, Netherlands.....	2	499,880	100.00%	16,943,16
Lille, France.....	12	376,492	100.00%	12,457,15
London, United Kingdom.....	5	1,534,763	96.55%	157,133,64
Lyon, France.....	3	1,147,981	100.00%	36,286,10
Marseille, France.....	1	415,383	99.54%	20,641,44
Metz, France.....	1	193,042	100.00%	6,685,23
Paris, France.....	55	6,329,903	93.09%	295,634,81
Rotterdam, Netherlands.....	6	1,161,906	100.00%	56,135,50
Tongeren, Belgium.....	1	226,797	100.00%	8,433,91
Venlo, Netherlands.....	1	232,383	100.00%	11,069,27
Warsaw, Poland.....	5	574,937	95.42%	40,712,81
	---	-----	-----	-----
Subtotal Europe.....	104	14,384,823	96.39%	792,283,04
	---	-----	-----	-----
TOTAL UNCONSOLIDATED				
ENTITIES.....	217	35,250,957	97.32%	\$1,719,264,72
	===	=====	=====	=====

(1) Percentage Occupancy is physical occupancy for the facility as of December 31, 2000.

(2) Investment represents 100% of the entities' historical cost in the assets

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as of December 31, 2000.

- (3) ProLogis California also had a 332,000 square foot facility under development and 10.7 acres of land for future development in Los Angeles. In January 2001, ProLogis California acquired a 326,000 square foot facility from a third party for \$11.3 million.
- (4) ProLogis had a 50.0% ownership interest in ProLogis California as of December 31, 2000.
- (5) In January 2001, ProLogis North American Properties Fund I acquired three facilities, one located in Atlanta and two located in Dallas/Ft. Worth from ProLogis aggregating 0.9 million square feet for an additional \$34.1 million equity interest. After this contribution, ProLogis' ownership interest in ProLogis North American Properties Fund I was 41.3%.
- (6) ProLogis had a 20.0% ownership interest in ProLogis North American Properties Fund I as of December 31, 2000.

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- (7) ProLogis had a 20.0% ownership interest in ProLogis Principal as of December 31, 2000.
- (8) Includes all of the facilities owned by ProLogis European Properties S.a.r.l., which is owned by ProLogis European Properties Fund (50.1%) and ProLogis (49.9%). ProLogis European Properties S.a.r.l. owned 60 operating facilities aggregating 6.6 million square feet in three countries (54 of the facilities are located in France) as of December 31, 2000. On January 7, 2001, ProLogis contributed its 49.9% of the common stock of ProLogis European Properties S.a.r.l. to ProLogis European Properties Fund in exchange for an additional equity interest bringing its ownership interest in ProLogis European Properties Fund to 45.6%.
- (9) In January 2001, ProLogis European Properties Fund acquired four facilities from ProLogis and the Kingspark entities. The two facilities acquired from ProLogis aggregated 0.4 million square feet and are located in Lyon and Paris, France. The two facilities acquired from the Kingspark entities aggregated 0.7 million square feet and are located in Birmingham, United Kingdom. The total acquisition price for the four facilities was \$87.0 million, of which \$8.7 million was received by ProLogis and the Kingspark entities in the form of an additional equity interest.
- (10) ProLogis had a 34.4% ownership interest in ProLogis European Properties Fund as of December 31, 2000.

### CDFS Business

ProLogis recognizes substantially all of the economic benefits of the Kingspark entities. As of December 31, 2000, the Kingspark entities owned 13 operating facilities aggregating 1.6 million square feet at an investment of \$139.2 million and 12 facilities under development aggregating 1.5 million square feet with a total budgeted development cost of \$136.2 million. In addition, the Kingspark entities owned 332 acres and controlled 1,515 acres of land through purchase option, letter of intent, development rights agreement or contingent contract as of December 31, 2000. This land has the combined capacity for the future development of approximately 28.3 million square feet of distribution facilities. The Kingspark entities' facilities and land acreage are located in 12 cities or counties in the United Kingdom. On January 2, 2001, ProLogis acquired an ownership interest in the common stock of Kingspark S.A. This transaction resulted in ProLogis having control of Kingspark S.A.

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Accordingly, the accounts of the Kingspark entities will be consolidated in ProLogis' financial statements along with ProLogis' other majority-owned and controlled subsidiaries and partnerships as of that date. See "Item 1. Business -- Business Strategy and Operating Segments -- CDFS Business Segment", "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Results of Operations -- CDFS Business" and Note 4 to ProLogis' Consolidated Financial Statements in Item 8.

### Temperature-Controlled Distribution Operations

- ProLogis recognizes substantially all of the economic benefits of ProLogis Logistics, which owns 100% of CSI. As of December 31, 2000, CSI owned or operated under lease agreements 59 facilities aggregating 175.9 million cubic feet of temperature-controlled distribution facilities (including 35.5 million cubic feet of dry distribution space located in temperature-controlled distribution facilities) in 28 cities in the United States and had 6.3 million cubic feet under development in Anaheim (4.0 million cubic feet) and Houston (2.3 million cubic feet).
- ProLogis recognizes substantially all of the economic interest in Frigoscandia S.A., which owns, through its subsidiaries, 100% of Frigoscandia. Frigoscandia owned or operated under lease agreements 89 facilities aggregating 187.7 million of cubic feet of temperature-controlled distribution facilities in 10 countries in Europe as of December 31, 2000.

See "Item 1. Business -- Business Strategy and Operating Segments -- Temperature-Controlled Distributions Operations Segment", "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Results of Operations -- Temperature-Controlled Distribution Operations".

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### ITEM 3. LEGAL PROCEEDINGS

ProLogis from time to time may be a party to a variety of legal proceedings arising in the ordinary course of its business. Such matters generally are not expected to have a material adverse effect on ProLogis' business, financial position or results of operations.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

## PART II

### ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

ProLogis' Common Shares are listed on the NYSE under the symbol "PLD". The following table sets forth the high and low sale prices of the Common Shares as reported in the NYSE Composite Tape, and distributions per Common Share, for the periods indicated.

	HIGH	LOW	PER COMMON SHARE DISTRIBUTION
	----	---	-----



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1999:			
First Quarter.....	\$22 3/16	\$18 5/8	\$0.3183 (1)
Second Quarter.....	22	18 3/4	0.3272
Third Quarter.....	20 1/2	17 7/8	0.3272
Fourth Quarter.....	20 1/16	16 13/16	0.3272
2000:			
First Quarter.....	\$19 7/8	\$17 9/16	\$0.3350 (2)
Second Quarter.....	22 1/16	18 13/16	0.3350
Third Quarter.....	24 11/16	21 1/4	0.3350
Fourth Quarter.....	23 3/4	19 7/16	0.3350
2001:			
First Quarter (through March 16).....	\$22 15/16	\$19 9/10	\$0.345 (3)

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- (1) Declared in the fourth quarter of 1998 and paid in the first quarter of 1999.
- (2) Declared in the fourth quarter of 1999 and paid in the first quarter of 2000.
- (3) Declared in the fourth quarter of 2000 and paid on February 23, 2001.

On March 16, 2001, ProLogis had approximately 173,560,729 Common Shares outstanding, which were held of record by approximately 10,617 shareholders.

On January 11, 2001, ProLogis announced a Common Share repurchase program under which it may repurchase up to \$100.0 million of its Common Shares. The Common Shares will be repurchased from time to time in the open market and in privately negotiated transactions, depending on market prices and other conditions. On February 12, 2001, ProLogis announced its call for the redemption of all of the outstanding Series B cumulative convertible redeemable preferred shares at a price of \$25.00 per share, plus \$0.442 in accrued and unpaid dividends, for an aggregate redemption price of \$25.442 per preferred share. The redemption date is March 20, 2001. On or prior to March 13, 2001, the Series B preferred shares could be converted into Common Shares at a conversion rate of 1.282 Common Shares for each Series B preferred share.

In 2000, 1999 and 1998, ProLogis issued 238,000, 14,000 and 20,000 Common Shares, respectively, upon exchange of limited partnership units in one or more of the Partnerships. See "Item 2. Properties -- Facilities -- Consolidated Entities". The Common Shares were issued in transactions exempt from registration under Section 4(2) of the Securities Act.

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### DISTRIBUTIONS AND DIVIDENDS

In order to qualify as a REIT under the Code, ProLogis is required to make distributions (other than capital gain distributions) to its shareholders in amounts at least equal to (i) the sum of (a) 95% of its "REIT taxable income" computed without regard to the dividends paid deduction and its net capital gain (changed to 90% as a result of the RMA -- see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- New Tax Legislation") and (b) 95% of the net income (after tax), if any, from foreclosure property, minus (ii) the sum of certain items of noncash income. ProLogis' distribution strategy is to distribute what it believes is a conservative percentage of its cash flow, permitting ProLogis to retain funds for capital improvements and other investments.

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ProLogis announces the following year's projected annual Common Share distribution level after the annual budget review and approval by the Board in December of each year. At a meeting in December 2000, the Board announced a projected increase in the annual distribution level for 2001 from \$1.34 to \$1.38 per Common Share. The payment of distributions is subject to the discretion of the Board and is dependent upon the financial condition and operating results of ProLogis and may be adjusted at the discretion of the Board during the year. Also at the December meeting, the Board declared a distribution of \$0.345 per Common Share for the first quarter of 2001. This distribution was paid on February 23, 2001 to holders of Common Shares on February 9, 2001.

For federal income tax purposes, distributions may consist of ordinary income, capital gains, non-taxable return of capital or a combination thereof. Distributions that exceed ProLogis' current and accumulated earnings and profits (calculated for tax purposes) constitute a return of capital rather than a distribution and reduce the shareholder's basis in the Common Shares. To the extent that a distribution exceeds both current and accumulated earnings and profits and the shareholders basis in the Common Shares, it will generally be treated as gain from the sale or exchange of that shareholder's Common Shares. ProLogis annually notifies shareholders of the taxability of distributions paid during the preceding year. The following summarizes the taxability of distributions on Common Shares (amounts for 2000 are estimated):

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Per Common Share:			
Ordinary income.....	\$1.19	\$0.84	\$1.12
Capital gains.....	0.15	0.35	--
Return of capital.....	--	0.11	0.12
	-----	-----	-----
Total.....	\$1.34	\$1.30	\$1.24
	=====	=====	=====

On May 3, 1999, ProLogis paid a distribution to holders of Meridian common stock as of March 19, 1999. This distribution, which was declared by the Meridian Board of Directors prior to the closing of the merger with Meridian, related to the first quarter of 1999 and aggregated \$11.1 million. This liability was assumed by ProLogis in connection with the merger with Meridian. See Note 11 to ProLogis' Consolidated Financial Statements in Item 8.

Annual dividends per preferred share were as follows:

	YEAR ENDED DECEMBER 31,		
	2000 (1)	1999 (2)	1998 (3)
	-----	-----	-----
Series A Cumulative Redeemable Preferred Shares.....	\$2.35	\$2.35	\$2.35
Series B Cumulative Convertible Redeemable Preferred Shares.....	1.75	1.75	1.75
Series C Cumulative Redeemable Preferred Shares.....	4.27	4.27	4.27
Series D Cumulative Redeemable Preferred Shares.....	1.98	1.98	1.42 (4)
Series E Cumulative Redeemable Preferred Shares.....	2.19	1.64 (5)	--

- 
- (1) For federal income tax purposes, \$2.08 of the Series A dividend, \$1.55 of the Series B dividend, \$3.78 of the Series C dividend, \$1.75 of the Series D dividend and \$1.94 of the Series E dividend are treated as ordinary income. The remaining portion of each dividend represents capital gains.

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- (2) For federal income tax purposes \$1.65 of the Series A dividend, \$1.23 of the Series B dividend, \$3.00 of the Series C dividend, \$1.39 of the Series D dividend and \$1.15 of the Series E dividend are treated as ordinary income. The remaining portion of each dividend represents capital gains.
- (3) For federal income tax purposes these dividends are treated as ordinary income to the holders.
- (4) For the period from date of issuance to December 31, 1998.
- (5) For the period from date of issuance to December 31, 1999.

On April 30, 1999, ProLogis paid an aggregate dividend of \$1.1 million on the Series E preferred shares (\$0.5469 per share), of which \$729,200 related to Meridian's series D preferred stock that was accrued by Meridian and was assumed by ProLogis in connection with the merger with Meridian. See Note 11 to ProLogis' Consolidated Financial Statements in Item 8.

Pursuant to the terms of its preferred shares, ProLogis is restricted from declaring or paying any distribution with respect to the Common Shares unless all cumulative dividends with respect to the preferred shares have been paid and sufficient funds have been set aside for dividends for the then-current dividend period with respect to the preferred shares.

ProLogis' tax return for the year ended December 31, 2000 has not been filed. The taxability information for 2000 is based upon the best available data. ProLogis' tax returns for prior years have not been examined by the Internal Revenue Service. Consequently, the taxability of distributions and dividends is subject to change.

Under federal income tax rules, ProLogis' earnings and profits are first allocated to its preferred shares, which increases the portion of the Common Shares distribution classified as return of capital. The portion of distributions characterized as return of capital results primarily from the excess of distributions over earnings and profits primarily because non-cash charges such as depreciation are not considered in determining distribution levels. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Results of Operations."

#### DIVIDEND REINVESTMENT AND SHARE PURCHASE PLAN

In March 1995, ProLogis adopted a Dividend Reinvestment and Share Purchase Plan (the "1995 Plan"), which commenced in April 1995. The 1995 Plan allowed holders of Common Shares the opportunity to acquire additional Common Shares by automatically reinvesting distributions. Holders of Common Shares who do not participate in the 1995 Plan continue to receive distributions as declared. The 1995 Plan also allowed participating holders of Common Shares to purchase a limited number of additional Common Shares by making optional cash payments, without payment of any brokerage commission or service charge. Common Shares are acquired pursuant to the 1995 Plan at a price equal to 98% of the market price

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of such Common Shares, without payment of any brokerage commission or service charge.

The 1995 Plan was amended in June 1999 by the 1999 Dividend Reinvestment and Share Purchase plan (the "1999 Plan"). The primary change effective with the 1999 Plan allows persons who are not holders of Common Shares to participate in the share purchase plan.

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## ITEM 6. SELECTED FINANCIAL DATA

The following tables set forth selected financial data relating to the historical financial condition and results of operations of ProLogis for the years indicated (amounts in thousands, except per share data). Such selected financial data is qualified in its entirety by, and should be read in conjunction with, "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation" and ProLogis' Consolidated Financial Statements and notes thereto in Item 8.

	YEAR ENDED DECEMBER 31,				
	2000	1999	1998	1997	1996
<b>OPERATING DATA:</b>					
Rental income.....	\$ 480,088	\$ 491,826	\$ 345,046	\$ 284,533	\$ 241,807
Other real estate income.....	78,103	46,678	17,554	12,291	10,000
Income from unconsolidated entities.....	78,063	22,519	2,755	3,278	1,000
Total income.....	643,521	567,392	368,107	302,494	254,807
Rental expenses, including property management fees paid to affiliate in 1997 and 1996.....	27,177	33,501	27,120	27,008	27,008
REIT management fees paid to affiliate.....	--	--	--	17,791	17,791
General and administrative.....	44,954	38,284	22,893	6,770	6,770
Interest.....	172,191	170,746	77,650	52,704	52,704
Earnings from operations(1).....	241,807	166,549	107,617	42,392	42,392
Gain (loss) on disposition of real estate.....	1,314	38,994	5,565	7,378	7,378
Foreign currency hedge income (expense).....	--	--	2,054	(6,028)	(6,028)
Foreign currency exchange gains (losses), net.....	(17,927)	(16,818)	2,938	(348)	(348)
Total income taxes.....	5,130	1,472	2,164	85	85
Cumulative effect of accounting change(2).....	--	1,440	--	--	--
Preferred share dividends.....	56,763	56,835	49,098	35,318	35,318
Net earnings attributable to Common Shares(1) (2).....	157,715	123,999	62,231	4,431	4,431
Common Share cash distributions paid(3).....	\$ 219,333	\$ 208,969	\$ 151,050	\$ 106,556	\$ 106,556
<b>PER SHARE DATA:</b>					
Basic and diluted net earnings attributable to Common Shares(1) (2).....	\$ 0.96	\$ 0.81	\$ 0.51	\$ 0.04	\$ 0.04
Series A preferred share dividends					

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paid.....	2.35	2.35	2.35	2.35	
Series B preferred share dividends					
paid.....	1.75	1.75	1.75	1.75	
Series C preferred share dividends					
paid.....	4.27	4.27	4.27	4.27	
Series D preferred share dividends					
paid.....	1.98	1.98	1.42	--	
Series E preferred share dividends					
paid(4).....	2.19	1.64	--	--	
Common Share distributions declared					
and paid.....	\$ 1.34	\$ 1.30	\$ 1.24	\$ 1.07	\$
Weighted average Common Shares					
outstanding:					
Basic.....	163,651	152,412	121,721	100,729	
Diluted.....	164,401	152,739	122,028	100,869	

OTHER DATA:

Reconciliation of net earnings to					
funds from operations(1) (5):					
Net earnings attributable to Common					
Shares.....	\$ 157,715	\$ 123,999	\$ 62,231	\$ 4,431	\$
Add (Deduct):					
Real estate related depreciation					
and amortization.....	146,859	150,050	99,514	76,275	

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	YEAR ENDED DECEMBER 31,				
	2000	1999	1998	1997	1
(Gain) loss on disposition of					
non-CDFS business segment					
assets.....	(1,314)	(38,994)	(5,565)	(7,378)	
Foreign currency exchange (gains)					
losses, net.....	19,569	16,596	(3,227)	348	
Deferred income tax expense.....	4,230	--	1,796	--	
Cumulative effect of accounting					
change.....	--	1,440	--	--	
ProLogis' share of reconciling					
items of unconsolidated					
entities:					
Real estate related					
depreciation and					
amortization.....	57,366	49,644	36,489	2,419	
(Gain) loss on disposition of					
non-CDFS business segment					
assets.....	(744)	826	179	--	
Foreign currency exchange					
(gains) losses, net.....	(2,773)	14,650	14,208	--	
Deferred income tax expense					
(benefit).....	(4,190)	510	(2,929)	--	
Cumulative effect of accounting					
change.....	--	1,480	--	--	
Funds from operations attributable					
to Common Shares(1) (2) (5).....	\$ 376,718	\$ 320,201	\$ 202,696	\$ 76,095	\$ 1

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	=====	=====	=====	=====	=====
Weighted average Common Shares outstanding:					
Basic.....	163,651	152,412	121,721	100,729	
Diluted(6).....	178,166	167,421	137,153	106,059	
Net cash provided by operating activities.....	\$ 336,829	\$ 271,391	\$ 238,253	\$ 192,473	\$ 1
Net cash used in investing activities.....	(393,184)	(34,365)	(1,264,722)	(571,061)	(6
Net cash provided by (used in) financing activities.....	\$ 44,887	\$ (230,828)	\$1,064,600	\$ 398,827	\$ 5

	DECEMBER 31,				
	2000	1999	1998	1997	1
FINANCIAL POSITION:					
Real estate owned, at cost.....	\$4,502,087	\$ 4,811,255	\$3,476,704	\$2,846,591	\$2,3
Land held for development.....	187,405	163,696	180,796	159,645	1
Investments in and advances to unconsolidated entities.....	1,453,148	940,364	733,863	86,139	
Total assets.....	5,946,334	5,848,040	4,330,729	3,033,953	2,4
Lines of credit and short-term borrowings(7).....	439,822	98,700	494,300	--	
Senior unsecured debt.....	1,699,989	1,729,630	1,083,641	724,052	5
Secured debt.....	537,925	695,586	227,804	133,028	1
Total liabilities.....	2,972,333	2,832,232	2,023,066	1,003,912	8
Minority interest.....	46,630	62,072	51,295	53,304	
Total shareholders' equity.....	\$2,927,371	\$ 2,953,736	\$2,256,368	\$1,976,737	\$1,5
Number of Common Shares outstanding.....	165,287	161,825	123,416	117,364	

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- (1) Earnings from operations, net earnings attributable to Common Shares and funds from operations attributable to Common Shares for 1999 and 1998 reflect \$0.9 million and \$26.1 million, respectively, of mark to market expense associated with two interest rate hedge agreements that, due to changing market conditions, no longer qualified for hedge accounting treatment under generally accepted accounting principles ("GAAP"). See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources -- Derivative Financial Instruments". Earnings from operations and funds from operations attributable to Common Shares for 1997 reflect the one-time, non-cash charge of \$75.4 million associated with the costs incurred in acquiring ProLogis' management companies from Security Capital in September 1997.
- (2) For 1999, net earnings attributable to Common Shares includes a one-time expense of \$1.4 million related to unamortized organization and start-up costs. See "Item 7. Management's Discussion and Analysis of

Financial Condition and Results of Operation -- Other Income and Expense Items -- Cumulative Effect of Accounting Change".

- (3) For 1999, includes \$11.1 million paid to Meridian shareholders. See "Item 5.

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Market for the Registrant's Common Equity and Related Stockholder Matters -- Distributions and Dividends".

- (4) Does not include dividends paid to Meridian shareholders. See "Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters -- Distributions and Dividends".
- (5) Amounts presented for the years 1996 through 1999 have been restated from amounts previously presented to reflect a change in the definition of funds from operations effective in 2000. Funds from operations is discussed and defined in "Item 7 -- Management's Discussion and Analysis of Financial Conditions and Results of Operations -- Funds from Operations". Funds from operations does not represent net income or cash from operating activities in accordance with GAAP and is not necessarily indicative of cash available to fund cash needs, which is presented in the Consolidated Statement of Cash Flows in ProLogis' Consolidated Financial Statements in Item 8. Cash distributions paid to shareholders are presented above in the "Operating Data" section of this table. Funds from operations should not be considered as an alternative to net income as an indicator of ProLogis' operating performance or as an alternative to cash flows from operating, investing or financing activities as a measure of liquidity. Additionally, the funds from operations measure presented by ProLogis will not necessarily be comparable to similarly titled measures of other REITs. ProLogis considers funds from operations to be a useful supplemental measure of comparative period operating performance and as a supplemental measure to provide management, financial analysts, potential investors and shareholders with an indication of ProLogis' ability to fund its capital expenditures and investment activities and to fund other cash needs.
- (6) In calculating the weighted average Common Shares for funds from operations purposes, weighted average Series B convertible preferred shares and weighted average limited partnership units are considered common stock equivalents. The weighted average Series B cumulative convertible redeemable preferred shares included are 8,417,000, 9,221,000 and 10,055,000 for 2000, 1999 and 1998, respectively. The amount of dividends associated with the Series B cumulative convertible redeemable preferred shares are \$11,358,000, \$12,523,000 and \$13,668,000 and for 2000, 1999 and 1998, respectively. The effect of the Series B cumulative convertible preferred shares in 1997 and 1996 was anti-dilutive. The weighted average limited partnership units included are 5,348,000, 5,461,000, 5,070,000, 5,190,000 and 5,194,000 for 2000, 1999, 1998, 1997 and 1996, respectively. The minority interest share of earnings associated with these limited partnership units are \$5,586,000, \$4,979,000, \$4,681,000, \$3,560,000 and \$3,326,000 for 2000, 1999, 1998, 1997 and 1996, respectively.
- (7) As of March 16, 2001, ProLogis had \$208.0 million of borrowings outstanding (including \$125.0 million that was borrowed by ProLogis Logistics and guaranteed by ProLogis) under its U.S. dollar denominated unsecured revolving credit facilities resulting in \$322.0 million of borrowing capacity available. As of March 16, 2001, ProLogis had the currency equivalent of approximately \$226.2 million (based on currency exchange rates quoted by Reuters) outstanding on its multi-currency unsecured revolving credit facility resulting in the currency equivalent of \$66.1 million (based on currency exchange rates quoted by Reuters) of borrowing capacity available.

### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with ProLogis's Consolidated Financial Statements and the notes thereto included in Item 8 of this report.

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The statements contained in this discussion that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are based on current expectations, estimates and projections about the industry and markets in which ProLogis operates, management's beliefs, and assumptions made by management. Words such as "expects", "anticipates", "intends", "plans", "believes", "seeks", "estimates", variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks,

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uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Factors which may affect outcomes and results include: (i) changes in general economic conditions in ProLogis' markets that could adversely affect demand for ProLogis' facilities and the creditworthiness of ProLogis' customers, (ii) changes in financial markets, interest rates and foreign currency exchange rates that could adversely affect ProLogis' cost of capital and its ability to meet its financial needs and obligations, (iii) increased or unanticipated competition for distribution facilities in ProLogis' target market cities; and (iv) those factors discussed under "--- Risk Factors".

### RESULTS OF OPERATIONS

ProLogis' net earnings attributable to Common Shares were \$157.7 million in 2000, \$124.0 million in 1999 and \$62.2 million in 1998. Basic and diluted per share net earnings attributable to Common Shares were \$0.96 per share in 2000, \$0.81 per share in 1999 and \$0.51 per share in 1998.

In 1998, ProLogis' business activities primarily involved the property operations segment with 93.7% of ProLogis' total income generated by this operating segment. Income from ProLogis' CDFS business generated 5.6% of ProLogis' total income while ProLogis recognized a loss of \$186,000 from its temperature-controlled distribution operations in 1998. Through the first quarter of 1999, the property operations segment continued to grow as the merger with Meridian was completed in March 1999 adding 32.2 million square feet of operating facilities to ProLogis' holdings. See Note 11 to ProLogis' Consolidated Financial Statements in Item 8. After completing this transaction, including a public debt offering of \$500.0 million in April 1999, ProLogis' focus on its CDFS business segment increased as this segment provided ProLogis with a means to increase shareholder value while minimizing the need for additional direct public debt and public equity capital. The CDFS business segment income increased by \$50.0 million in 1999 over 1998 and provided capital for ProLogis to utilize for its investing activities. The CDFS business segment income increase was due to the recognition of income from the Kingspark entities for an entire year (the Kingspark entities were acquired in August 1998) and to an increase in the number of facilities developed and disposed of to third parties and to ProLogis European Properties Fund in 1999. ProLogis' income from its temperature-controlled distribution operations segment increased by \$6.6 million in 1999 over 1998 and ProLogis recognized gains from the disposition of facilities utilized in the property operations segment of \$39.0 million in 1999, primarily on dispositions to ProLogis California, an increase of \$33.4 million over the gains recognized in 1998. Dispositions in the property operations segment also provided capital that was used for ProLogis' investment activities.

The CDFS business segment was at the core of ProLogis' business strategy in 2000 -- providing capital for ProLogis to redeploy into its development



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activities as well as generating profits that contribute to ProLogis' total income. ProLogis' income from this segment increased by \$51.4 million in 2000 over 1999, primarily the result of the number of dispositions of facilities developed by ProLogis, ProLogis Development Services and the Kingspark entities to entities in which ProLogis maintains an ownership interest, as well as to third parties. ProLogis North American Properties Fund I, formed in June 2000, acquired \$326.6 million of facilities that were previously owned by ProLogis and ProLogis Development Services. Income from ProLogis' temperature-controlled distribution operations decreased in 2000 from 1999 by \$14.8 million, primarily due to losses incurred in the European operations. Also in 2000, the property operations segment's net income increased by \$41.6 million over 1999. This operating segment's net income includes rental income and net rental expenses from facilities directly owned by ProLogis and also its share of the income of its unconsolidated entities such as ProLogis California, ProLogis European Properties Fund and ProLogis North American Properties Fund I that engage in property operations segment activities. See "-- Property Operations", "-- CDFS Business" and "-- Temperature-Controlled Distribution Operations".

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### Property Operations

ProLogis owned or had ownership interests in the following operating facilities as of the dates indicated:

	DECEMBER 31,					
	2000		1999		1998	
	NUMBER	SQUARE FOOTAGE	NUMBER	SQUARE FOOTAGE	NUMBER	SQU FOO
Direct ownership(1).....	1,244	126,275,246	1,328	133,688,563	1,099	104,5
ProLogis California(2).....	77	12,394,603	78	11,500,014	--	
ProLogis North American Properties Fund I(3).....	33	8,031,515	--	--	--	
ProLogis Principal(3).....	3	440,016	--	--	--	
ProLogis European Properties Fund and ProLogis European Properties S.a.r.l.(4).....	104	14,384,823	18	3,358,683	--	
ProLogis Garonor(5).....	--	--	--	--	54	5,2
	1,461	161,526,203	1,424	148,547,260	1,153	109,7
	=====	=====	=====	=====	=====	=====

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(1) Includes operating facilities owned by ProLogis and its consolidated entities. See "Item 2. Properties -- Facilities" and "Item 2. Properties -- Consolidated Entities". The increase in 1999 over 1998 is primarily attributable to the 247 additional facilities acquired as a part of the merger with Meridian (see Note 11 to ProLogis' Consolidated Financial Statements in Item 8) offset by the operating facilities that were previously directly owned by ProLogis that were acquired by ProLogis California and ProLogis European Properties Fund in 1999. The decrease in 2000 from 1999 represents the growth of ProLogis European Properties Fund in 2000, a significant portion of which is a result of acquiring operating

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facilities from ProLogis, and the formation of ProLogis North American Properties Fund I in 2000 whose entire portfolio consists of operating facilities that were previously directly owned by ProLogis and ProLogis Development Services.

- (2) ProLogis has a 50.0% ownership interest in ProLogis California. ProLogis California began operations on August 26, 1999.
- (3) ProLogis had a 20.0% ownership interest as of December 31, 2000 in both entities that were both formed on June 30, 2000. All operating facilities owned by these entities were previously directly owned by ProLogis and ProLogis Development Services. In January 2001, ProLogis contributed three additional operating facilities aggregating 0.9 million square feet to ProLogis North American Properties Fund I for an additional equity interest of \$34.1 million, increasing its ownership interest to 41.3%.
- (4) As of December 31, 2000, includes 44 operating facilities aggregating 7,751,072 square feet owned directly by ProLogis European Properties Fund in which ProLogis had a 34.4% ownership interest and 60 operating facilities aggregating 6,633,751 square feet owned by ProLogis European Properties S.a.r.l, which is owned by ProLogis European Properties Fund (50.1%) and ProLogis (49.9%). ProLogis European Properties Fund began operations on September 23, 1999. The 50.1% interest in the common stock of ProLogis European Properties S.a.r.l. was contributed to ProLogis European Properties Fund by ProLogis on January 7, 2000 for an equity interest. The remaining 49.9% of the common stock of ProLogis European Properties S.a.r.l was contributed to ProLogis European Properties Fund by ProLogis on January 7, 2001 for an additional equity interest, thereby increasing ProLogis' ownership interest in ProLogis European Properties Fund to 45.6%. As of December 31, 1999, all facilities were owned directly by ProLogis European Properties Fund in which ProLogis had a 19.7% ownership interest.
- (5) As of December 31, 1998, ProLogis had an investment in Garonor Holdings S.A. ("Garonor Holdings") which owned Garonor S.A. ("ProLogis Garonor"), a real estate operating company in France. Under the equity method, ProLogis recognized substantially all of the economic benefits of ProLogis Garonor and Garonor Holdings for the period from its acquisition by ProLogis on December 29, 1998 to June 29, 1999. On June 29, 1999, ProLogis Garonor became a wholly owned subsidiary of ProLogis. ProLogis Garonor was directly owned by ProLogis during the period from June 29, 1999 to January 7, 2000 and its results of operations were consolidated in ProLogis' financial statements along with ProLogis' other wholly owned

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subsidiaries and majority owned and controlled partnerships. ProLogis Garonor is part of ProLogis European Properties S.a.r.l. See Note 4 to ProLogis' Consolidated Financial Statements in Item 8.

ProLogis' property operations segment income consists of the: (i) net operating income from the operating facilities that are owned by ProLogis directly or through its consolidated entities, and (ii) the income recognized by ProLogis under the equity method from its investments in unconsolidated entities engaged in property operations. See Note 10 to ProLogis' Consolidated Financial Statements in Item 8. The amounts recognized under the equity method are based on the net earnings of each unconsolidated entity and include: interest income and interest expense, depreciation and amortization expenses, general and administrative expenses, income taxes and foreign currency exchange gains and losses (with respect to ProLogis Garonor, ProLogis European Properties Fund and ProLogis European Properties S.a.r.l.). ProLogis' net operating income from the property operations segment was as follows for 2000, 1999 and 1998 (in

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thousands) (see Note 10 to ProLogis' Consolidated Financial Statements in Item 8):

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Facilities directly owned by ProLogis and its consolidated entities:			
Rental income.....	\$480,088	\$491,826	\$345,046
Property operating expenses.....	27,177	33,501	27,120
	-----	-----	-----
Net operating income(1).....	452,911	458,325	317,926
	-----	-----	-----
Income from the ProLogis California.....	13,178	3,917	--
Income from ProLogis North American Properties Fund I.....	1,806	--	--
Income from ProLogis Principal.....	612	--	--
Income from ProLogis European Properties Fund(2).....	15,648	820	--
Income from ProLogis European Properties S.a.r.l.(2).....	8,041	--	--
Income (loss) from ProLogis Garonor(2).....	--	(12,423)	6
	-----	-----	-----
Total property operations segment.....	\$492,196	\$450,639	\$317,932
	=====	=====	=====

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(1) Rental expenses, net of recoveries from tenants, decreased by \$6.3 million in 2000 from 1999 and increased by \$6.4 million in 1999 from 1998. The fluctuations in rental expenses between years is primarily the result of the changes in the composition of the directly owned facilities in each year in addition to increased rental expense recoveries (as a percentage of total rental expenses) in each year. Rental expenses, before recoveries from tenants, has remained constant at 24.8% of rental income for 2000, 24.7% of rental income for 1999 and 24.5% of rental income for 1998. However, total rental expense recoveries were 77.1%, 72.4% and 67.9% of total rental expenses in 2000, 1999 and 1998, respectively. The increase in rental expense recoveries as a percentage of total rental expenses reflects ProLogis' emphasis on on-site property management teams and the effectiveness of the ProLogis Operating System(TM).

(2) ProLogis' share of the income of ProLogis European Properties Fund and ProLogis European Properties S.a.r.l. includes net foreign currency gains of \$2.3 million and \$2.4 million, respectively, in 2000. ProLogis' share of ProLogis Garonor's loss in 1999 includes the recognition of a net foreign currency exchange loss of \$13.0 million.

The facilities that ProLogis develops are not always pre-leased at the start of construction. In addition, ProLogis may acquire facilities that are underleased at the time of acquisition. While these situations will reduce ProLogis' overall occupancy rate below its stabilized level in the short-term, they do provide opportunities to increase revenues. The term "stabilized" means that capital improvements, repositioning, new management and new marketing programs (or development and marketing, in the case of newly developed facilities) have been in effect for a sufficient period of time (generally 12 months) to achieve stabilized occupancy (typically 93%, but ranging from 90% to 95%, depending on the submarket and product type). ProLogis has been successful in increasing occupancies on acquired and developed facilities during their initial months of operation, resulting in an occupancy rate of 95.4% and a

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leased rate of 96.2% for stabilized facilities owned by ProLogis and its consolidated and unconsolidated entities as of December 31, 2000. The average increase in rental rates for both new and renewed leases on previously leased space (36.3 million square feet) for all facilities including those owned by ProLogis' consolidated and unconsolidated entities during 2000 was 15.5%. During 2000, the net

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operating income (rental income less net rental expenses) generated by ProLogis' "same store" portfolio of operating facilities (facilities owned by ProLogis and its consolidated and unconsolidated entities that were in operation throughout both 2000 and 1999) increased by 5.94% over 1999. The net operating income (rental income less net rental expenses) generated by ProLogis' "same store" portfolio of operating facilities in 1999 (facilities owned by ProLogis and its consolidated and unconsolidated entities that were in operation throughout both 1999 and 1998) increased by 4.00% over 1998.

There has been minimal impact of the California energy situation and the attendant increase in utility costs on ProLogis' income from the property operations segment. ProLogis' customers are responsible for their direct utility bills and ProLogis' facilities have minimal common utility charges, which are generally included in amounts recovered from customers under the terms of the lease agreements. Given the typical use of ProLogis' distribution facilities (bulk distribution and light manufacturing and assembly uses), ProLogis believes that its customers' total utility expenses are a small portion of the total expenses related to the operations within ProLogis' facilities. See "Item 2. Properties -- Industrial Distribution Facilities".

### CDFS Business

Income from ProLogis' CDFS business segment consists primarily of: (i) the profits from the disposition of land parcels and facilities that were developed by ProLogis or ProLogis Development Services and disposed of to customers or to entities in which ProLogis has an ownership interest; (ii) development fees earned by ProLogis Development Services; and (iii) income recognized under the equity method from ProLogis' investment in the Kingspark entities. The Kingspark entities engage in CDFS business activities in the United Kingdom similar to those activities performed directly by ProLogis and ProLogis Development Services. ProLogis recognizes 95% of the net earnings of the Kingspark entities that includes: interest income and interest expense (net of capitalized amounts), general and administrative expense (net of capitalized amounts), income taxes and foreign currency exchange gains and losses. See Note 4 to ProLogis' Consolidated Financial Statements in Item 8.

The CDFS business segment operations have increased in volume in each year; consequently, ProLogis' income from this segment has increased in each year. The CDFS business segment income is comprised of the following (in thousands):

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Net gains on disposition of land parcels and facilities developed by ProLogis(1).....	\$ 71,284	\$44,741	\$15,094
Development fees earned by ProLogis Development Services.....	3,954	1,790	2,103
Other miscellaneous income, net.....	2,865	148	357

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Income from the Kingspark entities(2).....	43,795	23,855	2,915
	-----	-----	-----
	\$121,898	\$70,534	\$20,469
	=====	=====	=====

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(1) Represents gains from the disposition of land parcels and facilities developed as follows:

- 2000: 193 acres; 10.6 million square feet; \$491.9 million of proceeds;
- 1999: 203 acres; 5.4 million square feet; \$357.5 million of proceeds; and
- 1998: 67 acres; 2.0 million square feet; \$82.6 million of proceeds.

(2) The Kingspark entities were acquired on August 14, 1998. The Kingspark entities' income includes:

- Gains from the disposition of land parcels and facilities developed as follows:
  - 2000: 11 acres; 1.2 million square feet; \$180.5 million of proceeds; net gains of \$30.5 million;
  - 1999: 97 acres; 1.1 million square feet; \$155.4 million of proceeds; net gains of \$23.4 million; and
  - 1998: 15 acres; \$13.8 million of proceeds; net gains of \$2.0 million;
- Development fees and other miscellaneous income of \$11.9 million in 2000, \$10.1 million in 1999 and \$5.3 million for the period from August 14, 1998 to December 31, 1998;

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- Deferred and current income tax expense of \$2.6 million in 2000, \$7.7 million in 1999 and \$0.2 million for the period from August 14, 1998 to December 31, 1998; and
- Foreign currency exchange gains of \$0.3 million in 2000 and foreign currency exchange losses of \$1.5 million in 1999 and \$0.9 million for the period from August 14, 1998 to December 31, 1998.

The enactment of the REIT Modernization Act ("RMA") on January 1, 2001 eliminates the restrictions on the amount of common stock ownership a REIT can have in certain taxable subsidiaries. This restriction applied to the Kingspark entities. On January 2, 2001, ProLogis acquired an ownership interest in the common stock of Kingspark S.A. This transaction resulted in ProLogis having control of Kingspark S.A. Accordingly, ProLogis will consolidate the Kingspark entities in its financial statements beginning in 2001. See "-- New Tax Legislation" and Note 4 to ProLogis' Consolidated Financial Statements in Item 8.

### Temperature-Controlled Distribution Operations

ProLogis recognizes income from the temperature-controlled distribution operations segment of its business under the equity method. ProLogis' share of the net income or loss of ProLogis Logistics and Frigoscandia S.A. was as follows (in thousands) (see Notes 4 and 10 to ProLogis' Consolidated Financial

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Statements in Item 8):

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Income from ProLogis Logistics.....	\$ 11,950	\$10,791	\$ 7,349
Loss from Frigoscandia S.A. ....	(20,298)	(4,364)	(7,535)
Total temperature-controlled distribution operations segment.....	\$ (8,348)	\$ 6,427	\$ (186)

The net income or loss of ProLogis Logistics and Frigoscandia S.A. includes interest income and interest expense, depreciation and amortization expense, general and administrative expense, income taxes and foreign currency exchange gains and losses (with respect to Frigoscandia). ProLogis recognizes 95% of the net earnings of each entity.

ProLogis Logistics acquired CSI on April 24, 1997 and owned between 60.0% and 77.1% until June 12, 1998, at which time ProLogis Logistics became CSI's sole owner. The increase in ProLogis' share of ProLogis Logistics' net earnings from 1999 to 2000 and from 1998 to 1999 of \$1.2 million and \$3.4 million, respectively is primarily attributable to the increase in cubic feet capacity in operation. See "Item 1. Business -- Business Strategy and Operating Segments -- Temperature-Controlled Distribution Operations -- Operations".

ProLogis invested in Frigoscandia S.A. on January 16, 1998. Frigoscandia's operating capacity was virtually constant in 1998, 1999 and 2000. ProLogis' share of Frigoscandia S.A.'s net losses includes net foreign currency exchange losses of \$0.8 million, \$1.3 million and \$11.4 million in 2000, 1999 and 1998, respectively. Excluding these foreign currency exchange losses, ProLogis recognized \$16.4 million less income under the equity method in 2000 than it recognized in 1999 from its investment in Frigoscandia S.A. The increase in Frigoscandia S.A.'s net loss in 2000 from the loss recognized in 1999 is primarily due to: (i) lower occupancy levels, principally the result of the reduction in inventories of beef and pork products by the German and French governments; (ii) a weak European vegetable harvest due to high rainfall levels during the summer months resulting in reduced inventories of frozen vegetables; and (iii) increases in fuel prices and expenses incurred related to trucker strikes in August and September. In 1999, Frigoscandia S.A.'s net loss was primarily the result of lower occupancy levels as compared to 1998. In 1998, Frigoscandia S.A. recognized a net foreign currency exchange loss of \$11.4 million. Excluding the effect of this foreign currency exchange loss, ProLogis would have recognized income of \$3.9 million from its investment in Frigoscandia S.A. in 1998.

ProLogis believes that the factors that contributed to the decline in operating performance of Frigoscandia are temporary and can be partially mitigated in the short-term by reductions in general and administrative costs and other operating costs. However, there is no assurance that these factors are temporary or that some or all of these factors will not continue past 2001. ProLogis and Frigoscandia are currently monitoring the recent outbreak of foot and mouth disease in Europe. At this time, the effect (positive or negative), if any, on the demand for

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temperature-controlled distribution services and the related transportation services offered by Frigoscandia cannot be determined.

### Other Income and Expense Items

#### Interest Income

Interest income was \$7.3 million in 2000, an increase of \$0.9 million over the interest income recognized in 1999. Interest income increased by \$3.6 million in 1999 over 1998. The increases in interest income are primarily the result of higher average cash balances.

#### General and Administrative Expense

General and administrative expense was \$45.0 million in 2000, \$38.3 million in 1999 and \$22.9 million in 1998. The increase in general and administrative expense in 2000 over 1999 is attributable to new business initiatives in both North America and Europe. The increase in general and administrative expense in 1999 over 1998 is primarily related to ProLogis' expanded operational infrastructure in Europe and also because ProLogis began expensing costs related to start-up activities and organization costs under a new accounting pronouncement in 1999 (see "-- Cumulative Effect of Accounting Change").

#### Depreciation and Amortization

Depreciation and amortization expense was \$151.5 million in 2000, \$152.4 million in 1999 and \$100.6 million in 1998. The fluctuations in this expense between years is primarily attributable to the number of operating facilities directly owned by ProLogis and its consolidated entities in each year. See "-- Property Operations".

#### Interest Expense

Interest expense was \$172.2 million in 2000, \$170.7 million in 1999 and \$77.7 million in 1998. The increases in each year are primarily the result of the increased use of debt to finance investment activities in each year, particularly in 1999 when ProLogis increased its secured debt balances to \$695.6 million as of December 31, 1999 (of which \$90.1 million was assumed in the merger with Meridian; see "-- Merger with Meridian") from \$227.8 million as of December 31, 1998. In addition, ProLogis issued senior unsecured notes in the amounts of \$500.0 million in April 1999, \$125.0 million in October 1998 and \$250.0 million in July 1998. In conjunction with the merger with Meridian, ProLogis also assumed \$160.0 million of senior unsecured notes.

Interest expense recognized on borrowings is offset by interest capitalized with respect to ProLogis' development activities. Capitalized interest increased by \$2.5 million to \$18.5 million in 2000 from \$16.0 million in 1999 and decreased by \$3.2 million to \$16.0 million in 1999 from \$19.2 million in 1998. Capitalized interest levels are reflective of ProLogis' cost of funds and the level of development activity in each year.

#### Interest Rate Hedge Expense

See "-- Liquidity and Capital Resources -- Derivative Financial Instruments" for a discussion of this expense.

#### Other Expenses

Other expenses were \$5.9 million in 2000, \$4.9 million in 1999 and \$6.2 million in 1998. Included as "Other Expenses" are land holding costs, the write-off of previously capitalized pursuit costs and costs associated with the

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name change to ProLogis in 1998.

Land holding costs were \$2.1 million in 2000, \$2.0 million in 1999 and \$2.2 million in 1998. Pursuit cost write-offs were \$3.8 million in 2000, \$2.9 million in 1999 and \$2.3 million in 1998. Non-recurring costs associated with the name change were \$1.7 million in 1998.

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### Gain on Disposition of Real Estate

Gain on disposition of real estate represents the net gains from the disposition of operating facilities that were acquired or developed within the property operations segment. Generally, ProLogis disposes of facilities in the property operations segment because such facilities are considered to be non-strategic facilities or to complement the portfolio of developed facilities that are acquired by entities in which ProLogis maintains an ownership interest. Non-strategic facilities are assets located in markets or submarkets that are no longer considered target markets as well as assets that were acquired as part of previous portfolio acquisitions that are not consistent with ProLogis' core portfolio based on the asset's size or configuration.

Property operations segment dispositions were as follows:

- 2000: 3.5 million square feet; \$133.7 million of proceeds; net gains of \$1.3 million;
- 1999 (excluding ProLogis California): 2.6 million square feet; \$99.5 million of proceeds; net gains of \$13.4 million; and
- 1998: 1.1 million square feet; \$26.7 million of proceeds; net gains of \$5.6 million.

In August 1999, in connection with the formation of ProLogis California, ProLogis disposed of 78 operating facilities and two facilities under development to ProLogis California. The net sales proceeds from this disposition were \$538.3 million and ProLogis recognized a gain of \$25.6 million on the transaction, which is net of \$25.6 million that was deferred because it did not qualify for income recognition due to ProLogis' continuing ownership in ProLogis California. ProLogis received an equity interest in ProLogis California of \$148.2 million and ProLogis California assumed \$199.3 million of ProLogis' debt. The remaining proceeds were received in cash.

### Foreign Currency Hedge Income

Foreign currency hedge income of \$2.0 million recognized in 1998 resulted from the final settlement of two foreign currency hedge contracts related to the acquisition of Frigoscandia in January 1998. The settlement of these contracts, which did not qualify for hedge accounting treatment, resulted in a total loss of \$4.0 million, including a mark to market loss of \$6.0 million recognized by ProLogis in 1997.

### Foreign Currency Exchange Gains (Losses)

ProLogis recognized net foreign currency exchange losses of \$17.9 million and \$16.8 million for 2000 and 1999, respectively. A net foreign currency exchange gain of \$2.9 million was recognized in 1998. Foreign currency exchange gains and losses are primarily the result of the remeasurement and settlement of intercompany debt and the remeasurement of third party debt of ProLogis' foreign subsidiaries. Fluctuations in the foreign currency exchange gains and losses recognized in each period are a product of movements in certain foreign currency



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exchange rates, primarily the euro and the pound sterling and the level of intercompany and third party debt outstanding that is denominated in currencies other than the U.S. dollar. During 2000 and 1999, the euro and pound sterling depreciated against the U.S. dollar which is the primary cause of the remeasurement losses recognized in these years. During 1998, the currencies of ProLogis' foreign subsidiaries, primarily the French franc and Dutch guilder, strengthened against the U. S. dollar resulting in the net remeasurement gain that year. ProLogis began utilizing foreign currency put options to hedge its foreign currency exchange risk in September 1999. See "-- Liquidity and Capital Resources -- Derivative Financial Instruments".

### Income Taxes

ProLogis is taxed as a REIT for federal income tax purposes and is not required to pay federal income taxes if minimum distribution and income, asset and shareholder tests are met. ProLogis Development Services is not a qualified REIT subsidiary for tax purposes. Also, the foreign countries in which ProLogis operates do not recognize REITs under their respective tax laws. Accordingly, ProLogis recognizes income taxes as appropriate and in accordance with GAAP with respect to the taxable earnings of ProLogis Development Services and its foreign subsidiaries.

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Total income tax expense recognized in 2000, 1999 and 1998 was \$5.1 million, \$1.5 million and \$2.2 million, respectively, of which the deferred component was \$4.2 million, zero and \$1.8 million in 2000, 1999, and 1998, respectively. ProLogis' deferred tax component of total income taxes is a function of each year's temporary differences (items that are treated differently for tax purposes than for book purposes) as well as the need for a deferred tax valuation allowance to adjust certain deferred tax assets (primarily deferred tax assets created by tax net operating losses) to their estimated realizable value. In 1999, the effect of the current year's temporary differences were entirely offset by adjustments to the valuation allowance resulting in no net deferred tax expense being recognized.

### Cumulative Effect of Accounting Change

Through 1998, ProLogis capitalized costs associated with start-up activities and organization costs and amortized such costs over an appropriate period, generally five years. Statement of Position 98-5 "Reporting on the Costs of Start-Up Activities", which requires that costs associated with organizational, pre-opening, and start-up activities be expensed as incurred, was adopted by ProLogis on January 1, 1999. Accordingly, ProLogis expensed \$1.4 million of unamortized organization and start-up costs as a cumulative effect of accounting change in the first quarter of 1999. All such costs incurred since 1999 have been expensed (see "-- General and Administrative").

### Merger with Meridian

On March 30, 1999, Meridian, a publicly traded REIT that owned industrial distribution facilities in the United States, was merged with and into ProLogis. In accordance with the terms of the Agreement and Plan of Merger dated as of November 16, 1998, as amended, the approximately 33.8 million outstanding shares of Meridian common stock were exchanged (on a 1.1 for one basis) into approximately 37.2 million ProLogis Common Shares. In addition, the holders of Meridian common stock received \$2.00 in cash per outstanding share, approximately \$67.6 million in total. The holders of Meridian's Series D cumulative redeemable preferred stock received a new series of ProLogis cumulative redeemable preferred shares, Series E preferred shares, on a one for one basis. The Series E preferred shares have an 8.75% annual dividend rate

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(\$2.1875 per share) and an aggregate liquidation value of \$50.0 million. The total purchase price of Meridian was approximately \$1.54 billion, which included the assumption of the outstanding debt and liabilities of Meridian as of March 30, 1999 and the issuance of approximately 1.1 million stock options, each to acquire 1.1 ProLogis Common Shares, plus \$2.00 in cash. The total assets acquired from Meridian aggregated approximately \$1.54 billion, including \$1.42 billion of real estate assets and an interest in a temperature-controlled distribution business of \$28.7 million. The transaction was structured as a tax-free merger and was accounted for under the purchase method. See Note 11 to ProLogis' Consolidated Financial Statements in Item 8.

### ENVIRONMENTAL MATTERS

ProLogis has not experienced any environmental condition on its facilities, which materially adversely affected its results of operations or financial position nor is ProLogis aware of any environmental liability that ProLogis believes would have a material adverse effect on its business, financial condition or results of operations. See "-- Risk Factors -- Potential Environmental Liability".

### LIQUIDITY AND CAPITAL RESOURCES

#### Overview

ProLogis considers its liquidity and ability to generate cash from operations as well as its financing capabilities (including proceeds from the disposition of facilities) to be adequate and expects it to continue to be adequate to meet its anticipated development, acquisition, operating and debt service needs as well as its shareholder distribution requirements.

ProLogis' future investing activities are expected to consist of: (i) acquisitions of existing facilities in key distribution markets in the property operations segment; (ii) the acquisition of land for future development and the development of distribution facilities in the CDFS business segment for future disposition to entities in which

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ProLogis maintains an ownership interest or to third parties; and (iii) certain temperature-controlled distribution facility expansions and, to a limited extent, investments in additional temperature-controlled distribution facilities. Temperature-controlled investments will be made as deemed necessary to achieve strategic objectives with respect to targeted markets in the United States or to address specific customer needs in the United States and Europe. ProLogis' future investing activities are expected to be primarily funded with:

- cash generated by operations;
- the proceeds from the disposition of facilities developed to third parties;
- the proceeds from the disposition of facilities to entities in which ProLogis maintains an ownership interest, such as ProLogis European Properties Fund or other entities that may be formed in the future; and
- utilization of ProLogis' revolving credit facilities.

In the short-term, borrowings on and subsequent repayments of ProLogis' unsecured revolving credit facilities will provide ProLogis with adequate liquidity and financial flexibility to efficiently respond to market opportunities. As of March 16, 2001, on a combined basis, ProLogis had

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approximately \$388.1 million of short-term borrowing capacity available under its U.S. dollar denominated and multi-currency unsecured revolving credit facilities (see "-- Credit Facilities"). ProLogis' U.S. dollar denominated unsecured line of credit agreement allows ProLogis to increase the available commitment by \$25.0 million to a total of \$500.0 million. ProLogis has \$608.0 million of shelf-registered securities which can be issued in the form of debt securities, preferred shares, Common Shares, rights to purchase Common Shares and preferred share purchase rights on an as-needed basis, subject to ProLogis' ability to effect an offering on satisfactory terms. ProLogis will continue to evaluate the public debt markets with the objective of reducing its short-term borrowings and extending debt maturities on favorable terms.

Within ProLogis European Properties Fund, ProLogis has access to 734.7 million euros (the currency equivalent of approximately \$683.4 million as of December 31, 2000 based on currency exchange rates quoted by Reuters) of third party equity capital in Europe that has been committed primarily by institutional investors through 2002 to fund acquisitions of ProLogis' completed stabilized European developments and acquisitions of other facilities from third parties. ProLogis European Properties Fund has a multi-currency secured, revolving credit facility in the currency equivalent of 500.0 million euros that is utilized in conjunction with the committed equity to provide additional capital for its acquisitions. As of December 31, 2000, 118.2 million euros and 62.6 million pound sterling (the currency equivalent of approximately \$205.5 million based on currency exchange rates quoted by Reuters) was outstanding on the 500.0 million euro credit facility. ProLogis European Properties Fund expects to obtain secured, term financing to refinance borrowings outstanding on the 500.0 million euro credit facility.

### Cash Operating Activities

Net cash provided by operating activities was \$336.8 million in 2000, \$271.4 million in 1999 and \$238.3 million in 1998. These increases are primarily the result of the increased number of operating facilities in each year. See "-- Results of Operations -- Property Operations". Cash provided by operating activities exceeded the cash distributions paid on Common Shares in 2000, 1999 and 1998.

### Cash Investing and Cash Financing Activities

For 2000, 1999 and 1998, ProLogis used net cash of \$393.2 million, \$34.4 million, and \$1.26 billion, respectively in its investing activities. Such activities consisted primarily of investments in real estate (including recurring capital expenditures and tenant improvements and lease commissions on previously leased space) of \$683.2 million in 2000, \$512.3 million in 1999 and \$716.6 million in 1998. In addition, investments in unconsolidated entities were \$188.8 million in 2000, \$141.0 million in 1999 and \$657.5 million in 1998. Net cash generated from the dispositions of facilities and land parcels was \$496.7 million, \$570.0 million and \$109.3 million in 2000, 1999 and 1998, respectively.

ProLogis' financing activities in 2000 consisted primarily of \$341.1 million of short-term borrowings and \$30.7 million of proceeds from Common Share transactions. In 1999, ProLogis' primary financing activities involved the completion of secured and unsecured long-term debt transactions generating net cash of \$966.1 million. Proceeds from these debt transactions were the primary source of the funds for the net repayment of short-term borrowings of \$724.0 million in 1999 (including \$328.4 million repayment of short-term borrowings assumed in the merger with Meridian). See "-- Results of Operations -- Merger with Meridian and Note 11 to ProLogis' Consolidated Financial Statements in Item 8. ProLogis' financing activities in 1998 included net short-term borrowings of

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\$494.3 million, proceeds from Common Share and preferred share transactions of \$371.9 million and secured and unsecured long-term debt transactions generating net cash of \$440.5 million.

Common Share cash distributions were \$219.3 million, \$209.0 million (including \$11.1 million paid to Meridian shareholders) and \$151.1 million in 2000, 1999 and 1998, respectively. Dividends paid on preferred shares were \$56.8 million in 2000, \$56.8 million in 1999 (including \$0.7 million paid to Meridian shareholders in 1999) and \$49.1 million in 1998. See "-- Distribution and Dividend Requirements".

### Credit Facilities

ProLogis has an unsecured credit agreement with Bank of America, N.A. ("Bank of America"), Commerzbank AG and Chase Bank of Texas, National Association, as agents for a bank group that provides for a \$475.0 million unsecured revolving line of credit. The credit agreement allows ProLogis to increase the available commitment by \$25.0 million to a total of \$500.0 million. ProLogis Logistics and ProLogis Development Services may also borrow under the credit agreement, with such borrowings guaranteed by ProLogis. ProLogis' borrowings under the agreement generally bear interest at LIBOR plus an applicable margin (based upon ProLogis' current senior unsecured debt ratings). ProLogis' borrowings in 2000 were primarily at the 30-day LIBOR rate plus 0.75% (7.31% as of December 31, 2000). Additionally, the credit agreement provides for a facility fee of 0.15% per annum. The credit agreement matures on June 6, 2003 and may be extended for an additional year at ProLogis' option. As of December 31, 2000, ProLogis had \$184.7 million of borrowings outstanding on the unsecured line of credit and ProLogis was in compliance with all covenants contained in the credit agreement. As of December 31, 2000, ProLogis Logistics and ProLogis Development Services had not borrowed under the credit agreement.

In addition, ProLogis has a \$55.0 million unsecured discretionary line of credit with Bank of America that matures on June 6, 2001. Of the total, ProLogis can borrow the currency equivalent of \$30.0 million in certain foreign currencies with U.S. dollar borrowings limited to \$25.0 million. By agreement between ProLogis and Bank of America, the rate of interest on and the maturity date of each advance are determined at the time of each advance. There were \$25.0 million of borrowings outstanding on the discretionary line of credit as of December 31, 2000.

ProLogis has a credit agreement that provides for a 325.0 million euro multi-currency, unsecured revolving line of credit (the currency equivalent of approximately \$302.3 million as of December 31, 2000 based on currency exchange rates quoted by Reuters) through a group of 17 banks, on whose behalf ABN AMRO Bank, N.V. acts as agent. Borrowings under the line of credit bear interest at Euribor plus 0.75% or Sterling LIBOR plus 0.75% (borrowings outstanding as of December 31, 2000 were at a weighted average interest rate of 6.23%). The credit agreement provides for an unused commitment fee of 0.375% per annum. As of December 31, 2000, there were 247.4 million euros (the currency equivalent of approximately \$230.1 million based on currency exchange rates quoted by Reuters) of borrowings outstanding on the line of credit and ProLogis was in compliance with all covenants contained in the credit agreement.

### Derivative Financial Instruments

ProLogis uses derivative financial instruments as hedges to manage well-defined risk associated with interest and foreign currency rate fluctuations on existing or anticipated obligations and transactions. ProLogis does not use derivative financial instruments for trading purposes.

The primary risks associated with derivative instruments are market risk and credit risk. Market risk is defined as the potential for loss in the value

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of the derivative due to adverse changes in market prices (interest

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rates or foreign currency rates). The use of derivative financial instruments allows ProLogis to manage the risks of increases in interest rates and fluctuations in foreign currency exchange rates with respect to the effects these fluctuations would have on ProLogis' income and cash flows.

Credit risk is the risk that one of the parties to a derivative contract fails to perform or meet their financial obligation under the contract. ProLogis does not obtain collateral to support financial instruments subject to credit risk but monitors the credit standing of counterparties. ProLogis does not anticipate non-performance by any of the counterparties to its derivative contracts. Should a counterparty fail to perform, however, ProLogis would incur a financial loss to the extent of the positive fair market value of the derivative instruments, if any.

As of December 31, 2000, ProLogis had foreign currency put option contracts outstanding in the notional amount of 47.1 million euros (the currency equivalent of approximately \$43.8 million based on currency exchange rates quoted by Reuters) related to its operations in Europe. The put option contracts provide ProLogis with the option to exchange euros for U.S. dollars at a fixed exchange rate such that if the euro were to depreciate against the U.S. dollar to predetermined levels (as set by the contract), ProLogis could exercise its options and mitigate its foreign currency exchange losses. The outstanding contracts do not qualify for hedge accounting treatment and were marked to market through income as of December 31, 2000. ProLogis recognized aggregate income of \$627,000 on various put option contracts, including realized income of \$1,481,000 and a mark to market expense of \$854,000, in 2000.

ProLogis entered into two interest rate protection agreements with a combined notional amount of \$150.0 million in October 1997 in anticipation of public debt offerings to be completed in 1998. During 1998, the interest rate protection agreements no longer qualified for hedge accounting treatment under GAAP. Accordingly, ProLogis began marking these agreements to market through income and, for the year ended December 31, 1998, ProLogis recognized a non-cash expense of \$26.1 million related to these agreements. These agreements were terminated in February 1999 at a total cost of \$27.0 million (an additional \$0.9 million expense was recognized in 1999). ProLogis used these agreements to set the interest rate on \$200.0 million of privately placed secured debt that was obtained in 1999.

See "-- Results of Operations -- Other Income and Expense Items -- Foreign Currency Hedge Income (Expense)" for a discussion of foreign currency hedge contracts entered into in 1997 and terminated in 1998 related to the acquisition of Frigoscandia.

### Commitments

As of December 31, 2000, ProLogis had letters of intent or contingent contracts, subject to ProLogis' final due diligence, for the acquisition of 1.7 million square feet of operating facilities at an estimated acquisition cost of \$41.4 million. The foregoing transactions are subject to a number of conditions, and ProLogis cannot predict with certainty that they will be consummated. In January 2001, ProLogis acquired three of these operating facilities aggregating 0.7 million square feet at a total acquisition costs of \$16.6 million. In addition, as of December 31, 2000, ProLogis had \$355.2 million of budgeted development costs for developments in process, of which \$169.2 million was unfunded.

On January 11, 2001, ProLogis announced a Common Share repurchase program

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under which it may repurchase up to \$100.0 million of its Common Shares. The Common Shares will be repurchased from time to time in the open market and in privately negotiated transactions, depending on market prices and other conditions. On February 12, 2001, ProLogis announced its call for redemption of all outstanding Series B cumulative redeemable convertible preferred shares at a price of \$25.00 per share, plus \$0.442 in accrued and unpaid dividends, for an aggregate redemption price of \$25.442 per preferred share. The redemption date is March 20, 2001. On or prior to March 13, 2001, the Series B preferred shares can be converted into Common Shares at a conversion rate of 1.282 Common Share for each Series B preferred share. ProLogis intends to fund the Common Share repurchase program and the redemption of the Series B cumulative redeemable convertible preferred shares through borrowings on its unsecured revolving credit facilities.

ProLogis has entered into a subscription agreement to make additional capital contributions to ProLogis European Properties Fund (excluding the remaining 49.9% of the common stock of ProLogis European

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Properties S.a.r.l.) of 93.2 million euros (the currency equivalent of approximately \$86.7 million as of December 31, 2000 based on currency exchange rates quoted by Reuters) through 2002. Also, ProLogis is committed to invest \$8.0 million in the non-cumulative preferred stock of PhatPipe Inc. by March 31, 2001 (\$2.5 million of which was funded on January 4, 2001). See Note 4 to ProLogis' Consolidated Financial Statements in Item 8.

As of March 1, 2001, ProLogis has guaranteed 100% of the outstanding borrowings under Frigoscandia's multi-currency revolving credit agreement (increased from 25% as of December 31, 2000). The agreement allows for the currency equivalent of 360.0 million Deutsche marks of borrowings and the currency equivalent of approximately \$168.1 million was outstanding as of December 31, 2000 (based on currency exchange rates quoted by Svenska Handelsbanken). The loan will be due on March 31, 2001 and bears interest at the relevant index (LIBOR or Euribor based on the currency borrowed) plus 1.15%. Frigoscandia is negotiating a new credit agreement that will provide for the currency equivalent of 185.0 million euros of borrowing capacity with interest charged at the relevant index plus 0.90%, to mature on December 31, 2001. ProLogis will guarantee 100% of the borrowings under the new agreement.

The Kingspark entities have a line of credit agreement with a bank in the United Kingdom that has been guaranteed by ProLogis and provides for borrowings of up to 15.0 million pounds sterling (the currency equivalent of approximately \$22.4 million as of December 31, 2000 based on currency exchange rates quoted by Reuters). As of December 31, 2000 no borrowings were outstanding on the line of credit. However, as of December 31, 2000, the Kingspark entities had the currency equivalent of approximately \$13.8 million of letters of credit outstanding (based on currency exchange rates quoted by Reuters) that reduce the amount of available borrowings on the line of credit.

ProLogis European Properties Fund has an agreement with two international banks for a multi-currency, secured revolving credit facility in the currency equivalent of 500.0 million euros that matures in October 2002. The facility is secured by certain assets of ProLogis European Properties Fund. Borrowings can be denominated in sterling currencies or the euro, and will bear interest at rates above the relevant index (LIBOR or Euribor). As of December 31, 2000, 118.2 million euros and 62.6 million pound sterling were outstanding on the line (the currency equivalent of approximately \$205.5 million based on currency exchange rates quoted by Reuters). Of the total borrowings outstanding as of December 31, 2000, ProLogis has guaranteed the currency equivalent of approximately \$93.0 million (based on currency exchange rates quoted by

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Reuters).

ProLogis has guaranteed a 140.0 million French franc (the currency equivalent of approximately \$19.9 million as of December 31, 2000 based on currency exchange rates quoted by Reuters) unsecured loan outstanding of ProLogis European Properties S.a.r.l.

### Distribution and Dividend Requirements

ProLogis' current distribution policy is to pay quarterly distributions to shareholders based upon what it considers to be a reasonable percentage of cash flow and at the level that will allow ProLogis to continue to qualify as a REIT for tax purposes. Because depreciation is a non-cash expense, cash flow typically will be greater than earnings from operations and net earnings. Therefore, annual distributions are expected to be consistently higher than annual earnings.

Cash distributions paid in 2000, 1999 and 1998 were \$1.34 per Common Share, \$1.30 per Common Share and \$1.24 per Common Share, respectively. The Board set a projected annual distribution rate for 2001 of \$1.38 per Common Share. ProLogis paid a distribution for the first quarter of 2001 of \$0.345 per Common Share on February 23, 2001 to holders of Common Shares as of February 9, 2001. The payment of distributions is subject to the discretion of the Board and is dependent upon the financial condition and operating results of ProLogis and may be adjusted at the discretion of the Board during the year.

The annual dividend rates on ProLogis' preferred shares (excluding the Series B cumulative convertible redeemable preferred shares) are \$2.35 per Series A cumulative redeemable preferred share, \$4.27 per Series C cumulative redeemable preferred share, \$1.98 per Series D cumulative redeemable preferred share and \$2.19 per Series E cumulative redeemable preferred share. ProLogis will pay an accrued dividend of \$0.442 per Series B

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cumulative convertible redeemable preferred share when these shares are redeemed on March 20, 2001. See "-- Commitments".

Pursuant to the terms of its preferred shares, ProLogis is restricted from declaring or paying any distribution with respect to the Common Shares unless and until all cumulative dividends with respect to the Preferred Shares have been paid and sufficient funds have been set aside for dividends for the then current dividend period with respect to the preferred shares.

### Conversion to the Euro

Effective January 1, 1999, eleven of the fifteen member countries of the European Monetary Union launched the new monetary unit, the euro, as the single currency for the member countries of the European Monetary Union. During the period from January 1, 1999 to January 1, 2002, a transition period will be in effect during which time the euro will be available for non-cash transactions. However, transactions can continue to be denominated in the old national currencies. After January 1, 2002, all transactions must be denominated in the euro. The targeted exchange rates of the old national currencies to the euro were determined in May 1998. Conversion to the euro has not had, nor is management aware of any future effects of the conversion to the euro that will have, a material impact on its business operations or results of operations.

### NEW TAX LEGISLATION

Due to the previous limitations in the Code, certain of ProLogis' taxable

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subsidiaries (those entities whose operations generated income that was restricted under the REIT rules) were formed as entities in which ProLogis owned 100% of the preferred stock and a third party owned 100% of the voting common stock. Accordingly, ProLogis accounted for these types of investments (ProLogis Logistics, Frigoscandia S.A. and Kingspark S.A.) under the equity method rather than consolidating the investments in its balance sheet and results of operations (ProLogis Development Services is consolidated with ProLogis because ProLogis makes mortgage loans to ProLogis Development Services to fund its investment activities). The RMA, which was effective on January 1, 2001, modifies certain provisions of the Code with respect to the taxation of REITs. Primarily, the RMA allows for the creation of Taxable REIT Subsidiaries ("TRS") which will allow ProLogis and other REITs to own up to 100% of a TRS (previously limited to 10% of the voting stock). However, certain state law restrictions have prevented ProLogis from changing the ownership structures such that ProLogis owns 100% of these entities. See Note 4 to ProLogis' Consolidated Financial Statements in Item 8.

### FUNDS FROM OPERATIONS

Funds from operations attributable to Common Shares increased \$56.5 million to \$376.7 million for 2000 from \$320.2 million for 1999. Funds from operation attributable to Common Shares increased \$117.5 million from 1998 to 1999.

Funds from operations does not represent net income or cash from operating activities in accordance with GAAP and is not necessarily indicative of cash available to fund cash needs, which is presented in the Consolidated Statement of Cash Flows in ProLogis' Consolidated Financial Statements in Item 8. Funds from operations should not be considered as an alternative to net income as an indicator of ProLogis' operating performance or as an alternative to cash flows from operating, investing or financing activities as a measure of liquidity. Additionally, the funds from operations measure presented by ProLogis will not necessarily be comparable to similarly titled measures of other REITs. ProLogis considers funds from operations to be a useful supplemental measure of comparative period operating performance and as a supplemental measure to provide management, financial analysts, potential investors and shareholders with an indication of ProLogis' ability to fund its capital expenditures and investment activities and to fund other cash needs.

Funds from operations is defined by the National Association of Real Estate Investment Trusts ("NAREIT") generally as net income (computed in accordance with GAAP), excluding real estate related depreciation and amortization, gains and losses from sales of properties, except those gains and losses from sales of properties upon completion or stabilization under pre-sale agreements and after adjustments for unconsolidated entities to

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reflect their funds from operations on the same basis. ProLogis includes gains and losses from the disposition of its CDFS business segment assets in funds from operations.

Funds from operations, as used by ProLogis, is modified from the NAREIT definition. ProLogis' funds from operations measure does not include: (i) deferred income tax benefits and deferred income tax expenses of ProLogis' taxable subsidiaries; (ii) foreign currency exchange gains and losses resulting from debt transactions between ProLogis and its consolidated and unconsolidated entities; (iii) foreign currency exchange gains and losses from the remeasurement (based on current foreign currency exchange rates) of third party debt of ProLogis' foreign consolidated and unconsolidated entities; and (iv) mark to market adjustments related to derivative financial instruments utilized to manage ProLogis' foreign currency risks. These adjustments to the NAREIT



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definition are made to reflect ProLogis' funds from operations on a comparable basis with the other REITs that do not engage in the types of transactions that give rise to these items.

Effective in 2000, NAREIT's definition of funds from operations was changed to include non-recurring items as a component of funds from operations. The 1999 and 1998 amounts presented below have been restated to reflect this change. The effect of the restatement is an increase of \$2,000 and a decrease of \$25.7 million from amounts previously presented to funds from operations attributable to Common Shares for the years ended December 31, 1999 and 1998, respectively.

Funds from operations is as follows (in thousands):

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Net earnings attributable to Common Shares.....	\$157,715	\$123,999	\$ 62,231
Add (Deduct):			
Real estate related depreciation and amortization.....	146,859	150,050	99,514
Gain on disposition of non-CDFS business segment assets.....	(1,314)	(38,994)	(5,565)
Foreign currency exchange (gains) losses, net(1)...	19,569	16,596	(3,227)
Deferred income tax expense.....	4,230	--	1,797
Cumulative effect of accounting change(2).....	--	1,440	--
ProLogis' share of reconciling items of unconsolidated entities:			
Real estate related depreciation and amortization.....	57,366	49,644	36,489
(Gain) loss on disposition of non-CDFS business segment assets.....	(744)	826	179
Foreign currency exchange (gains) losses, net....	(2,773)	14,650	14,207
Deferred income tax expense (benefit).....	(4,190)	510	(2,929)
Cumulative effect of accounting change(2).....	--	1,480	--
Funds from operations attributable to Common Shares...	\$376,718	\$320,201	\$202,696
	=====	=====	=====

(1) See "-- Results of Operations -- Other Income and Expense Items -- Foreign Currency Exchange Gain (Losses), Net".

(2) See "-- Results of Operations -- Other Income and Expense Items -- Cumulative Effect of Accounting Change".

### RISK FACTORS

Risks factors include the occurrence of any of the events described below that could adversely affect ProLogis' ability to achieve its projected returns on acquisitions and facilities under development and could hinder ProLogis' ability to make expected distributions to equity holders.

ProLogis is Exposed to the General Economic Conditions of the Markets in which it Owns Property

ProLogis' operating performance depends on the economic conditions of

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markets in which its facilities are concentrated. ProLogis' operating performance could be adversely affected if conditions, such as an oversupply

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of distribution space or a reduction in demand for industrial distribution facilities, in ProLogis' larger markets become less favorable relative to other geographic areas. Any material oversupply of distribution space or material reduction of demand for distribution space could adversely effect ProLogis' operating income and the value of its Common Shares.

### ProLogis' Investments Are Subject To Risks Particular To Real Estate

#### Value of Real Estate Dependent on Numerous Factors

Real property investments are subject to varying degrees of risk. Real estate values are affected by a number of factors, including:

- changes in the general economic climate;
- local conditions, such as an oversupply of space or a reduction in demand for real estate in an area;
- the quality and philosophy of management;
- competition from other available space;
- the ability of the owner to provide adequate maintenance and insurance;
- the ability of the owner to control variable operating costs;
- governmental regulations;
- interest rate levels;
- the availability of financing; and
- potential liability under, and changes in, environmental, zoning, and other laws.

#### Restrictions on, and Risks of, Unsuccessful Development Activities

ProLogis intends to continue to pursue development activities as opportunities arise. Such development activities generally require various government and other approvals. ProLogis may not receive such approvals. ProLogis will be subject to risks associated with any such development activities. These risks include:

- the risk that development opportunities explored by ProLogis may be abandoned;
- the risk that construction costs of a facility may exceed original estimates, possibly making the project less profitable than originally estimated;
- limited cash flow during the construction period; and
- the risk that occupancy rates and rents of a completed project will not be sufficient to make the project profitable.

In case of an unsuccessful development project, ProLogis' loss could exceed

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its investment in the project.

### Tenant Default

ProLogis' income and distributable cash flow would be adversely affected if a significant number of ProLogis' tenants are unable to meet their obligations to ProLogis, or if ProLogis is unable to lease, on economically favorable terms, a significant amount of space in its industrial distribution facilities. In the event of default by a significant number of tenants, ProLogis may experience delays and incur substantial costs in enforcing its rights as landlords.

### Real Estate Investments Are Not As Liquid As Other Types Of Assets

Real estate investments are not as liquid as other types of assets and therefore may tend to limit the ability of ProLogis 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

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generally not reduced when circumstances cause a reduction in income from the investments. Like other companies qualifying as REITs under the Code, ProLogis must comply with the safe harbor rules, relating to the number of facilities disposed of in a year, their tax bases and the cost of improvements made to the facilities, or meet other tests which enable a REIT to avoid punitive taxation on the sale of assets. Thus, ProLogis' ability to sell assets, or contribute assets to entities in which ProLogis has an ownership interest, at any time to change its asset base may be restricted.

### Share Prices May Be Affected By Market Interest Rates

The annual distribution rate on Common Shares as a percentage of its market price may influence the trading price of such Common Shares. An increase in market interest rates may lead investors to demand a higher annual distribution rate, which could adversely affect the market price of such Common Shares. A decrease in the market price of the Common Shares could reduce ProLogis' ability to raise additional equity capital in the public markets.

### Uninsured Losses May Adversely Affect ProLogis

Some types of losses, such as from acts of war, may be uninsurable, or the cost of insuring against such losses may not be economically justifiable. If an uninsured loss occurs, ProLogis could lose both the invested capital in and anticipated revenues from the affected facility, but would still be obligated to repay any recourse mortgage indebtedness on the facility.

### Potential Environmental Liability

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 hazardous or toxic substances at, on, under or in its property. The costs of removal or remediation of such substances could be substantial. Such laws 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 presence of such substances on ProLogis' properties may adversely affect its ability to sell such properties or to borrow using such properties as collateral and may also have an adverse affect on ProLogis' ability to pay distributions to its shareholders.

Debt Financing, Increases in Interest Rates, Financial Covenants and Absence of Limitations on Debt May Result in Decreased Distribution to Shareholders

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### Debt Financing

ProLogis is subject to risks normally associated with debt financing, including the risk that ProLogis' cash flow will be insufficient to meet required payments of principal and interest and the risk that ProLogis will not be able to refinance existing indebtedness or that the terms of such refinancings will not be as favorable as terms of the existing indebtedness. There can be no assurance that ProLogis will be able to refinance any indebtedness or otherwise obtain funds by selling assets or raising equity to make required payments on maturing indebtedness.

### Requirements of Credit Facilities; Foreclosures

The terms of ProLogis' indebtedness require ProLogis to comply with a number of customary financial and other covenants, such as maintaining debt service coverage and leverage ratios, maintaining insurance coverage, etc. These covenants may limit ProLogis' flexibility in its operations, and breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness even if ProLogis has satisfied its payment obligations. If ProLogis is unable to refinance its indebtedness at maturity or meet its payment obligations, the amount of cash available for distribution may be adversely affected.

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### No Limitations on Debt

ProLogis currently has a policy of incurring debt only, if upon such incurrence, ProLogis' debt-to-book capitalization ratio, as adjusted, would equal 50% or less. The Board could alter or eliminate this policy without shareholder approval and would do so if, for example, it were necessary in order for ProLogis to continue to qualify as a REIT under the Code. If this policy were changed, ProLogis could become more highly leveraged, resulting in an increase in debt service that could adversely affect the cash available for distribution to shareholders.

### Failure to Qualify as a REIT Could Adversely Affect Shareholders

ProLogis has elected to be taxed as a REIT under the Code commencing with its taxable year ended December 31, 1993. To maintain 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 a REIT distributes substantially all its ordinary taxable income to shareholders on a current basis and that the REIT's ownership is not overly concentrated. Due to the complex nature of these rules, the limited 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 developments at ProLogis, no assurance can be given 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 shareholders will not be deductible in computing ProLogis' taxable income. The resulting corporate income tax liabilities could materially reduce the funds available for distribution to ProLogis' shareholders or for reinvestment. In the absence of REIT status, distributions to shareholders would no longer be required. Moreover, ProLogis might not be able to elect to be treated as a REIT for the four taxable years after the year during which ProLogis ceased to qualify as a REIT. In addition, if ProLogis later requalified as a REIT, it might be required to pay a full

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corporate-level tax on any unrealized gain in its assets as of the date of requalification and to make distributions to shareholders equal to any earnings accumulated during the period of non-REIT status.

### Potential Adverse Effect of REIT Distribution Requirements

To maintain its qualification as a REIT under the Code, ProLogis must annually distribute to ProLogis' shareholders at least 95% of its ordinary taxable income, excluding net capital gains (changed to 90% as a result of the RMA -- see "-- New Tax Legislation"). This requirement limits ProLogis' ability to accumulate capital. ProLogis may not have sufficient cash or other liquid assets to meet the distribution requirements. Difficulties in meeting the distribution requirements might arise due to competing demands for ProLogis' funds or to timing differences between tax reporting and cash receipts and disbursements, because income may have to be reported before cash is received, because expenses may have to be paid before a deduction is allowed or because deductions may be disallowed or limited. In those situations, ProLogis might be required to borrow funds or sell facilities on adverse terms in order to meet the distribution requirements. If ProLogis fails to make a required distribution, it would cease to be a REIT.

### Currency Risk

ProLogis has pursued and intends to 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 subject to foreign currency risk due to potential fluctuations in exchange rates between foreign currencies and the U.S. dollar. For example, a significant depreciation in the value of the foreign currencies of one or more countries where ProLogis has a significant investment may materially adversely affect ProLogis' performance. ProLogis attempts to mitigate any such effects through the use of foreign currency put option contracts, although there can be no assurance that such attempts will be successful.

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### Influence of ProLogis' Principal Shareholder May Impact ProLogis' Management and Operations

ProLogis and Security Capital are parties to a Third Amended and Restated Investor Agreement, dated as of September 9, 1997. Pursuant to the investor agreement, Security Capital has the right, so long as it owns between 10% and 25% of the Common Shares, to nominate one person to the Board. So long as Security Capital owns 25% or more of the Common Shares, Security Capital will be entitled to nominate a proportionate number of persons to the Board subject to a maximum of three nominees if the size of the Board does not increase above the current size of ten trustees. Under the investor agreement, so long as it owns at least 25% of the Common Shares, Security Capital also has the right of prior approval with respect to the following matters:

- the issuance of equity securities or securities convertible into equity securities, other than issuances in connection with option, dividend reinvestment and similar plans, for less than the fair market value of such securities;
- the issuance of any preferred shares which would result in the fixed charge coverage ratio being less than 1.4 to 1.0;
- adopting any employee benefit plans under which Common Shares may be issued;

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- the compensation of senior officers of ProLogis; and
- the incurrence of additional indebtedness which would result in the interest expense coverage ratio being less than 2.0 to 1.0.

### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

ProLogis is exposed to market risk from changes in interest rates and foreign currency exchange rates. On a limited basis, ProLogis uses certain derivative financial instruments, including interest rate swap agreements and foreign currency option and forward contracts to reduce its market risk. ProLogis does not use financial instruments for trading or speculative purposes and all financial instruments are entered into in accordance with Board approved policies.

ProLogis has estimated its market risk exposures using sensitivity analysis. ProLogis has defined its market risk exposure as the potential loss in future earnings and cash flow with respect to interest rate exposure and future earnings with respect to foreign currency exchange exposure of its market risk sensitive instruments assuming a hypothetical 10% adverse change in year end interest rates and foreign currency exchange rates. The results of the sensitivity analysis are summarized below. The sensitivity analysis is of limited predictive value. As a result, ProLogis' ultimate realized gains or losses with respect to interest and foreign currency exchange rate fluctuations will depend on the exposures that arise during a future period, hedging strategies at the time, and the prevailing interest and foreign currency exchange rates.

#### Interest Rate Risk

ProLogis' interest rate risk is related primarily to its variable rate credit facilities. ProLogis' interest rate risk management objective is to limit the impact of interest rate changes on earnings and cash flows. To achieve its objective, ProLogis primarily borrows on a fixed rate basis. Therefore, ProLogis' primary interest rate risk is created by its variable rate unsecured lines of credit and its variable rate short-term borrowing arrangements, if any. Although ProLogis has no interest rate derivatives outstanding as of December 31, 2000, ProLogis has in the past and may in the future, utilize derivative instruments as hedges in anticipation of future debt transactions to manage its interest rate exposure.

During the year ended December 31, 2000, ProLogis had weighted average outstanding borrowings of \$251.5 million on its variable rate unsecured lines of credit. Based on the results of the sensitivity analysis, which assumed a 10% adverse change in interest rates, the estimated market risk exposure for interest rate-related financial instruments was approximately \$1.6 million on both future earnings and cash flow as of December 31, 2000. The sensitivity analysis was based on the weighted average outstanding variable rate borrowings for 2000 and assumed a flat yield curve.

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#### Foreign Currency Risk

ProLogis uses foreign currency forward and option contracts to manage foreign currency exchange rate risk related to projected net operating income (operating income net of foreign denominated interest expense) from foreign entities.

In addition, ProLogis incurs foreign currency risk related to its U.S. dollar denominated loans to its foreign consolidated subsidiaries. The

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remeasurement of intercompany loans results in foreign currency exchange gains or losses that are recognized by ProLogis. However, ProLogis does not incur an actual cash gain or loss until the loans are repaid. ProLogis' exposure to foreign currency exchange rates exists with the following currencies versus the U.S. dollar: euro, British pound sterling, French franc and Swedish krona.

ProLogis' foreign currency exchange sensitivity analysis included foreign currency put option contracts affected by foreign currency exchange risk, as well as U.S. dollar denominated loans to foreign consolidated entities. Based on the results of the sensitivity analysis, which assumed a 10% adverse change in foreign currency exchange rates, the estimated 2000 year-end market risk exposure to future earnings was \$23.6 million. The sensitivity analysis excluded the impact of the change in foreign currency exchange rates on the underlying projected net operating income, which has a high degree of inverse correlation with the derivative instruments used to hedge it. However, since ProLogis hedges approximately 75% of its projected net operating income from foreign entities, approximately 25% of the impact to total net operating income from its foreign entities of an adverse movement in foreign exchange rates would not be offset by derivative instruments.

### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

ProLogis Consolidated Balance Sheets as of December 31, 2000 and 1999, its Consolidated Statements of Earnings, Shareholders' Equity and Cash Flows for each of the three years in the period ended December 31, 2000, Notes to Consolidated Financial Statements and Schedule III -- Real Estate and Accumulated Depreciation, together with the report of Arthur Andersen LLP, independent public accountants, are included under Item 14 of this report and are incorporated herein by reference. Selected quarterly financial data is presented in Note 13 of Notes to Consolidated Financial Statements.

### ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE MATTERS

Not applicable.

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## PART III

### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

For information regarding ProLogis' executive officers, see "Item 1. Business -- Executive Officers and Trustees" and "-- Senior Officers." The other information required by this Item 10 is incorporated herein by reference to the description under the captions "Election of Trustees" and "Section 16(a) Beneficial Ownership Reporting Compliance" in ProLogis' definitive proxy statement for its 2001 annual meeting of shareholders ("2001 Proxy Statement").

### ITEM 11. EXECUTIVE COMPENSATION

Incorporated herein by reference to the description under the captions "Executive Compensation," "Compensation Committee Report on Executive Compensation," "Trustee Compensation" and "Outside Trustee Plan" in the 2001 Proxy Statement.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Incorporated herein by reference to the description under the caption "Principal Shareholders" in the 2001 Proxy Statement.

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### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Incorporated herein by reference to the description under the caption "Certain Relationships and Transactions" in the 2001 Proxy Statement.

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### PART IV

### ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

The following documents are filed as a part of this report:

(a) Financial Statements and Schedules:

1. Financial Statements:

See Index to Consolidated Financial Statements and Schedule III on page 58 of this report, which is incorporated herein by reference.

2. Financial Statement Schedules:

Schedule III -- Real Estate and Accumulated Depreciation

All other schedules have been omitted since the required information is presented in the financial statements and the related notes or is not applicable.

3. Exhibits:

See Index to Exhibits on pages 124 to 128 of this report, which is incorporated herein by reference.

(b) Reports on Form 8-K: The following reports on Form 8-K were filed during the last quarter of the period covered by this report:

DATE	ITEM REPORTED	FINANCIAL STATEMENTS
----	-----	-----

None

(c) Exhibits: The Exhibits required by Item 601 of Regulation S-K are listed in the Index to Exhibits on pages 124 to 128 of this report, which is incorporated herein by reference.

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### INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE III

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### REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Trustees and Shareholders of  
ProLogis Trust

We have audited the accompanying consolidated balance sheets of ProLogis Trust and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Frigoscandia Holding AB accounted for under the equity method of accounting, in which the Trust has investments in and advances to amounting to \$171.9 million and \$196.9 million as of December 31, 2000 and 1999, respectively, and losses from unconsolidated entity of \$20.0 million, \$2.9 million and \$7.6 million in 2000, 1999 and 1998, respectively. We did not audit the financial statements of CS Integrated LLC accounted for under the equity method of accounting, in which the Trust has an investment in and advances to amounting to \$225.8 million and \$186.9 million as of December 31, 2000 and 1999 and earnings from unconsolidated entity of \$8.0 million and \$9.2 million in 2000 and 1999. These statements were audited by other auditors whose reports were furnished to us, and our opinion, insofar as it relates to the amounts included for these entities is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of ProLogis Trust and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

Chicago, Illinois  
March 15, 2001

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## PROLOGIS TRUST

### CONSOLIDATED BALANCE SHEETS (IN THOUSANDS, EXCEPT SHARE DATA)

#### ASSETS

	DECEMBER 31,	
	2000	1999
Real estate.....	\$4,689,492	\$4,974,951
Less accumulated depreciation.....	476,982	366,703
	4,212,510	4,608,248
Investments in and advances to unconsolidated entities.....	1,453,148	940,364
Cash and cash equivalents.....	57,870	69,338
Accounts and notes receivable.....	50,856	46,998
Other assets.....	171,950	183,092
	-----	-----
Total assets.....	\$5,946,334	\$5,848,040
	=====	=====

#### LIABILITIES AND SHAREHOLDERS' EQUITY

##### Liabilities:

Lines of credit.....	\$ 439,822	\$ 98,700
Senior unsecured debt.....	1,699,989	1,729,630
Other unsecured debt.....	--	30,892
Secured debt.....	537,925	695,586
Accounts payable and accrued expenses (including amount due to affiliate of \$221 in 1999).....	107,494	117,872
Construction payable.....	40,925	23,064
Distributions and dividends payable.....	57,739	54,939
Other liabilities.....	88,439	81,549
	-----	-----

Total liabilities.....	2,972,333	2,832,232
	-----	-----

Minority interest.....	46,630	62,072
------------------------	--------	--------

##### Shareholders' equity:

Series A Preferred Shares; \$0.01 par value; 5,400,000 shares issued and outstanding at December 31, 2000 and 1999; stated liquidation preference of \$25.00 per share.....	135,000	135,000
Series B Convertible Preferred Shares; \$0.01 par value; 6,256,100 shares issued and outstanding at December 31, 2000 and 7,020,703 shares issued and outstanding at December 31, 1999; stated liquidation preference of \$25.00 per share.....	156,403	175,518
Series C Preferred Shares; \$0.01 par value; 2,000,000 shares issued and outstanding at December 31, 2000 and 1999; stated liquidation preference of \$50.00 per share.....	100,000	100,000
Series D Preferred Shares; \$0.01 par value; 10,000,000 shares issued and outstanding at December 31, 2000 and 1999; stated liquidation preference of \$25.00 per share.....	250,000	250,000
Series E Preferred Shares; \$0.01 par value; 2,000,000		

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shares issued and outstanding at December 31, 2000 and 1999; and stated liquidation preference of \$25.00 per share.....	50,000	50,000
Common shares of beneficial interest; \$0.01 par value; 165,287,358 shares issued and outstanding at December 31, 2000 and 161,825,466 shares issued and outstanding at December 31, 1999.....	1,653	1,618
Additional paid-in capital.....	2,740,136	2,663,350
Employee share purchase notes.....	(18,556)	(22,906)
Accumulated other comprehensive income.....	(33,768)	(9,765)
Distributions in excess of net earnings.....	(453,497)	(389,079)
	-----	-----
Total shareholders' equity.....	2,927,371	2,953,736
	-----	-----
Total liabilities and shareholders' equity.....	\$5,946,334	\$5,848,040
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

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## PROLOGIS TRUST

### CONSOLIDATED STATEMENTS OF EARNINGS YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998 (IN THOUSANDS, EXCEPT PER SHARE DATA)

	2000	1999	1998
	-----	-----	-----
Income:			
Rental income.....	\$480,088	\$491,826	\$345,046
Other real estate income.....	78,103	46,678	17,554
Income from unconsolidated entities.....	78,063	22,519	2,755
Interest.....	7,267	6,369	2,752
	-----	-----	-----
Total income.....	643,521	567,392	368,107
	-----	-----	-----
Expenses:			
Rental expenses, net of recoveries \$91,706 in 2000, \$87,907 in 1999 and \$57,415 in 1998 and including amounts paid to affiliate of \$1,188 in 2000, \$1,314 in 1999 and \$984 in 1998.....	27,177	33,501	27,120
General and administrative, including amounts paid to affiliate of \$958 in 2000, \$1,582 in 1999 and \$1,992 in 1998.....	44,954	38,284	22,893
Depreciation and amortization.....	151,483	152,447	100,590
Interest.....	172,191	170,746	77,650
Interest rate hedge expense.....	--	945	26,050
Other.....	5,909	4,920	6,187
	-----	-----	-----
Total expenses.....	401,714	400,843	260,490
	-----	-----	-----
Earnings from operations.....	241,807	166,549	107,617
Minority interest share in earnings.....	5,586	4,979	4,681
	-----	-----	-----
Earnings before gain on disposition of real estate and			

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foreign currency exchange gains (losses).....	236,221	161,570	102,936
Gain on disposition of real estate.....	1,314	38,994	5,565
Foreign currency hedge income.....	--	--	2,054
Foreign currency exchange gains (losses), net.....	(17,927)	(16,818)	2,938
Earnings before income taxes.....	219,608	183,746	113,493
Income taxes:			
Current income tax expense.....	900	1,472	368
Deferred income tax expense.....	4,230	--	1,796
Total income taxes.....	5,130	1,472	2,164
Earnings before cumulative effect of accounting change.....	214,478	182,274	111,329
Cumulative effect of accounting change.....	--	1,440	--
Net earnings.....	214,478	180,834	111,329
Less preferred share dividends.....	56,763	56,835	49,098
Net earnings attributable to Common Shares.....	\$157,715	\$123,999	\$ 62,231
Weighted average Common Shares outstanding -- Basic.....	163,651	152,412	121,721
Weighted average Common Shares outstanding -- Diluted.....	164,401	152,739	122,028
Basic per share net earnings attributable to Common Shares:			
Earnings before cumulative effect of accounting change....	\$ 0.96	\$ 0.82	\$ 0.51
Cumulative effect of accounting change.....	--	(0.01)	--
Net earnings attributable to Common Shares.....	\$ 0.96	\$ 0.81	\$ 0.51
Diluted per share net earnings attributable to Common Shares:			
Earnings before cumulative effect of accounting change....	\$ 0.96	\$ 0.82	\$ 0.51
Cumulative effect of accounting change.....	--	(0.01)	--
Net earnings attributable to Common Shares.....	\$ 0.96	\$ 0.81	\$ 0.51

The accompanying notes are an integral part of these consolidated financial statements.

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## PROLOGIS TRUST

### CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998 (IN THOUSANDS)

	2000	1999	1998
Common Shares -- Number of shares at beginning of year.....	161,825	123,416	117,36
Sale of Common Shares.....	--	--	5,49
Issuance of Common Shares under plans and through warrants.....	1,642	344	3
Limited partnership units converted to Common Shares.....	238	14	2
Series B preferred shares converted to Common Shares.....	980	663	59

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Retirements of employee share purchase notes.....	--	--	(8)
Common Shares issued in merger with Meridian.....	--	37,388	--
Common Shares issued in acquisition of unconsolidated entity.....	602	--	--
Common Shares -- Number of shares at end of year.....	165,287	161,825	123,41
Common Shares at beginning of year.....	\$ 1,618.2	\$ 1,234.2	\$ 1,173.
Sale of Common Shares.....	--	--	54.
Issuance of Common Shares under plans and through warrants.....	16.4	3.4	0.
Limited partnership units converted to Common Shares.....	2.4	0.1	0.
Series B preferred shares converted to Common Shares.....	9.8	6.6	5.
Retirements of employee share purchase notes.....	--	--	(0.
Common Shares issued in merger with Meridian.....	--	373.9	--
Common Shares issued in acquisition of unconsolidated entity.....	6.0	--	--
Common Shares at end of year.....	\$ 1,652.8	\$ 1,618.2	\$ 1,234.
Preferred Shares at beginning of year.....	\$ 710,518	\$ 673,440	\$ 435,00
Series B preferred shares converted to Common Shares.....	(19,115)	(12,922)	(11,56
Sale of Series D preferred shares.....	--	--	250,00
Issuance of Series E preferred shares in merger with Meridian.....	--	50,000	--
Preferred Shares at end of year.....	\$ 691,403	\$ 710,518	\$ 673,44
Additional Paid-in Capital at beginning of year.....	\$2,663,350	\$1,907,232	\$1,773,46
Issuance of Common Shares under plans and through warrants.....	30,251	6,327	52
Limited partnership units converted to Common Shares.....	8,167	205	30
Series B preferred shares converted to Common Shares.....	19,105	12,916	11,56
Sale of Common Shares and Series D preferred shares.....	--	--	121,81
Retirements of employee share purchase notes.....	--	--	(2,03
Sale of options to unconsolidated entities.....	2,153	1,226	1,33
Stock-based compensation.....	5,238	2,137	27
Preferred and Common Shares issued in merger with Meridian.....	--	733,307	--
Common Shares issued in acquisition of unconsolidated entity.....	11,872	--	--
Additional Paid-in Capital at end of year.....	\$2,740,136	\$2,663,350	\$1,907,23
Employee share purchase notes at beginning of year.....	\$ (22,906)	\$ (25,247)	\$ (27,18
Retirements of employee share purchase notes.....	--	--	1,79
Principal payments on employee share purchase notes.....	4,350	2,341	14
Employee share purchase notes at end of year.....	\$ (18,556)	\$ (22,906)	\$ (25,24
Accumulated other comprehensive income at beginning of year.....	\$ (9,765)	\$ 23	\$ (6
Foreign currency translation adjustments.....	(24,003)	(9,788)	8
Accumulated other comprehensive income at end of year.....	\$ (33,768)	\$ (9,765)	\$ 2
Distributions in excess of net earnings at beginning of year.....	\$ (389,079)	\$ (300,314)	\$ (205,66
Net earnings.....	214,478	180,834	111,32
Preferred share dividends.....	(56,763)	(56,835)	(49,09
Common Share distributions paid.....	(165,123)	(158,554)	(117,60
Common Share distributions accrued.....	(57,010)	(54,210)	(39,28

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Distributions in excess of net earnings at end of year.....	\$ (453,497)	\$ (389,079)	\$ (300,31
Total shareholders' equity at end of year.....	\$2,927,371	\$2,953,736	\$2,256,36
Comprehensive income for the year:			
Net earnings.....	\$ 214,478	\$ 180,834	\$ 111,32
Preferred share dividends.....	(56,763)	(56,835)	(49,09
Foreign currency translation adjustments.....	(24,003)	(9,788)	8
Comprehensive income for the year.....	\$ 133,712	\$ 114,211	\$ 62,31

The accompanying notes are an integral part of these consolidated financial statements.

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## PROLOGIS TRUST

### CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998 (IN THOUSANDS)

	2000	1999	1998
Operating activities:			
Net earnings.....	\$ 214,478	\$ 180,834	\$ 111,
Minority interest share in earnings.....	5,586	4,979	4,
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization.....	151,483	152,447	100,
Gain on disposition of real estate.....	(1,314)	(38,994)	(5,
Straight-lined rents.....	(6,716)	(9,889)	(6,
Amortization of deferred loan costs.....	4,597	4,440	2,
Stock-based compensation.....	3,811	1,657	
(Income) loss from unconsolidated entities.....	(64,239)	(20,948)	11,
Foreign currency exchange (gains) losses, net.....	20,956	11,344	(3,
Foreign currency hedge income.....	--	--	(2,
Interest rate hedge expense.....	--	945	26,
Cumulative effect of accounting change.....	--	1,440	
Increase in accounts receivable and other assets.....	(31,452)	(37,344)	(36,
Increase in accounts payable, accrued expenses and other liabilities.....	39,639	20,480	36,
Net cash provided by operating activities.....	336,829	271,391	238,
Investing activities:			
Real estate investments.....	(639,692)	(464,406)	(695,
Tenant improvements and lease commissions on previously leased space.....	(19,623)	(19,751)	(12,
Recurring capital expenditures.....	(23,895)	(28,114)	(8,
Proceeds from dispositions of real estate.....	496,744	569,981	109,
Investments in and advances to unconsolidated entities....	(188,750)	(141,037)	(657,
Cash balances contributed with ProLogis European Properties S.a.r.l. ....	(17,968)	--	
Cash acquired in merger with Meridian.....	--	48,962	

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Net cash used in investing activities.....	(393,184)	(34,365)	(1,264,
Financing activities:			
Proceeds from sale of shares, net of expenses.....	--	--	371,
Proceeds from exercised warrants and stock options and from dividend reinvestment and share purchase plans.....	30,734	6,331	
Repurchase of Common Shares.....	--	--	
Proceeds from secured financing transactions.....	--	466,075	66,
Proceeds from issuance of senior unsecured debt.....	--	500,000	374,
Debt issuance and other transaction costs incurred.....	(4,598)	(58,248)	(5,
Distributions paid on Common Shares (includes \$11,132 paid to shareholders of Meridian in 1999).....	(219,333)	(208,969)	(151,
Distributions paid to minority interest holders.....	(7,123)	(7,251)	(6,
Dividends paid on preferred shares (includes \$729 paid to shareholders of Meridian in 1999).....	(56,763)	(56,835)	(49,
Principal payments on senior unsecured debt.....	(30,000)	(12,500)	(15,
Principal payments received on and retirements of employee share purchase notes.....	4,350	2,341	
Net proceeds from (payments on) derivative financial instruments.....	808	(27,715)	(3,
Payments to Meridian shareholders.....	--	(67,581)	
Proceeds from lines of credit and short-term borrowings...	1,075,473	1,939,845	1,569,
Payments on lines of credit and short-term borrowings.....	(734,351)	(2,335,445)	(1,074,
Payment on line of credit assumed in merger with Meridian.....	--	(328,400)	
Regularly scheduled principal payments on secured debt....	(7,100)	(6,560)	(5,
Principal payments on secured debt at maturity and prepayments.....	(7,210)	(35,916)	(5,
Net cash provided by (used in) financing activities.....	44,887	(230,828)	1,064,
Net increase (decrease) in cash and cash equivalents.....	(11,468)	6,198	38,
Cash and cash equivalents, beginning of year.....	69,338	63,140	25,
Cash and cash equivalents, end of year.....	\$ 57,870	\$ 69,338	\$ 63,

See Note 12 for information on non-cash investing and financing activities.

The accompanying notes are an integral part of these consolidated financial statements.

## PROLOGIS TRUST

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2000

#### 1. DESCRIPTION OF BUSINESS:

ProLogis Trust ("ProLogis") is a publicly held real estate investment trust ("REIT") that owns and operates a network of industrial distribution facilities in North America and Europe. The ProLogis Operating System(TM), comprised of the Market Services Group, the Global Services Group, the Global Development Group and the Integrated Solutions Group, utilizes ProLogis' international network of distribution facilities to meet its customers' distribution space needs globally. ProLogis has organized its business into three operating segments:

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property operations, corporate distribution facilities services business ("CDFS business") and temperature-controlled distribution operations. See Note 10.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### Principles of Financial Presentation

The accounts of ProLogis, its wholly owned subsidiaries and its majority owned and controlled partnerships are consolidated in the accompanying financial statements. All material intercompany transactions have been eliminated. Certain amounts included in the consolidated financial statements for prior years have been reclassified to conform to the 2000 financial statement presentation.

The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### REIT Organization Status

In January 1993, ProLogis was formed as a Maryland REIT and has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the "Code").

REITs are not generally required to pay federal income taxes if minimum distribution and income, asset and shareholder tests are met. During 2000, 1999 and 1998, ProLogis was in compliance with the REIT requirements. Thus, no federal income tax provision has been reflected in the accompanying consolidated financial statements for ProLogis and its wholly owned subsidiaries which are qualified REIT subsidiaries. The foreign countries that ProLogis operates in do not recognize REITs under their respective tax laws. Accordingly, ProLogis has recognized foreign country income taxes in its results of operations, as applicable.

#### Real Estate and Depreciation

Real estate is carried at cost, which is not in excess of estimated fair market value. Costs directly associated with the successful acquisition, renovation or development of real estate are capitalized. Direct costs associated with unsuccessful acquisitions are expensed at the time the pursuit is abandoned.

Depreciation is computed over the estimated useful lives of depreciable property on a straight-line basis: 7 years for capital improvements, 10 years for tenant improvements, 30 years for acquired facilities and 40 years for facilities developed by ProLogis.

ProLogis' management periodically reviews long-lived assets (primarily real estate and investments in unconsolidated entities) that it owns and operates for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. In accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," management's review involves comparing current and future operating performance of the assets, the most significant of which is undiscounted operating cash



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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

flows, to the carrying value of the assets. Based on this analysis, a provision for possible loss is recognized if necessary. In management's opinion, long-lived assets, primarily real estate assets and investments in unconsolidated entities, are not carried at amounts in excess of their estimated realizable values. Long-lived assets (primarily real estate and investments in unconsolidated entities) to be disposed of, if any, are reported at the lower of their carrying amount or fair value less cost to sell.

ProLogis acquired certain real estate through the formation of partnerships (as discussed in Note 6) wherein ProLogis contributed cash and the limited partners contributed real estate in exchange for partnership units which are ultimately exchangeable for ProLogis common shares of beneficial interest, \$0.01 par value ("Common Shares"). In consolidating the partnerships' assets, real estate cost includes the estimated fair value attributable to the limited partners' interests as of the acquisition dates.

ProLogis Development Services Incorporated ("ProLogis Development Services") develops distribution facilities that are often disposed of to customers, third parties or entities in which ProLogis maintains an ownership interest. ProLogis Development Services also contracts on a fee basis to develop distribution facilities for customers or third parties. ProLogis owns 100% of the preferred stock of ProLogis Development Services and realizes substantially all economic benefits of its activities. Because ProLogis advances mortgage loans to ProLogis Development Services to fund its acquisition, development and construction activities, ProLogis Development Services is consolidated with ProLogis. ProLogis Development Services is not a qualified REIT subsidiary of ProLogis under the Code. Accordingly, provisions for federal and state income taxes are recognized, as appropriate.

#### Capitalization Policy

Renovations and improvements to real estate assets are capitalized and depreciated over their estimated useful lives. Repairs and maintenance costs are expensed as incurred to the extent they are not acquisition-related renovation costs identified during ProLogis' pre-acquisition due diligence.

General and administrative costs incurred for development (including land acquisitions), renovation and leasing activities that are incremental and identifiable to a specific activity are capitalized. Prior to April 1, 1998, ProLogis also capitalized direct and incremental management costs incurred in connection with the acquisition of existing operating facilities. In accordance with Emerging Issues Task Force Issue 97-11, "Accounting for Internal Costs Relating to Real Estate Property Acquisitions," which was effective on April 1, 1998, such costs are no longer capitalized.

Costs capitalized to real estate are depreciated over the estimated useful lives of the real estate. Costs capitalized related to leasing activities are included with other assets and are amortized over the lease term. ProLogis' average lease term is between four and five years.

ProLogis capitalizes interest costs incurred during the land development or construction period of qualifying projects.

#### Unconsolidated Entities

ProLogis' investments in certain entities are accounted for under the equity method. Accordingly, these investments are recognized at ProLogis' cost as adjusted for ProLogis' proportionate share of the earnings or losses of the companies, distributions received and other basis adjustments, as appropriate.

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ProLogis' proportionate share of the earnings or losses of these companies is recognized in income. See Note 4.

### Cash and Cash Equivalents

ProLogis considers all cash on hand, demand deposits with financial institutions and short-term, highly liquid investments with original maturities of three months or less to be cash equivalents.

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### PROLOGIS TRUST

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

### Costs of Raising Capital

Costs incurred in connection with the issuance of shares are deducted from shareholders' equity. Costs incurred in connection with the incurrence or renewal of debt are capitalized, included with other assets, and amortized over the term of the related loan or the renewal term.

### Minority Interest

Minority interest is carried at cost and represents limited partners' interests in various real estate partnerships controlled by ProLogis. Certain minority interests are carried at the pro rata share of the estimated fair value of the real estate contributed as of the acquisition dates, as adjusted for subsequent earnings, contributions and distributions. Common Shares issued upon exchange of limited partnership units are accounted for at the cost of the minority interest surrendered.

### Financial Instruments

In the normal course of business, ProLogis uses certain derivative financial instruments for the purpose of foreign currency exchange rate and interest rate risk management. To qualify for hedge accounting, the derivative instruments used for risk management purposes must effectively reduce the risk exposure that they are designed to hedge. For instruments associated with the hedge of anticipated transactions, hedge effectiveness criteria also require that the occurrence of the underlying transactions be probable. Instruments meeting these hedging criteria are formally designated as hedges at the inception of the contract. Those risk management instruments not meeting these criteria are accounted for at fair value with changes in fair value recognized immediately in net income. See Note 16.

In assessing the fair value of its financial instruments, both derivative and non-derivative, ProLogis uses a variety of methods and assumptions that are based on market conditions and risks existing at each balance sheet date. Primarily, ProLogis uses quoted market prices or quotes from brokers or dealers for the same or similar instruments. These values represent a general approximation of possible value and may never actually be realized. See Note 16.

ProLogis adopted SFAS No. 133, "Accounting for Derivative Instruments and for Hedging Activities," as amended, on January 1, 2001. SFAS No. 133 provides comprehensive guidelines for the recognition and measurement of derivatives and hedging activities and, specifically, requires all derivatives to be recorded on the balance sheet at fair value as an asset or liability, with an offset to accumulated other comprehensive income or income. As discussed in Note 16, ProLogis' only derivative financial instruments, the foreign currency put option contracts, were marked to market through income as of December 31, 2000. These contracts also do not qualify for hedge accounting treatment under SFAS No. 133,

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therefore, ProLogis will continue to mark these contracts to market through income in 2001. ProLogis' unconsolidated entities also adopted SFAS No. 133 on January 1, 2001. The effect to ProLogis of their adoption of SFAS No. 133 was immaterial as these entities utilize derivative financial instruments on a limited basis.

### Foreign Currency Exchange Gains or Losses

ProLogis' consolidated subsidiaries whose functional currency is not the U.S. dollar translate their financial statements into U.S. dollars. Assets and liabilities are translated at the exchange rate in effect as of the financial statement date. Income statement accounts are translated using the average exchange rate for the period. Income statement accounts that represent significant, nonrecurring transactions are translated at the rate in effect as of the date of the transaction. Gains and losses resulting from the translation are included in accumulated other comprehensive income as a separate component of shareholders' equity. ProLogis and its foreign subsidiaries have certain transactions denominated in currencies other than their functional currency. In these instances, nonmonetary assets and liabilities are reflected at the historical exchange rate, monetary assets and liabilities are

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### PROLOGIS TRUST

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

remeasured at the exchange rate in effect at the end of the period, and income statement accounts are remeasured at the average exchange rate for the period. Gains and losses from remeasurement are included in ProLogis' results of operations. In addition, gains or losses are recorded in the income statement when a transaction with a third party, denominated in a currency other than the functional currency, is settled and the functional currency cash flows realized are more or less than expected based upon the exchange rate in effect when the transaction was initiated.

The net foreign currency exchange gains and losses recognized in ProLogis' results of operations were as follows for the periods indicated (in thousands of U.S. dollars):

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Gains (losses) from the remeasurement of third party debt and remeasurement and settlement of intercompany debt, net.....	\$ (18,762)	\$ (16,549)	\$ 3,227
Mark to market losses on foreign currency put option contracts(1).....	(854)	(47)	--
Gains (losses) from the settlement of foreign currency put option contracts, net.....	1,481	(45)	--
Other gains (losses), net.....	208	(177)	(289)
	=====	=====	=====
	\$ (17,927)	\$ (16,818)	\$ 2,938

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- (1) ProLogis entered into foreign currency put option contracts related to its operations in Europe for 2000 and 1999. These put option contracts do not qualify for hedge accounting treatment; therefore, ProLogis marks these contracts to market as of the end of the applicable accounting period. Upon settlement, the mark to market adjustments are reversed and the total realized gain or loss is recognized. See Note 16.

### Revenue Recognition

ProLogis leases its operating facilities under operating leases and recognizes the total lease payments provided for under the leases on a straight-line basis over the lease term. A provision for possible loss is made when collection of receivables is considered doubtful.

Gains or losses on the disposition of real estate are recorded when the recognition criteria set forth under GAAP have been met, generally at the time title is transferred and ProLogis has no future obligations under the contract.

### Rental Expenses

Rental expenses include costs of on-site and property management personnel, utilities, repairs and maintenance, property insurance and real estate taxes, net of amounts recovered from tenants under the terms of the respective leases.

### Stock-Based Compensation

ProLogis adopted SFAS No. 123, "Accounting for Stock-Based Compensation," which allows ProLogis to continue to account for its various stock-based compensation plans using Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Under APB No. 25, if the exercise price of the stock options issued equals or exceeds the market price of the underlying stock on the date of grant, no compensation expense is recognized. Certain pro forma earnings per share disclosures required by SFAS No. 123 are presented in Note 13.

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## PROLOGIS TRUST

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

#### Cost of Start-Up Activities

Statement of Position ("SOP") 98-5 "Reporting on the Costs of Start-Up Activities," which requires that costs associated with organization, pre-opening, and start-up activities be expensed as incurred was adopted by ProLogis on January 1, 1999. Through December 31, 1998, ProLogis capitalized costs associated with start-up activities and amortized such costs over an appropriate period, generally five years. ProLogis expensed all unamortized organization and start-up costs, approximating \$1.4 million, as a cumulative effect of a change in accounting principle as of January 1, 1999. Subsequent to that date, such costs incurred have been expensed.

### 3. REAL ESTATE

#### Real Estate Investments

Real estate investments consisting of income producing industrial distribution facilities, facilities under development and land held for future development, at cost, are summarized as follows (in thousands):

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	DECEMBER 31,	
	2000	1999
Operating facilities:		
Improved land.....	\$ 648,950 (1)	\$ 736,605 (1)
Buildings and improvements.....	3,619,543 (1)	3,871,396 (1)
	4,268,493	4,608,001
Facilities under development (including cost of land)....	186,020 (2) (3)	186,169 (2)
Land held for development.....	187,405 (4)	163,696 (4)
Capitalized preacquisition costs.....	47,574 (5)	17,085 (5)
	4,689,492	4,974,951
Less accumulated depreciation.....	476,982	366,703
	\$4,212,510	\$4,608,248 (6)
	=====	=====

- 
- (1) As of December 31, 2000 and December 31, 1999, ProLogis had 1,244 and 1,328 operating facilities, respectively, consisting of 126,275,000 and 133,689,000 square feet, respectively.
  - (2) Facilities under development consist of 41 buildings aggregating 8,711,000 square feet as of December 31, 2000 and 51 buildings aggregating 10,721,000 square feet as of December 31, 1999.
  - (3) In addition to the December 31, 2000 construction payable of \$40.9 million, ProLogis had unfunded commitments on its contracts for facilities under construction totaling \$169.2 million.
  - (4) Land held for future development consisted of 2,047 acres as of December 31, 2000 and 1,798 acres as of December 31, 1999.
  - (5) Capitalized preacquisition costs include \$32.5 million and \$6.3 million of funds on deposit with title companies as of December 31, 2000 and December 31, 1999, respectively.
  - (6) On January 7, 2000, ProLogis contributed 50.1% of the common stock of one of its wholly owned European entities, ProLogis European Properties S.a.r.l. to ProLogis European Properties Fund for an equity interest. ProLogis European Properties S.a.r.l. owned real estate with a net book value of \$334.9 million as of December 31, 1999. ProLogis contributed the remaining 49.9% of the common stock to ProLogis European Properties Fund on January 7, 2001 for an additional equity interest. See Note 4.

ProLogis' operating facilities, facilities under development and land held for future development are located in North America (the United States and Mexico) and seven countries in Europe. No individual market represents more than 10% of ProLogis' real estate assets.

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## Operating Lease Agreements

ProLogis leases its facilities to customers under agreements, which are classified as operating leases. The leases generally provide for payment of all or a portion of utilities, property taxes and insurance by the tenant. As of December 31, 2000, minimum lease payments on leases with lease periods greater than one year are as follows (in thousands):

2001.....	\$ 435,093
2002.....	360,759
2003.....	276,559
2004.....	200,510
2005.....	137,800
2006 and thereafter.....	323,467
	-----
	\$1,734,188
	=====

ProLogis' largest customer (based on rental income) accounted for 1.5% of ProLogis' rental income (on an annualized basis) for the year ended December 31, 2000. The annualized base rent for ProLogis' 25 largest customers (based on rental income) accounted for 13.2% of ProLogis' rental income (on an annualized basis) for the year ended December 31, 2000.

## 4. UNCONSOLIDATED ENTITIES:

### Investments In and Advances To Unconsolidated Entities

Investments in and advances to unconsolidated entities are as follows (in thousands):

	DECEMBER 31,	
	2000	1999
	-----	-----
Insight(1).....	\$ 2,470	\$ 2,442
ProLogis Logistics:		
Investment(2).....	7,163	11,549
Notes receivable.....	162,856	135,090
Mortgage notes receivable.....	24,082	23,706
Accrued interest and other receivables.....	36,952	22,262
	-----	-----
	231,053	192,607
	-----	-----
Frigoscandia S.A.:		
Investment(2).....	(50,761)	(17,396)
Notes receivable.....	208,945	209,314
Accrued interest and other receivables.....	33,797	22,090
	-----	-----
	191,981	214,008
	-----	-----
Kingspark S.A.:		
Investment(2).....	28,829	23,584
Notes receivable.....	409,440	197,611
Mortgage notes receivable.....	103,106	140,668

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Accrued interest and other receivables.....	29,207	19,908
	-----	-----
	570,582	381,771
	-----	-----

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## PROLOGIS TRUST

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

	DECEMBER 31,	
	2000	1999
	-----	-----
ProLogis California:		
Investment (3) .....	131,116	121,325
Other receivables.....	1,127	3,235
	-----	-----
	132,243	124,560
	-----	-----
ProLogis European Properties Fund:		
Investment (4) .....	145,850	32,800
Other receivables (payables).....	2,088	(7,824)
	-----	-----
	147,938	24,976
	-----	-----
ProLogis European Properties S.a.r.l. (5) .....	84,767	--
ProLogis North American Properties Fund I:		
Investment (6) .....	9,778	--
Other receivables.....	591	--
	-----	-----
	10,369	--
	-----	-----
ProLogis Principal:		
Investment (7) .....	71	--
Note receivable.....	13,250	--
Accrued interest and other receivables.....	87	--
	-----	-----
	13,408	--
	-----	-----
ProLogis Equipment Services (2) (8) .....	450	--
GoProLogis (9) .....	56,315	--
ProLogis PhatPipe (10):		
Investment.....	11,542	--
Other receivables.....	30	--
	-----	-----
	11,572	--
	-----	-----
Total.....	\$1,453,148	\$940,364
	=====	=====

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- (1) Investment represents ProLogis Development Services' investment in the common stock of Insight, Inc. ("Insight"), a privately owned logistics optimization consulting company, as adjusted for ProLogis Development Services' share of Insight's earnings or loss. ProLogis Development Services had a 33.3% ownership interest in Insight as of December 31, 2000 and 1999.
- (2) Investment represents ProLogis' investment in the preferred stock of the respective companies including acquisition costs, as adjusted for ProLogis' share of each company's earnings or loss and cumulative translation adjustments, as appropriate.
- (3) Investment represents ProLogis' equity investment in ProLogis California I LLC ("ProLogis California"), a limited liability company that began operations on August 26, 1999, including acquisition costs, as adjusted for ProLogis' share of the earnings or loss of ProLogis California and for the portion of the gain from the disposition of ProLogis' properties to ProLogis California that does not qualify for income recognition due to ProLogis' continuing ownership in ProLogis California. ProLogis had a 50% ownership interest in ProLogis California as of December 31, 2000 and 1999.

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### PROLOGIS TRUST

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

- (4) Investment represents ProLogis' equity investment in ProLogis European Properties Fund which began operations on September 23, 1999, including acquisition costs, as adjusted for ProLogis' share of the earnings or loss of ProLogis European Properties Fund, the portion of the gain from the disposition of ProLogis' facilities to ProLogis European Properties Fund that does not qualify for income recognition due to ProLogis' continuing ownership in ProLogis European Properties Fund and cumulative translation account adjustments, as appropriate. ProLogis' ownership interest in ProLogis European Properties Fund was 34.4% and 19.7% as of December 31, 2000 and 1999, respectively.
- (5) Investment represents ProLogis' investment in 49.9% of the common stock of ProLogis European Properties S.a.r.l., a Luxembourg company, as adjusted for ProLogis' share of the earnings or loss of ProLogis European Properties S.a.r.l. Prior to January 7, 2000, ProLogis owned 100% of the common stock of ProLogis European Properties S.a.r.l. and the accounts of this entity were consolidated in ProLogis' financial statements along with ProLogis' other majority owned and controlled subsidiaries and partnerships. On January 7, 2000, ProLogis contributed 50.1% of the common stock to ProLogis European Properties Fund in exchange for an equity interest. ProLogis contributed the remaining 49.9% of the common stock of ProLogis European Properties S.a.r.l. to ProLogis European Properties Fund on January 7, 2001 in exchange for an additional equity interest. ProLogis' ownership interest in ProLogis European Properties Fund increased to 45.6% on January 7, 2001 as a result of this transaction.
- (6) Investment represents ProLogis' and ProLogis Development Services' equity investment in ProLogis North American Properties Fund I LLC, a limited liability company that began operations on June 30, 2000, including acquisition costs, as adjusted for ProLogis' and ProLogis Development Services' share of the earnings or loss of ProLogis North American Properties Fund I and the portion of the gain from the disposition of ProLogis' and ProLogis Development Services' facilities to ProLogis North American Properties Fund I that does not qualify for income recognition due to ProLogis' and ProLogis Development Services' continuing ownership in



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ProLogis North American Properties Fund I. On a combined basis, ProLogis and ProLogis Development Services had a 20.0% ownership interest in ProLogis North American Properties Fund I as of December 31, 2000.

- (7) Investment represents ProLogis' equity investment in ProLogis Iowa I LLC ("ProLogis Principal"), a limited liability company that began operations on June 30, 2000, including acquisition costs, as adjusted for ProLogis' share of the earnings or loss of ProLogis Principal and the portion of the gain from the disposition of ProLogis' facilities to ProLogis Principal that does not qualify for income recognition due to ProLogis' continuing ownership in ProLogis Principal. ProLogis had a 20.0% ownership interest in ProLogis Principal as of December 31, 2000.
- (8) Investment represents ProLogis Development Services' equity investment in ProLogis Equipment Services LLC, a limited liability company whose other member is a subsidiary of Dana Commercial Credit Corporation, as adjusted for ProLogis Development Services' share of the earnings or loss of ProLogis Equipment Services. ProLogis Equipment Services began operations on April 26, 2000 for the purpose of acquiring, leasing and selling material handling equipment and providing asset management services for such equipment. ProLogis Development Services had a 50.0% ownership interest in ProLogis Equipment Services as of December 31, 2000.
- (9) Investment represents ProLogis' investment in GoProLogis Incorporated ("GoProLogis") which has invested \$25.0 million in the non-cumulative preferred stock of Vizional Technologies, Inc. (formerly GoWarehouse.com, Inc.) ("Vizional Technologies"), a provider of integrated global logistics network technology services. This investment was made on July 21, 2000. In addition, investment includes \$30.4 million of non-cumulative preferred stock of Vizional Technologies received by GoProLogis under a license agreement for the non-exclusive use of the ProLogis Operating System(TM) over a five-year period and \$0.9 million of other costs associated with this investment. ProLogis accounts for its investment in GoProLogis on the equity method. GoProLogis did not receive any dividends from its preferred stock investment in Vizional Technologies in 2000. As of December 31, 2000, ProLogis had deferred \$27.7 mil-

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### PROLOGIS TRUST

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

lion of income related to this agreement. ProLogis had a 98% ownership interest in GoProLogis as of December 31, 2000.

- (10) Investment represents ProLogis' investment in ProLogis Broadband (1) Incorporated ("ProLogis PhatPipe") which has invested \$3.5 million in the non-cumulative preferred stock of PhatPipe, Inc. ("PhatPipe"), a real estate technology company. This investment was made on September 20, 2000. ProLogis has committed to fund a total of \$8.0 million in ProLogis PhatPipe by March 31, 2001 pursuant to the terms of a stock purchase agreement. In addition, investment includes \$8.0 million of non-cumulative preferred stock of PhatPipe received by ProLogis PhatPipe under a license agreement for the non-exclusive use of the ProLogis Operating System(TM) over a three-year period and \$43,000 of other costs associated with this investment. ProLogis accounts for its investment in ProLogis PhatPipe on the equity method. ProLogis PhatPipe did not receive any dividends from its preferred stock investment in PhatPipe in 2000. As of December 31, 2000, ProLogis had deferred \$7.3 million of income related to this agreement. ProLogis had a 98% ownership interest in ProLogis PhatPipe as of December 31, 2000.

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## Income (Loss) from Unconsolidated Entities

ProLogis recognized income (loss) from its investments in unconsolidated entities as follows (in thousands):

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Insight(1).....	\$ 27	\$ (77)	\$ 20
ProLogis Logistics(2).....	11,950	10,791	7,349
Frigoscandia S.A.(2).....	(20,298)	(4,364)	(7,535)
Kingspark S.A. (2)(3).....	43,795	23,855	2,915
ProLogis California(4).....	13,178	3,917	--
ProLogis North American Properties Fund I(5).....	1,806	--	--
ProLogis Principal(6).....	612	--	--
ProLogis Equipment Services.....	(130)	--	--
GoProLogis(7).....	2,693	--	--
ProLogis PhatPipe(7).....	741	--	--
ProLogis European Properties Fund(8).....	15,648	820	--
ProLogis European Properties S.a.r.l.....	8,041	--	--
ProLogis Garonor(9).....	--	(12,423)	6
	=====	=====	=====
	\$ 78,063	\$ 22,519	\$ 2,755

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- (1) Prior to July 1, 1998, this investment was accounted for under the cost method.
  - (2) Amounts represent 95% of the entity's earnings or loss. Includes interest income on notes due to ProLogis.
  - (3) ProLogis acquired Kingspark Holding S.A. ("Kingspark S.A.") and its consolidated entities on August 14, 1998. ProLogis' share of Kingspark S.A.'s earnings or loss includes net gains from the disposition of facilities developed by to ProLogis European Properties Fund of \$4.3 million in 2000 and \$4.5 million in 1999. The gains are net of \$2.5 million in 2000 and \$1.1 million in 1999 that did not qualify for income recognition by ProLogis due to ProLogis' continuing ownership in ProLogis European Properties Fund.
  - (4) ProLogis California began operations on August 26, 1999. Amounts recognized include management, leasing and development fees of \$2.7 million for 2000 and \$0.9 million for 1999.
  - (5) ProLogis North American Properties Fund was formed on June 30, 2000. Includes management fees of \$0.7 million.
  - (6) ProLogis Principal was formed on June 30, 2000. Includes management fees of \$52,000.

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

- (7) Represents license fees earned for the non-exclusive use of the ProLogis Operating System(TM) under licensing agreements.
- (8) ProLogis European Properties Fund began operations on September 23, 1999. ProLogis recognizes its share of the earnings or loss of ProLogis European Properties Fund based on its average ownership interest during the period. Amounts recognized include management fees of \$5.3 million in 2000 and \$0.3 million in 1999. ProLogis began recognizing its share of the earnings or loss of ProLogis European Properties S.a.r.l. under the equity method on January 7, 2000.
- (9) On December 29, 1998, ProLogis invested in Garonor Holdings S.A. ("Garonor Holdings") by acquiring 100% of its preferred stock. Garonor Holdings, a Luxembourg company, owned Garonor S.A. ("ProLogis Garonor"), a real estate operating company in France. Security Capital Group Incorporated ("Security Capital"), ProLogis' largest shareholder, owned 100% of the common stock of Garonor Holdings. On June 29, 1999, ProLogis acquired the common stock of Garonor Holdings from Security Capital, resulting in ProLogis owning all of the outstanding common and preferred stock of Garonor Holdings. Accordingly, as of that date the accounts of Garonor Holdings were consolidated in ProLogis' financial statements along with ProLogis' other majority owned and controlled subsidiaries and partnerships. The results of operations of Garonor Holdings for the period from December 29, 1998 through June 29, 1999 are reflected by ProLogis under the equity method. ProLogis Garonor was transferred to ProLogis European Properties S.a.r.l. prior to ProLogis contributing 50.1% of the common stock of ProLogis European Properties S.a.r.l. to ProLogis European Properties Fund on January 7, 2000 for an equity interest. On January 7, 2001, ProLogis contributed the remaining 49.9% of the common stock of ProLogis European Properties S.a.r.l. to ProLogis European Properties Fund for an additional equity interest.

#### ProLogis Logistics

ProLogis owns 100% of the preferred stock of ProLogis Logistics Services Incorporated ("ProLogis Logistics"), representing substantially all of the economic interests. From April 24, 1997 through June 12, 1998, ProLogis Logistics owned between 60.0% and 77.1% of CS Integrated LLC ("CSI"), a temperature-controlled distribution company operating in the United States. ProLogis Logistics increased its ownership interest in CSI to 100% on June 12, 1998. As of December 31, 2000, CSI owned or operated under lease agreements temperature-controlled distribution facilities aggregating 182.2 million cubic feet (including 35.5 million cubic feet of dry distribution space located in temperature-controlled facilities). Of the total, 6.3 million cubic feet was under development.

As of December 31, 2000, ProLogis had invested \$19.9 million in the preferred stock of ProLogis Logistics and had the following notes and mortgage notes receivable outstanding:

- \$157.8 million unsecured note from ProLogis Logistics; interest at 8.0% per annum; due on April 2002;
- \$5.0 million net unsecured notes from CSI; interest at 10.4% per annum; due March 2004; and
- \$24.1 million net mortgage notes from CSI; secured by operating properties of CSI; interest at 9.5% per annum; due March 2004.

The common stock of ProLogis Logistics was owned by an unrelated party until January 2, 2001, when it was purchased by CSI/Frigo LLC, a limited

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liability company whose members are ProLogis and K. Dane Brooksher, ProLogis' chairman. CSI/Frigo LLC also acquired the common stock of Frigoscandia Holding S.A. ("Frigoscandia S.A.") on that date. ProLogis owns 89% of the membership interests and Mr. Brooksher owns 11% of the membership interests of CSI/Frigo LLC. Mr. Brooksher is the managing member of CSI/Frigo LLC. Additionally, ProLogis has a note agreement with CSI/Frigo LLC that allows ProLogis to participate in its earnings such that ProLogis will recognize 95% of the economic interests of CSI/Frigo LLC. This transaction did

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### PROLOGIS TRUST

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

not result in ProLogis acquiring control of ProLogis Logistics or Frigoscandia S.A., therefore, ProLogis will continue to account for its investments in these entities under the equity method.

On January 2, 2001, ProLogis Logistics borrowed \$125.0 million under ProLogis' U.S. dollar denominated unsecured line of credit agreement as a designated subsidiary borrower under the agreement (see Note 5), the proceeds of which were used to repay \$125.0 million of the outstanding notes and accrued interest due to ProLogis (including all of the amounts due from CSI). The remaining amounts due to ProLogis were converted to preferred stock by ProLogis as of January 2, 2001.

#### Frigoscandia S.A.

ProLogis owns 100% of the preferred stock of Frigoscandia S. A., representing substantially all of the economic interests. On January 16, 1998, Frigoscandia S.A., a Luxembourg company, acquired Frigoscandia AB, a temperature-controlled distribution company headquartered in Sweden by acquiring Frigoscandia Holding AB. Frigoscandia Holding AB owns 100% of Frigoscandia AB. As of December 31, 2000, Frigoscandia AB, which operates in 10 European countries, owned or operated under lease agreements 187.7 million cubic feet of temperature-controlled distribution facilities.

As of December 31, 2000, ProLogis had invested \$22.6 million in the preferred stock of Frigoscandia S.A. and had the following notes receivable outstanding:

- 776.6 million Swedish krona (the currency equivalent of approximately \$81.5 million as of December 31, 2000) unsecured note from Frigoscandia Holding AB; interest at 5.0% per annum; due on demand;
- 12.8 million euro (the currency equivalent of approximately \$11.9 million as of December 31, 2000) unsecured note from Frigoscandia Holding AB; interest at 5.0% per annum; due on demand; and
- \$115.5 million unsecured note from Frigoscandia S.A.; interest at 5.0% per annum; \$80.0 million due July 15, 2008 with the remainder due on demand.

The common stock of Frigoscandia S.A. was owned by a limited liability company in which unrelated parties owned 5% of the voting interests and Security Capital owned 100% of the non-voting interests until January 2, 2001, when the common stock was purchased by CSI/Frigo LLC.

As of December 31, 2000, Frigoscandia had a multi-currency revolving credit agreement in the currency equivalent of 360.0 million Deutsche marks through a consortium of 11 European banks. The currency equivalent of approximately \$168.1

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million was outstanding as of December 31, 2000 and ProLogis had guaranteed 25% of the amount outstanding (ProLogis' guarantee was increased to 100% on March 1, 2001). The loan will be due on March 31, 2001 and bears interest at the relevant index (LIBOR or Euribor based on the currency borrowed) plus 1.15%. Frigoscandia is negotiating a new credit agreement that will provide for the currency equivalent of 185.0 million euros of borrowing capacity with interest charged at the relevant index plus 0.90%, to mature on December 31, 2001. ProLogis will guarantee 100% of the borrowings under the new agreement.

Kingspark S.A.

ProLogis owns 100% of the preferred stock of Kingspark S.A., representing substantially all of the economic interests. On August 14, 1998, Kingspark S.A., a Luxembourg company, acquired an industrial distribution facility development company operating in the United Kingdom, Kingspark Group Holdings Limited ("ProLogis Kingspark") (collectively "the Kingspark entities"). As of December 31, 2000, the Kingspark entities had 1.6 million square feet of operating facilities at an investment of \$139.2 million and 1.5 million square feet of facilities under development with a total budgeted cost of \$136.2 million. Additionally, as of December 31, 2000, the Kingspark entities owned 332 acres of land and controlled 1,515 acres of land through

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### PROLOGIS TRUST

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

purchase options, letters of intent or contingent contracts. The land owned and controlled by the Kingspark entities has the capacity for the future development of approximately 28.3 million square feet of facilities.

As of December 31, 2000, ProLogis had invested \$24.0 million in the preferred stock of Kingspark S.A. and had the following notes and mortgage notes receivable outstanding:

- 187.3 million pounds sterling (the currency equivalent of approximately \$280.1 million as of December 31, 2000) outstanding on an unsecured loan facility from ProLogis to the Kingspark entities that provides for borrowings of up to 200 million pounds sterling (the currency equivalent of approximately \$299.0 million as of December 31, 2000); interest at 8.0% per annum; due on demand;
- \$129.3 million unsecured note from Kingspark S.A.; interest at 5.0% per annum; due on demand;
- 42.0 million pound sterling (the currency equivalent of approximately \$62.9 million, as of December 31, 2000) mortgage note from ProLogis Kingspark; secured by land parcels; interest at 8.0% per annum; due on demand; and
- 26.9 million pound sterling (the currency equivalent of approximately \$40.2 million as of December 31, 2000) mortgage note from the Kingspark entities; secured by land parcels and facilities under development; interest at 7.0% per annum; due on demand.

The common stock of Kingspark S.A. was owned by a limited liability company, in which unrelated third parties owned 100% of the voting interests and Security Capital owned 100% of the non-voting interests. On January 2, 2001, this common stock was acquired by a limited liability company. ProLogis owns 95% of the membership interests and Mr. Brooksher owns 5% of the membership interests of the company acquiring the common stock and Mr. Brooksher is its

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managing member. This transaction resulted in ProLogis having control of Kingspark S.A. Accordingly, the accounts of the Kingspark entities will be consolidated in ProLogis' financial statements along with ProLogis' other majority-owned and controlled subsidiaries and partnerships beginning on January 2, 2001.

ProLogis Kingspark has a line of credit agreement with a bank in the United Kingdom. The line of credit agreement provides for borrowings of up to 15.0 million pounds sterling (the currency equivalent of approximately \$22.4 million as of December 31, 2000) and has been guaranteed by ProLogis. As of December 31, 2000, no borrowings were outstanding on the line of credit. However, as of December 31, 2000, ProLogis Kingspark had the currency equivalent of approximately \$13.8 million of letters of credit outstanding that reduce the amount of available borrowings on the line of credit.

### ProLogis California I LLC

ProLogis California began operations on August 26, 1999 as a limited liability company whose members are ProLogis and New York State Common Retirement Fund ("NYSCRF"). As of December 31, 2000, ProLogis California owned 77 operating facilities aggregating 12.4 million square feet and had one 332,000 square foot facility under development (all of which were acquired from ProLogis). All of ProLogis California's facilities are in the Los Angeles/Orange County market. ProLogis had a 50.0% ownership interest in ProLogis California as of December 31, 2000.

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### PROLOGIS TRUST

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

ProLogis' total investment in ProLogis California as of December 31, 2000 consisted of (in millions):

Equity interest.....	\$169.1
Distributions (\$13.9 million received in 2000).....	(23.6)
ProLogis' share of ProLogis California's earnings, excluding fees earned.....	12.6
	-----
Subtotal.....	158.1
Adjustments to carrying value(1).....	(28.5)
Other, including acquisition costs.....	1.5
	-----
	131.1
Other receivables.....	1.1
	-----
Total.....	\$132.2
	=====

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- (1) Reflects the reduction in carrying value for the amount of net gain on the disposition of properties to ProLogis California that does not qualify for income recognition due to ProLogis' continuing ownership in ProLogis California.

ProLogis European Properties Fund

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ProLogis European Properties Fund was formed on September 16, 1999 and began operations on September 23, 1999. As of December 31, 2000, ProLogis European Properties Fund owned 104 operating facilities aggregating 14.4 million square feet (including 60 facilities aggregating 6.6 million square feet owned by ProLogis European Properties S.a.r.l.). All but 10 of the facilities, aggregating 1.5 million square feet, owned by ProLogis European Properties Fund were acquired from ProLogis or the Kingspark entities.

ProLogis' total investment in ProLogis European Properties Fund as of December 31, 2000 consisted of (in millions of U.S. dollars):

Equity interest.....	\$155.4
Distributions (all were received in 2000).....	(4.0)
ProLogis' share of ProLogis European Properties Fund's earnings, excluding fees earned.....	9.1
	-----
Subtotal.....	160.5
Adjustments to carrying value(1).....	(14.9)
Other, net.....	0.3
	-----
	145.9
Other receivables.....	2.0
	-----
Total.....	\$147.9
	=====

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(1) Reflects the reduction in carrying value for amount of net gain on the disposition of facilities to ProLogis European Properties Fund that does not qualify for income recognition due to ProLogis' continuing ownership in ProLogis European Properties Fund.

On January 7, 2000, ProLogis contributed 50.1% of the common stock of one of its wholly owned European entities, ProLogis European Properties S.a.r.l., to ProLogis European Properties Fund in exchange for an equity interest. ProLogis contributed the remaining 49.9% of the common stock to ProLogis European Properties Fund on January 7, 2001 in exchange for an additional equity interest. As of December 31, 2000, ProLogis had a 34.4% ownership interest in ProLogis European Properties Fund (increased to 45.6% as of January 7, 2001).

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### PROLOGIS TRUST

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Third parties (19 institutional investors) have invested 325.6 million euros (the currency equivalent of approximately \$302.9 million as of December 31, 2000) in ProLogis European Properties Fund and have committed to fund an additional 734.7 million euros (the currency equivalent of approximately \$683.4 million as of December 31, 2000) through 2002. ProLogis has also entered into a subscription agreement to make additional capital contributions (excluding the remaining 49.9% of the common stock of ProLogis European Properties S.a.r.l.) of 93.2 million euros (the currency equivalent of approximately \$86.7 million as of December 31, 2000).

ProLogis European Properties Fund intends to acquire additional stabilized operating facilities from ProLogis, the Kingspark entities and unrelated

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parties, including facilities to be developed by ProLogis and the Kingspark entities in the future. Stabilized facilities have been defined for purposes of ProLogis European Properties Fund as facilities that meet minimum leasing criteria and minimum net operating income yields, as defined and established by agreement for each country. ProLogis European Properties Fund has the right to refuse to acquire facilities that ProLogis and the Kingspark entities have developed if they do not meet the established criteria. ProLogis has an agreement to manage ProLogis European Properties Fund for a fee pursuant to a 20-year management agreement.

ProLogis European Properties Fund has a credit agreement with two international banks for a multi-currency, secured revolving credit facility in the currency equivalent of 500.0 million euros. The credit agreement matures in October 2002. Borrowings can be denominated in sterling currencies or the euro, and will bear interest at rates above the relevant index (LIBOR or Euribor). As of December 31, 2000, 118.2 million euros and 62.6 million pound sterling were outstanding on the line (the currency equivalent of approximately \$205.5 million as of December 31, 2000). Of the total borrowings, ProLogis has guaranteed the currency equivalent of approximately \$93.0 million as of December 31, 2000.

ProLogis European Properties S.a.r.l.

As of December 31, 2000, ProLogis owned 49.9% of the common stock of ProLogis European Properties S.a.r.l. and recognized 49.9% of the earnings of this entity under the equity method for the period from January 7, 2000 to December 31, 2000. ProLogis European Properties Fund owned the remaining 50.1% of the common stock of ProLogis European Properties S.a.r.l. and recognized 50.1% of the earnings of this entity in its income. ProLogis contributed its 49.9% ownership of ProLogis European Properties S.a.r.l. to ProLogis European Properties Fund on January 7, 2001 in exchange for an additional equity interest. Of the 6.6 million square feet of operating facilities owned by ProLogis European Properties S.a.r.l. as of December 31, 2000, 6.1 million square feet are located in France, 0.4 million square feet are located in Poland and 0.1 million square feet are located in the Netherlands. Additionally, ProLogis European Properties S.a.r.l. had the currency equivalent of approximately \$141.3 million of debt outstanding as of December 31, 2000 (including the currency equivalent of approximately \$19.9 million that is guaranteed by ProLogis).

ProLogis North American Properties Fund I

ProLogis North American Properties Fund I LLC began operations on June 30, 2000, as a limited liability company whose members are ProLogis, ProLogis Development Services and the State Teachers Retirement Board of Ohio. ProLogis North American Properties Fund I owned 33 operating facilities aggregating 8.0 million square feet as of December 31, 2000. ProLogis and ProLogis Development Services had a combined 20.0% ownership interest in ProLogis North American Properties Fund I as of December 31, 2000.

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PROLOGIS TRUST

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

ProLogis' and ProLogis Development Services' total investment in ProLogis North American Properties Fund I as of December 31, 2000 consisted of (in millions):

Equity interest.....	\$18.6
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Distributions.....	(0.4)
ProLogis' share of ProLogis North American Properties Fund's earnings, excluding fees earned.....	0.3
Adjustments to carrying value(1).....	(9.1)
Other, net.....	.4
	-----
	9.8
Other receivables.....	0.6
	-----
Total.....	\$10.4
	=====

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(1) Reflects the reduction in carrying value for amount of net gain on the disposition of facilities to ProLogis North American Properties Fund I that does not qualify for income recognition due to ProLogis' and ProLogis Development Services' continuing ownership in ProLogis North American Properties Fund I.

ProLogis North American Properties Fund I acquired three stabilized operating facilities from ProLogis in January 2001 in exchange for an additional equity interest, bringing the combined ownership interest to 41.3%. ProLogis has an agreement to manage ProLogis North American Properties Fund I for a fee for a 10-year period, unless terminated at an earlier date as provided under the terms of the agreement.

### ProLogis Principal

ProLogis Principal began operations on June 30, 2000, as a limited liability company whose members are ProLogis and Principal Financial Group. ProLogis Principal owned three operating facilities acquired from ProLogis aggregating 440,000 square feet as of December 31, 2000. As of December 31, 2000, ProLogis has a \$13.2 million note receivable from ProLogis Principal that earns interest at 8.25% per annum and is due March 31, 2001. ProLogis has an agreement to manage ProLogis Principal's operating facilities for a fee pursuant to a four-year agreement. ProLogis had a 20.0% ownership interest in ProLogis Principal as of December 31, 2000.

ProLogis' total investment in ProLogis Principal as of December 31, 2000 consisted of (in millions):

Equity interest.....	\$ 0.6
Adjustments to carrying value(1).....	(0.4)
	-----
	0.2
Note receivable.....	13.2
	-----
Total.....	\$13.4
	=====

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(1) Reflects the reduction in carrying value for amount of net gain on the disposition of facilities to ProLogis Principal that does not qualify for income recognition due to ProLogis' continuing ownership in ProLogis Principal.

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## PROLOGIS TRUST

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

#### Summarized Financial Information

Summarized financial information for ProLogis' unconsolidated entities as of and for the year ended December 31, 2000 is presented below (in millions of U.S. dollars). The information presented is for the entire entity.

	PROLOGIS LOGISTICS (1)	FRIGOSCANDIA S.A. (1)	KINGSPARK S.A. (1)	PROLOGIS CALIFORNIA (2)	PROLOGIS EUROPEAN PROPERTIES FUND (3)
	-----	-----	-----	-----	-----
Total assets.....	\$376.6	\$508.5	\$636.3	\$590.5	\$906.9
Total liabilities(6).....	\$368.5	\$566.1	\$598.7	\$274.3	\$412.0
Minority interest.....	\$ --	\$ 0.4	\$ --	\$ --	\$ 84.8
Equity.....	\$ 8.1	\$ (58.0)	\$ 37.6	\$316.2	\$410.1
Revenues.....	\$331.4	\$382.9	\$ 46.4 (7)	\$ 63.6	\$ 69.6
Adjusted EBITDA(8).....	\$ 33.5	\$ 27.7	\$ 43.1	\$ 52.0	\$ 51.6
Net earnings (loss) (9).....	\$ (3.6)	\$ (31.3) (10)	\$ 20.0 (11)	\$ 19.8	\$ 28.0 (1)

(1) ProLogis had a 95.0% economic interest in each entity as of December 31, 2000.

(2) ProLogis had a 50.0% ownership interest as of December 31, 2000.

(3) ProLogis had a 34.4% ownership interest as of December 31, 2000. ProLogis European Properties S.a.r.l. is consolidated with ProLogis European Properties Fund. Minority interest represents ProLogis' 49.9% investment in the common stock of ProLogis European Properties S.a.r.l.

(4) ProLogis and ProLogis Development Services had a combined 20.0% ownership interest as of December 31, 2000. ProLogis North American Properties Fund I was formed on June 30, 2000.

(5) ProLogis had a 20.0% ownership interest as of December 31, 2000. ProLogis Principal was formed on June 30, 2000.

(6) Includes amounts due to ProLogis of \$223.9 million from ProLogis Logistics, \$242.7 million from Frigoscandia S.A., \$541.8 million from Kingspark S.A., \$1.1 million from ProLogis California, \$2.1 million from ProLogis European Properties Fund, \$0.6 million from ProLogis North American Properties Fund I and \$13.3 million from ProLogis Principal: and includes loans from third parties (including accrued interest) of \$91.4 million for ProLogis Logistics, \$185.4 million for Frigoscandia S.A., \$262.9 million for ProLogis California, \$359.4 million for ProLogis European Properties Fund and \$233.8 million for ProLogis North American Properties Fund I.

(7) Includes \$32.3 million of gains related to the disposition of facilities, including a gain of \$4.7 million from the disposition of facilities to ProLogis European Properties Fund.

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- (8) Adjusted EBITDA represents earnings from operations before interest expense, interest income, current and deferred income taxes, depreciation, amortization, gains and losses on disposition of non-CDFS business segment assets (see Note 10); foreign currency exchange gains and losses resulting from the remeasurement (at current foreign currency exchange rates) of third party and intercompany debt and mark to market adjustments related to derivative financial instruments utilized to manage foreign currency risks.
- (9) ProLogis' share of the net earnings (loss) of the respective entities and interest income on notes and mortgage notes due to ProLogis are recognized in the Consolidated Statements of Earnings as "Income from unconsolidated entities." The net earnings (loss) of each entity includes interest expense on amounts due to ProLogis, as applicable.
- (10) Includes net foreign currency exchange losses of \$0.9 million.
- (11) Includes net foreign currency exchange gains of \$0.4 million.
- (12) Includes net foreign currency exchange gains of \$7.1 million.
- (13) Net earnings for the year ended December 31, 2000 was \$22,000.

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### PROLOGIS TRUST

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

##### 5. BORROWINGS:

###### Unsecured Lines of Credit

ProLogis has an unsecured credit agreement with Bank of America, N.A. ("Bank of America"), Commerzbank AG and Chase Bank of Texas, National Association, as agents for a bank group that provides for a \$475.0 million unsecured revolving line of credit. The credit agreement allows ProLogis to increase the available commitment by \$25.0 million to a total of \$500.0 million. ProLogis Logistics and ProLogis Development Services may also borrow under the credit agreement with such borrowings guaranteed by ProLogis. ProLogis' borrowings under the agreement generally bear interest at LIBOR plus an applicable margin (based upon ProLogis' current senior unsecured debt ratings). ProLogis' borrowings in 2000 were primarily at the 30-day LIBOR rate plus 0.75% (7.31% as of December 31, 2000). Additionally, the credit agreement provides for a facility fee of 0.15% per annum. The credit agreement matures on June 6, 2003 and may be extended for an additional year at ProLogis' option. As of December 31, 2000, ProLogis had \$184.7 million of borrowings outstanding on the unsecured line of credit and ProLogis was in compliance with all covenants contained in the credit agreement. As of December 31, 2000, ProLogis Logistics and ProLogis Development Services had not borrowed under the credit agreement.

In addition, ProLogis has a \$55.0 million unsecured discretionary line of credit with Bank of America that matures on June 6, 2001. Of the total, ProLogis can borrow the currency equivalent of \$30.0 million in certain foreign currencies with U.S. dollar borrowings limited to \$25.0 million. By agreement between ProLogis and Bank of America, the rate of interest on and the maturity date of each advance are determined at the time of each advance. There were \$25.0 million of borrowings outstanding on the discretionary line of credit as of December 31, 2000.

ProLogis has a credit agreement that provides for a 325.0 million euro multi-currency, unsecured revolving line of credit (the currency equivalent of approximately \$302.3 million as of December 31, 2000) through a group of 17

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banks, on whose behalf ABN AMRO Bank, N.V. acts as agent. Borrowings under the line of credit bear interest at Euribor plus 0.75% or Sterling LIBOR plus 0.75% (borrowings outstanding as of December 31, 2000 were at a weighted average interest rate of 6.23%). The credit agreement provides for an unused commitment fee of 0.375% per annum. As of December 31, 2000, the currency equivalent of approximately \$230.1 million of borrowings were outstanding on the line of credit and ProLogis was in compliance with all covenants contained in the credit agreement.

A summary of ProLogis' unsecured lines of credit borrowings is as follows (dollar amounts in thousands):

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Weighted average daily interest rate.....	6.33%	6.13%	6.46%
Borrowings outstanding as of December 31.....	\$439,822	\$ 98,700	\$344,300
Weighted average daily borrowings.....	\$251,528	\$232,821	\$174,901
Maximum borrowings outstanding at any month end....	\$439,822	\$440,100	\$344,300
Total borrowing capacity on all lines of credit as of December 31.....	\$832,317	\$902,340	\$375,000

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### PROLOGIS TRUST

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

##### Senior Unsecured Notes

ProLogis has issued senior unsecured notes and medium-term unsecured notes that bear interest at fixed rates, payable semi-annually (the "Notes"). The Notes outstanding as of December 31, 2000 are summarized as follows (in thousands of dollars):

DATE OF ISSUANCE	ORIGINAL PRINCIPAL	COUPON RATE	MATURITY DATE	PRINCIPAL BALANCE (1)	PRINCIPAL PAYMENT REQUIREMENT
May 16, 1995.....	\$ 17,500	7.300%	05/15/01	\$ 17,492	(2)
May 17, 1996.....	25,000	7.250%	05/15/02	24,994	(3)
October 9, 1998.....	125,000	7.000%	10/01/03	125,000	(2)
April 26, 1999.....	250,000	6.700%	04/15/04	249,694	(2)
July 20, 1998.....	250,000	7.050%	07/15/06	249,622	(2)
November 20, 1997.....	135,000	7.250%	11/20/07	134,116	(2)
April 26, 1999.....	250,000	7.100%	04/15/08	249,940	(2)
May 17, 1996.....	100,000	7.950%	05/15/08	99,889	(4)
March 2, 1995.....	150,000	8.720%	03/01/09	150,000	(5)
May 16, 1995.....	75,000	7.875%	05/15/09	74,789	(6)
November 20, 1997.....	25,000	7.300%	11/20/09	24,787	(2)
February 4, 1997.....	100,000	7.810%	02/01/15	100,000	(7)
March 2, 1995.....	50,000	9.340%	03/01/15	50,000	(8)
May 17, 1996.....	50,000	8.650%	05/15/16	49,875	(9)
July 11, 1997.....	100,000	7.625%	07/01/17	99,791	(2)

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-----  
\$1,702,500  
=====

-----  
\$1,699,989  
=====

- 
- (1) Amounts are net of applicable unamortized original issue discount.
  - (2) Principal due at maturity.
  - (3) Annual principal payments of \$12.5 million from May 15, 2001 to May 15, 2002.
  - (4) Annual principal payments of \$25.0 million from May 15, 2005 to May 15, 2008.
  - (5) Annual principal payments of \$18.75 million from March 1, 2002 to March 1, 2009.
  - (6) Annual principal payments of \$9.375 million from May 15, 2002 to May 15, 2009.
  - (7) Annual principal payments ranging from \$10.0 million to \$20.0 million from February 1, 2010 to February 1, 2015.
  - (8) Annual principal payments ranging from \$5.0 million to \$12.5 million from March 1, 2010 to March 1, 2015.
  - (9) Annual principal payments ranging from \$5.0 million to \$12.5 million from May 15, 2010 to May 15, 2016.

The Notes rank equally with all other unsecured and unsubordinated indebtedness of ProLogis from time to time outstanding. The Notes are redeemable at any time at ProLogis' option. Such redemption and other terms are governed by the provisions of an indenture agreement or, with respect to the \$160.0 million of Notes issued on November 20, 1997, note purchase agreements. Under the terms of the indenture agreement and note purchase agreements, ProLogis must meet certain financial covenants and ProLogis was in compliance with all such covenants as of December 31, 2000.

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## PROLOGIS TRUST

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

#### Secured Debt

Secured debt as of December 31, 2000 consisted of the following (in thousands):

DESCRIPTION	INTEREST RATE (1)	MATURITY DATE	PERIODIC PAYMENT DATE	PRINCIPAL BALANCE	BALLOON PAYMENT DUE AT MATURITY
-----	-----	-----	-----	-----	-----
Mortgage notes:					
Rio Grande Industrial Center #1....	8.875%	09/01/01	(2)	\$ 2,683	\$ 2,544

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Titusville Industrial Center #1....	10.000	09/01/01	(2)	4,313	4,181
Prudential Insurance(3).....	8.590	04/01/03	(2)	25,361	23,505
Sullivan 75 Distribution Center					
#1.....	9.960	04/01/04	(2)	1,767	1,663
Charter American Mortgage(3).....	8.750	08/01/04	(2)	6,927	5,818
West One Business Center #3.....	9.000	09/01/04	(2)	4,234	3,847
Raines Distribution Center.....	9.500	01/01/05	(2)	4,155	2,173
Prudential Insurance(3) (4).....	6.850	04/01/05	(5)	52,532	48,850
Consulate Distribution Center					
#300(4).....	6.970	02/01/06	(2)	3,660	3,585
Plano Distribution Center #7(4)....	7.020	04/15/06	(2)	3,707	3,015
Connecticut General Life					
Insurance(3).....	7.080	03/01/07	(2)	147,166	134,431
Vista Del Sol Industrial Center #1					
& 2.....	9.680	08/01/07	(6)	3,128	--
State Farm Insurance(3) (4).....	7.100	11/01/08	(2)	15,317	13,065
Placid Street Distribution Center					
#1(4).....	7.180	12/01/09	(2)	7,633	6,529
Earth City Industrial Center #4....	8.500	07/01/10	(6)	2,029	--
GMAC Commercial Mortgage(3).....	7.750	10/01/10	(6)	7,271	--
Executive Park Distribution Center					
#3.....	8.190	03/01/11	(6)	993	--
Cameron Business Center #1(4).....	7.230	07/01/11	(2)	6,037	4,526
Platte Valley Industrial Center					
#9.....	8.100	04/01/17	(6)	3,159	--
Platte Valley Industrial Center					
#4.....	10.100	11/01/21	(6)	2,008	--
Morgan Guaranty Trust(3).....	7.584	04/01/24	(7)	200,000	127,187
				-----	
				\$504,080	
				=====	
Assessment bonds:					
City of Fremont.....	7.000%	03/01/11	(6)	\$ 8,767	--
Various(8).....	(8)	(8)	(6)	1,278	--
				-----	
				\$ 10,045	
				=====	
Securitized debt:					
Tranche A.....	7.740%	02/01/04	(2)	\$ 15,998	\$ 13,405
Tranche B.....	9.940	02/01/04	(2)	7,802	7,215
				-----	
				\$ 23,800	
				=====	
Total secured debt.....				\$537,925	
				=====	

(1) The weighted average interest rates for mortgage notes, assessment bonds and securitized debt were 7.49%, 7.12% and 8.46%, respectively as of December 31, 2000. The total weighted average interest rate for ProLogis' secured borrowings is 7.53%.

(2) Monthly amortization with a balloon payment due at maturity.

(3) Secured by various distribution facilities.

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

- (4) Mortgage note was assumed by ProLogis in connection with the merger with Meridian. See Note 11. Under purchase accounting, the mortgage note was recorded at its fair value. Accordingly, a premium or discount was recognized, as applicable.
- (5) Carrying value includes premium. Terms are interest only with stated principal amount of \$48.9 million due at maturity.
- (6) Fully amortizing.
- (7) Monthly interest only payments through May 2005, monthly principal and interest payments from June 2005 to April 2024 with a balloon payment due at maturity.
- (8) Includes nine issues of assessment bonds with four municipalities. Interest rates range from 5.50% per annum to 8.75% per annum. Maturity dates range from August 2004 to September 2016.

Mortgage notes, assessment bonds and securitized debt are secured by real estate with an aggregate undepreciated cost of \$927.0 million, \$236.3 million and \$61.3 million, respectively, as of December 31, 2000.

#### Other Unsecured Debt

As of December 31, 1999, ProLogis had an unsecured term loan in the amount of 200.0 million French francs (the currency equivalent of approximately \$30.9 million). This debt was held by ProLogis European Properties S.a.r.l. See Note 4.

#### Long-Term Debt Maturities

Approximate principal payments due on senior unsecured notes and secured debt (mortgage notes, assessment bonds and securitized debt) during each of the years in the five-year period ending December 31, 2005 and thereafter are as follows (in thousands):

2001.....	\$ 44,665
2002.....	48,898
2003.....	184,856
2004.....	316,221
2005.....	112,063
2006 and thereafter.....	1,533,722
	-----
Total principal due.....	2,240,425
Less: Original issue discount.....	(2,511)
	-----
Total carrying value.....	\$2,237,914
	=====

#### Interest Expense

For 2000, 1999 and 1998, interest expense was \$172.2 million, \$170.7 million and \$77.7 million, respectively, which is net of capitalized interest of \$18.5 million, \$16.0 million and \$19.2 million, respectively. Amortization of deferred loan costs included in interest expense was \$4.6 million, \$4.4 million and \$2.2 million for 2000, 1999 and 1998, respectively. The total interest paid in cash on all outstanding debt was \$178.4 million, \$169.8 million and \$83.2

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million during 2000, 1999 and 1998, respectively.

### 6. MINORITY INTEREST:

Minority interest represents the limited partners' interests in real estate partnerships controlled by ProLogis. With respect to each of the partnerships either ProLogis or a subsidiary of ProLogis is the sole general partner with all management powers over the business and affairs of the partnership. The limited partners of each partnership generally do not have the right to participate in or exercise management control over the business and

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### PROLOGIS TRUST

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

affairs of the partnership. With respect to each partnership the general partner may not, without the written consent of all of the limited partners, take any action that would prevent such partnership from conducting its business, possess the property of the partnership, admit an additional partner or subject a limited partner to the liability of a general partner.

As of December 31, 2000, ProLogis or a subsidiary of ProLogis is the controlling general partner in five partnerships. In each of these partnerships, the limited partners are entitled to exchange partnership units for Common Shares. Additionally, the limited partners are entitled to receive preferential cumulative quarterly distributions per unit equal to the quarterly distributions in respect of Common Shares. The five partnerships as of December 31, 2000 are as follows:

ENTITY	FORMATION DATE	INVESTMENT IN REAL ESTATE (IN MILLIONS)	PROLOGIS' OWNERSHIP	LIMITED PARTNERSHIP UNITS OUTSTANDING
-----	-----	-----	-----	-----
ProLogis Limited Partnership-I(1)...	1993	\$211.0	68.70%	4,520,532 (2)
ProLogis Limited Partnership-II.....	1994	\$ 58.3	97.80%	90,213 (2)
ProLogis Limited Partnership-III....	1994	\$ 52.0	86.39%	376,347 (2)
ProLogis Limited Partnership-IV(3).....	1994	\$103.9	98.50%	68,612 (2)
Meridian Realty Partners Limited Partnership.....	(4)	\$ 10.4	88.00%	29,712 (5)

(1) These facilities cannot be sold, prior to the occurrence of certain events, without the consent of the limited partners thereto, other than in tax-deferred exchanges.

(2) Convertible into Common Shares on a one for one basis.

(3) ProLogis Limited Partnership-IV was formed through a cash contribution from a wholly owned subsidiary of ProLogis, ProLogis-IV, Inc. and the contribution of industrial distribution facilities from the limited partner. ProLogis Limited Partnership-IV and ProLogis-IV, Inc. are legal entities separate and distinct from ProLogis, its affiliates and each other, and each has separate assets, liabilities, business functions and operations. The sole assets of ProLogis-IV, Inc. are its general partner advances to and its



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interest in ProLogis Limited Partnership-IV. As of December 31, 2000, ProLogis Limited Partnership-IV had outstanding borrowings from ProLogis-IV, Inc., of \$0.4 million and ProLogis-IV, Inc. had outstanding borrowings from ProLogis and its affiliates of \$0.4 million.

(4) Acquired in merger with Meridian. See Note 11.

(5) Convertible into Common Shares on a 1.1 for one basis, plus \$2.00.

For financial reporting purposes, the assets, liabilities, results of operations and cash flows of each of the five partnerships are included in ProLogis' consolidated financial statements, and the interests of the limited partners are reflected as minority interest.

### 7. SHAREHOLDERS' EQUITY:

#### Shares Authorized

As of December 31, 2000, 275,000,000 shares were authorized. ProLogis' Board of Trustees (the "Board") may increase the number of authorized shares and may classify or reclassify any unissued shares of ProLogis stock from time to time by setting or changing the preferences, conversion or other rights, voting powers, restrictions, limitations as of distributions, qualifications and terms or conditions of redemption of such shares.

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#### PROLOGIS TRUST

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

#### Preferred Shares

As of December 31, 2000, ProLogis had four series of cumulative redeemable preferred shares of beneficial interest outstanding (Series A, C, D and E) and one series of cumulative convertible redeemable preferred shares of beneficial interest outstanding (Series B). The Series B preferred shares are convertible at any time, unless previously redeemed, at the option of the holders thereof into Common Shares at a conversion price of \$19.50 per share (equivalent to a conversion rate of 1.282 Common Shares for each Series B preferred share).

Holders of each series of preferred shares have, subject to certain conditions, limited voting rights. The holders of the preferred shares are entitled to receive cumulative preferential dividends based upon each series' respective liquidation preference. Such dividends are payable quarterly in arrears on the last day of March, June, September and December for all series of preferred shares, with the exception of Series E, which are payable quarterly on the last day of January, April, July and October, when, and if, declared by the Board, out of funds legally available for payment of dividends. After the respective redemption dates, each series can be redeemed for a cash redemption price which (other than the portion consisting of accrued and unpaid dividends) is payable solely out of the sales proceeds of other capital shares of ProLogis, which may include shares of other series of preferred shares. With respect to payment of dividends, each series of preferred shares ranks on parity with ProLogis' other series of preferred shares.

ProLogis' preferred shares as of December 31, 2000 are summarized as follows:

DIVIDEND

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	NUMBER OF SHARES OUTSTANDING	STATED LIQUIDATION PREFERENCE	DIVIDEND RATE	EQUIVALENT BASED ON LIQUIDATION PREFERENCE	OPTIONAL REDEMPTION DATE (1)
Series A Cumulative Redeemable Preferred Shares...	5,400,000	\$25.00	9.40%	\$2.35 per share	06/21/00
Series B Cumulative Convertible Redeemable Preferred Shares(2) .....	6,256,100	\$25.00	7.00%	\$1.75 per share	02/21/01 (3)
Series C Cumulative Redeemable Preferred Shares...	2,000,000	\$50.00	8.54%	\$4.27 per share	11/13/26
Series D Cumulative Redeemable Preferred Shares...	10,000,000	\$25.00	7.92%	\$1.98 per share	04/13/03
Series E Cumulative Redeemable Preferred Shares...	2,000,000	\$25.00	8.75%	\$2.19 per share	06/30/03

(1) After this date, the preferred shares can be redeemed at ProLogis' option.

(2) During 2000 and 1999, Series B preferred shares of 764,599 and 516,897, respectively, were converted into 980,216 and 662,661 Common Shares, respectively.

(3) ProLogis will redeem these shares on March 20, 2001.

## Recent Developments

On January 11, 2001, ProLogis announced a Common Share repurchase program under which it may repurchase up to \$100.0 million of its Common Shares. The Common Shares will be repurchased from time to time in the open market and in privately negotiated transactions, depending on market prices and other

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## PROLOGIS TRUST

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

conditions. On February 12, 2001 ProLogis announced its call for redemption of all outstanding Series B cumulative convertible redeemable preferred shares at a price of \$25.00 per share, plus \$0.442 in accrued and unpaid dividends, for an aggregate redemption price of \$25.442 per preferred share. The redemption date is March 20, 2001. On or prior to March 13, 2001, the Series B preferred shares could be converted into Common Shares at a conversion rate of 1.282 Common Shares for each Series B preferred share.

## Issuance of Common Shares

During 2000, ProLogis generated net proceeds of \$30.3 million from the issuance of 1,479,000 Common Shares under its 1999 Dividend Reinvestment and Share Purchase Plan and issuance of 163,000 Common Shares under long-term compensation plans. See Note 13. In addition, ProLogis issued: (i) 602,000 Common Shares in connection with the acquisition agreement for the Kingspark

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entities (see Note 4); (ii) 980,000 Common Shares upon conversion of 765,000 cumulative convertible redeemable Series B preferred shares; and (iii) 238,000 Common Shares to the holders of 216,000 convertible limited partnership units.

### Shelf Registration

ProLogis has a shelf registration statement on file with the Securities and Exchange Commission that allows ProLogis to issue securities in the form of debt securities, preferred shares, Common Shares, rights to purchase Common Shares and preferred share purchase rights on an as-needed basis. These \$608.0 million of shelf-registered securities are available for issuance, subject to ProLogis' ability to effect an offering on satisfactory terms.

### Ownership Restrictions and Significant Shareholder

For ProLogis to qualify as a REIT under the Code, not more than 50% in value of its outstanding shares of stock may be owned by five or fewer individuals at any time during the last half of ProLogis' taxable year. Therefore, ProLogis' Declaration of Trust restricts beneficial ownership (or ownership generally attributed to a person under the REIT tax rules) of ProLogis' outstanding shares by a single person, or persons acting as a group, to 9.8% of ProLogis' outstanding shares. This provision assists ProLogis in protecting and preserving its REIT status and protects the interest of shareholders in takeover transactions by preventing the acquisition of a substantial block of shares.

Shares owned by a person or group of persons in excess of these limits are subject to redemption by ProLogis. The provision does not apply where a majority of the Board, in its sole and absolute discretion, waives such limit after determining that the status of ProLogis as a REIT for federal income tax purposes will not be jeopardized or the disqualification of ProLogis as a REIT is advantageous to the shareholders.

Security Capital is exempt from the ownership restrictions described above. Security Capital owned 30.2% the outstanding Common Shares as of December 31, 2000. For tax purposes, Security Capital's ownership is attributed to its shareholders.

### Dividend Reinvestment and Share Purchase Plan

In March 1995, ProLogis adopted a Dividend Reinvestment and Share Purchase Plan (the "1995 Plan"), which commenced in April 1995. The 1995 Plan allowed holders of Common Shares the opportunity to acquire additional Common Shares by automatically reinvesting distributions. Holders of Common Shares who do not participate in the 1995 Plan continue to receive distributions as declared. The 1995 Plan also allowed participating holders of Common Shares to purchase a limited number of additional Common Shares by making optional cash payments, without payment of any brokerage commission or service charge. Common Shares are acquired pursuant to the 1995 Plan at a price equal to 98% of the market price of such Common Shares, without payment of any brokerage commission or service charge.

The 1995 Plan was amended in June 1999 by the 1999 Dividend Reinvestment and Share Purchase Plan (the "1999 Plan"). The primary change effective with the 1999 Plan allows persons who are not holders of Common Shares to participate in the share purchase plan.

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## Shareholder Purchase Rights

On December 7, 1993, the Board declared a dividend of one preferred share purchase right ("Right") for each outstanding Common Share to be distributed to all holders of record of the Common Shares on December 31, 1993. Each Right entitles the registered holder to purchase one-hundredth of a Participating Preferred Share for an exercise price of \$40.00 per one-hundredth of a Participating Preferred Share, subject to adjustment as provided in the Rights Agreement. The Rights will generally be exercisable only if a person or group (other than certain affiliates of ProLogis) acquires 20% or more of the Common Shares or announces a tender offer for 25% or more of the Common Shares. Under certain circumstances, upon a shareholder acquisition of 20% or more of the Common Shares (other than certain affiliates of ProLogis), each Right will entitle the holder to purchase, at the Right's then-current exercise price, a number of Common Shares having a market value of twice the Right's exercise price. The acquisition of ProLogis pursuant to certain mergers or other business transactions will entitle each holder of a Right to purchase, at the Right's then-current exercise price, a number of the acquiring company's common shares having a market value at that time equal to twice the Right's exercise price. The Rights held by certain 20% shareholders will not be exercisable. The Rights will expire on December 7, 2003, unless the expiration date of the Rights is extended, and the Rights are subject to redemption at a price of \$0.01 per Right under certain circumstances.

## 8. DISTRIBUTIONS AND DIVIDENDS:

### Common Distributions

ProLogis' annual distribution per Common Share was \$1.34 in 2000, \$1.30 in 1999 and \$1.24 in 1998. For Federal income tax purposes, the following summarizes the taxability of cash distributions paid on Common Shares in 1999 and 1998 and the estimated taxability for 2000:

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Per Common Share:			
Ordinary income.....	\$1.19	\$0.84	\$1.12
Capital gains.....	0.15	0.35	--
Return of capital.....	--	0.11	0.12
	-----	-----	-----
Total.....	\$1.34	\$1.30	\$1.24
	=====	=====	=====

The distribution level for 2001 was set at \$1.38 per Common Share by the Board in December 2000. Additionally, on December 15, 2000, ProLogis declared a distribution of \$0.345 per Common Share payable on February 23, 2001 to holders of Common Shares on February 9, 2001.

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The annual dividends per preferred share were as follows:

	YEAR ENDED DECEMBER 31,		
	2000 (1)	1999 (2)	1998 (3)
Series A Cumulative Redeemable Preferred Shares.....	\$2.35	\$2.35	\$2.35
Series B Cumulative Convertible Redeemable Preferred Shares.....	1.75	1.75	1.75
Series C Cumulative Redeemable Preferred Shares.....	4.27	4.27	4.27
Series D Cumulative Redeemable Preferred Shares.....	1.98	1.98	1.42 (4)
Series E Cumulative Redeemable Preferred Shares.....	2.19	1.64 (5)	--

- 
- (1) For federal income tax purposes \$2.08 of the Series A dividend, \$1.55 of the Series B dividend, \$3.78 of the Series C dividend, \$1.75 of the Series D dividend and \$1.94 of the Series E dividend are treated as ordinary income to the holders. The remaining portion of each dividend represents capital gains.
  - (2) For federal income tax purposes \$1.65 of the Series A dividend, \$1.23 of the Series B dividend, \$3.00 of the Series C dividend, \$1.39 of the Series D dividend and \$1.15 of the Series E dividend are treated as ordinary income to the holders. The remaining portion of each dividend represents capital gains.
  - (3) For federal income tax purposes these dividends are treated as ordinary income to the holders.
  - (4) For the period from date of issuance to December 31, 1998.
  - (5) For the period from date of issuance to December 31, 1999.

Pursuant to the terms of its preferred shares, ProLogis is restricted from declaring or paying any distribution with respect to the Common Shares unless all cumulative dividends with respect to the preferred shares have been paid and sufficient funds have been set aside for dividends that have been declared for the then-current dividend period with respect to the preferred shares.

ProLogis' tax return for the year ended December 31, 2000 has not been filed. The taxability information for 2000 is based upon the best available data. ProLogis' tax returns for prior years have not been examined by the Internal Revenue Service. Consequently, the taxability of distributions and dividends is subject to change.

### 9. EARNINGS PER COMMON SHARE:

A reconciliation of the denominator used to calculate basic earnings per Common Share to the denominator used to calculate diluted earnings per Common Share for the years indicated (in thousands, except per share amounts) is as follows:

YEAR ENDED DECEMBER 31,  
-----

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	2000	1999	1998
	-----	-----	-----
Net earnings attributable to Common Shares.....	\$157,715	\$123,999	\$62,231
	=====	=====	=====
Weighted average Common Shares outstanding --			
Basic.....	163,651	152,412	121,721
Incremental weighted effect of common stock			
equivalents and contingently issuable shares (see			
Note 13).....	750	327	307
	-----	-----	-----
Adjusted weighted average Common Shares outstanding --			
Diluted.....	164,401	152,739	122,028
	=====	=====	=====
Basic and diluted per share net earnings attributable			
to Common Shares.....	\$ 0.96	\$ 0.81	\$ 0.51
	=====	=====	=====

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## PROLOGIS TRUST

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

For the year ended December 31, 1999, basic and diluted per share net earnings attributable to Common Shares before the cumulative effect of accounting change were \$0.82. The following convertible securities were not included in the calculation of diluted net earnings per Common Share as the effect, on an as-converted basis, was antidilutive (in thousands):

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
	-----	-----	-----
Series B cumulative convertible redeemable preferred			
shares.....	8,417	9,221	10,055
	=====	=====	=====
Limited partnership units.....	5,348	5,461	5,070
	=====	=====	=====

#### 10. BUSINESS SEGMENTS:

ProLogis has three reportable business segments:

- Property operations represents the long-term ownership and leasing of industrial distribution facilities in the United States, (portions of which are owned through ProLogis California, ProLogis North American Properties Fund I and ProLogis Principal -- See Note 4) Mexico and Europe (portions of which were owned through Garonor Holding (see Note 4), a subsidiary that was recognized under the equity method until June 29, 1999 and through ProLogis European Properties Fund in 2000 and 1999 and ProLogis European Properties S.a.r.l. in 2000 -- See Note 4); each operating facility is considered to be an individual operating segment having similar economic characteristics which are combined within the reportable segment based upon geographic location;
- Corporate distribution facilities services business ("CDFS") represents

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the development of industrial distribution facilities by ProLogis, ProLogis Development Services or the Kingspark entities in the United States, Mexico and Europe (see Note 4) which are often disposed of to third parties or entities in which ProLogis has an ownership interest and the development of industrial distribution facilities by ProLogis, ProLogis Development Services or the Kingspark entities on a fee basis for third parties in the United States, Mexico and Europe; the development activities of ProLogis, ProLogis Development Services and the Kingspark entities are considered to be individual operating segments having similar economic characteristics which are combined within the reportable segment based upon geographic location; and

- Temperature-controlled distribution operations represents the operation of a temperature-controlled distribution and logistics network through investments in unconsolidated entities in the United States (ProLogis Logistics) and Europe (Frigoscandia S.A.); each company's operating facilities are considered to be individual operating segments having similar economic characteristics which are combined within the reportable segment based upon geographic location. See Note 4.

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### PROLOGIS TRUST

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Reconciliations of the three reportable segments': (i) income from external customers to ProLogis' total income; (ii) net operating income from external customers to ProLogis' earnings from operations (ProLogis' chief operating decision makers rely primarily on net operating income to make decisions about allocating resources and assessing segment performance); and (iii) assets to ProLogis' total assets are as follows (in thousands):

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Income:			
Property operations:			
United States(1).....	\$ 476,098	\$ 457,592	\$ 333,494
Mexico.....	15,504	10,503	3,499
Europe (2).....	27,771	16,045	8,059
Total property operations segment.....	519,373	484,140	345,052
CDFS business:			
United States(3).....	58,812	28,861	17,421
Mexico.....	1,517	--	133
Europe(4) (5).....	61,569	41,673	2,915
Total CDFS business segment.....	121,898	70,534	20,469
Temperature-controlled distribution operations:			
North America(6).....	11,950	10,791	7,349
Europe(7).....	(20,298)	(4,364)	(7,535)
Total temperature-controlled distribution operations segment.....	(8,348)	6,427	(186)

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Reconciling items:			
Interest income.....	7,267	6,369	2,752
Income from unconsolidated entities.....	3,331	(78)	20
	-----	-----	-----
Total reconciling items.....	10,598	6,291	2,772
	-----	-----	-----
Total income.....	\$ 643,521	\$ 567,392	\$ 368,107
	=====	=====	=====
Net operating income:			
Property operations:			
United States(1).....	\$ 448,074	\$ 424,633	\$ 306,920
Mexico.....	15,093	10,569	3,302
Europe(2).....	29,029	15,437	7,710
	-----	-----	-----
Total property operations segment.....	492,196	450,639	317,932
	-----	-----	-----
CDFS business:			
United States(3).....	58,812	28,861	17,421
Mexico.....	1,517	--	133
Europe(4)(5).....	61,569	41,673	2,915
	-----	-----	-----
Total CDFS business segment.....	121,898	70,534	20,469
	-----	-----	-----
Temperature-controlled distribution operations:			
North America(6).....	11,950	10,791	7,349
Europe(7).....	(20,298)	(4,364)	(7,535)
	-----	-----	-----
Total temperature-controlled distribution operations segment.....	(8,348)	6,427	(186)
	-----	-----	-----

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PROLOGIS TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
	-----	-----	-----
Reconciling items:			
Interest income.....	7,267	6,369	2,752
Income from unconsolidated entities.....	3,331	(78)	20
General and administrative expense.....	(44,954)	(38,284)	(22,893)
Depreciation and amortization.....	(151,483)	(152,447)	(100,590)
Interest expense.....	(172,191)	(170,746)	(77,650)
Interest rate hedge expense.....	--	(945)	(26,050)
Other expenses.....	(5,909)	(4,920)	(6,187)
	-----	-----	-----
Total reconciling items.....	(363,939)	(361,051)	(230,598)
	-----	-----	-----
Earnings from operations.....	\$ 241,807	\$ 166,549	\$ 107,617
	=====	=====	=====



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	DECEMBER 31,		
	2000	1999	1998
Property operations:			
United States(8).....	\$3,887,601	\$4,017,702	\$3,073,248
Mexico.....	113,538	178,253	74,494
Europe(8).....	308,457	387,362	309,639
Total property operations segment.....	4,309,596	4,583,317	3,457,381
CDFS business:			
United States.....	304,697	210,088	148,001
Mexico.....	26,288	13,249	16,465
Europe(8).....	637,207	432,455	224,769
Total CDFS business segment.....	968,192	655,792	389,235
Temperature controlled distribution operations:			
North America(8).....	231,053	192,607	151,021
Europe(8).....	191,981	214,008	221,566
Total temperature controlled distribution operations segment.....	423,034	406,615	372,587
Reconciling items:			
Investments in unconsolidated entities.....	70,807	2,442	1,520
Cash.....	57,870	69,338	63,140
Accounts and notes receivable.....	43,040	31,084	1,313
Other assets.....	73,795	99,452	45,553
Total reconciling items.....	245,512	202,316	111,526
Total assets.....	\$5,946,334	\$5,848,040	\$4,330,729
	=====	=====	=====

- 
- (1) In addition to the operations of ProLogis that are reported on a consolidated basis, includes amounts recognized under the equity method related to ProLogis' investment in ProLogis California, ProLogis North American Properties Fund I and ProLogis Principal in 2000 and ProLogis California in 1999. See Note 4 for summarized financial information of ProLogis California, ProLogis North American Properties Fund I and ProLogis Principal.
  - (2) In addition to the operations of ProLogis that are reported on a consolidated basis, includes amounts recognized under the equity method related to ProLogis' investment in ProLogis European Properties Fund (including net foreign currency exchange gains of \$2.3 million) and ProLogis European Properties S.a.r.l.

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\$0.3 million) in 1999. In 1999, also includes ProLogis' investment in Garonor Holdings (including a \$13.0 million net foreign currency exchange loss). See Note 4 for summarized financial information of ProLogis European Properties Fund and for a discussion of Garonor Holdings.

- (3) In 2000, includes \$3.3 million, \$24.5 million and \$1.6 million of net gains recognized by ProLogis related to the disposition of facilities to ProLogis California, ProLogis North American Properties Fund I and ProLogis Principal, respectively. See Note 4.
- (4) Includes amounts recognized under the equity method related to ProLogis' investment in the Kingspark entities in 2000, 1999 and 1998 (including \$0.3 million of net foreign currency exchange gains in 2000 and \$1.5 million and \$0.9 million of net foreign currency exchange losses in 1999 and 1998, respectively). See Note 4 for summarized financial information of the Kingspark entities.
- (5) Includes \$13.7 million and \$17.3 million of net gains recognized by ProLogis related to the disposition of facilities to ProLogis European Properties Fund in 2000 and 1999, respectively. In addition, includes \$4.3 million and \$4.5 million of net gains recognized under the equity method related to the Kingspark entities' disposition of facilities to ProLogis European Properties Fund in 2000 and 1999, respectively. See Note 4.
- (6) Represents amounts recognized under the equity method related to ProLogis' investment in ProLogis Logistics. See Note 4 for summarized financial information of ProLogis Logistics.
- (7) Represents amounts recognized under the equity method related to ProLogis' investment in Frigoscandia S.A. (including \$0.8 million, \$1.3 million and \$11.4 million of net foreign currency exchange losses in 2000, 1999 and 1998, respectively). See Note 4 for summarized financial information of Frigoscandia S.A.
- (8) Amounts include investments in unconsolidated entities accounted for under the equity method. See also Note 4 for summarized financial information of the unconsolidated entities as of and for the year ended December 31, 2000.

### 11. MERGER WITH MERIDIAN

On March 30, 1999, Meridian Industrial Trust, Inc. ("Meridian"), a publicly traded REIT that owned industrial distribution facilities in the United States, was merged with and into ProLogis. In accordance with the terms of the Agreement and Plan of Merger dated as of November 16, 1998, as amended (the "Merger Agreement"), the approximately 33.8 million outstanding shares of Meridian common stock were exchanged (on a 1.1 for one basis) into approximately 37.2 million ProLogis Common Shares. In addition, the holders of Meridian common stock received \$2.00 in cash per outstanding share, approximately \$67.6 million in total. The holders of Meridian's Series D cumulative redeemable preferred stock received a new series of ProLogis cumulative redeemable preferred shares, Series E preferred shares, on a one for one basis. The Series E preferred shares have an 8.75% annual dividend rate (\$2.1875 per share) and an aggregate liquidation value of \$50.0 million. The total purchase price of Meridian was approximately \$1.54 billion, which included the assumption of the outstanding debt and liabilities of Meridian as of March 30, 1999 and the issuance of approximately 1.1 million stock options each to acquire 1.1 ProLogis Common Shares and \$2.00 in cash. The assets acquired from Meridian included approximately \$1.42 billion of real estate assets, an interest in a temperature-controlled distribution business of \$28.7 million and cash and other assets aggregating \$72.3 million. The transaction was structured as a tax-free merger and was accounted for under the purchase method.

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The following summarized pro forma unaudited information represents the combined historical operating results of ProLogis and Meridian with the appropriate purchase accounting adjustments, assuming the merger with Meridian had occurred on January 1, 1998. The pro forma financial information presented is not necessarily

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### PROLOGIS TRUST

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

indicative of what ProLogis' actual operating results would have been had ProLogis and Meridian constituted a single entity during such periods (in thousands, except per share amounts):

	YEAR ENDED DECEMBER 31,	
	1999	1998
Rental income.....	\$525,340	\$464,034
Earnings from operations.....	\$170,681	\$124,928
Earnings attributable to Common Shares before cumulative effect of accounting change.....	\$136,461	\$ 78,847
Net earnings attributable to Common Shares.....	\$135,021	\$ 78,847
Weighted average Common Shares outstanding:		
Basic.....	160,705	155,923
Diluted.....	161,044	156,680
Basic per share net earnings attributable to Common Shares before cumulative effect of accounting change.....	\$ 0.85	\$ 0.51
Cumulative effect of accounting change.....	(0.01)	--
Basic per share net earnings attributable to Common Shares.....	\$ 0.84	\$ 0.51
Diluted per share net earnings attributable to Common Shares before cumulative effect of accounting change.....	\$ 0.85	\$ 0.50
Cumulative effect of accounting change.....	(0.01)	--
Diluted per share net earnings attributable to Common Shares.....	\$ 0.84	\$ 0.50

#### 12. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash investing and financing activities for the years ended December 31, 2000, 1999 and 1998 are as follows:

- In connection with ProLogis' contribution of 50.1% of the common stock of ProLogis European Properties S.a.r.l. to ProLogis European Properties Fund discussed in Note 4, ProLogis received an equity interest in ProLogis European Properties Fund of approximately \$78.0 million. ProLogis European Properties S.a.r.l. had total assets of \$403.9 million and total liabilities of \$248.1 million. ProLogis has recognized its investment in the remaining 49.9% of the common stock under the equity method since January 7, 2000. On January 7, 2001, ProLogis contributed the remaining 49.9% of the common stock to ProLogis European Properties

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Fund for an additional equity interest. See Note 4.

- ProLogis received \$11.4 million, \$13.8 million, \$18.6 million and \$0.6 million of the proceeds from its disposition of facilities to ProLogis European Properties Fund, ProLogis California, ProLogis North American Properties Fund I and ProLogis Principal, respectively, in the form of an equity interest in these entities during 2000. Additionally, ProLogis received \$13.2 million of the proceeds from its disposition of facilities to ProLogis Principal in the form of a note receivable during 2000. ProLogis received \$148.2 million and \$23.4 million of the proceeds from its disposition of facilities to ProLogis California and ProLogis European Properties Fund, respectively, in the form of an equity interest in these entities during 1999.
- ProLogis received \$2.1 million of the proceeds from its disposition of facilities to third parties in the form of notes receivable during 2000.
- In connection with the agreement for the acquisition of the Kingspark entities discussed in Note 4, ProLogis issued 602,000 Common Shares in 2000 valued at \$11.9 million.

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#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

- In connection with the merger with Meridian in 1999 discussed in Note 11, ProLogis issued approximately 37.2 million Common Shares and 2.0 million Series E preferred shares, assumed approximately 1.1 million stock options and assumed outstanding debt and liabilities of Meridian for an aggregate purchase price of approximately \$1.54 billion in exchange for the assets of Meridian (including cash balances acquired of \$49.0 million).
- Series B cumulative convertible redeemable preferred shares aggregating \$19,115,000, \$12,922,000 and \$11,568,000 were converted into Common Shares in 2000, 1999 and 1998, respectively.
- Net foreign currency translation adjustments of \$(24,003,000), \$(9,788,000) and \$86,000 were recognized in 2000, 1999 and 1998, respectively.
- Limited partnership units aggregating \$8,169,000 (total minority interest of \$13,905,000 less \$5,736,000 representing amounts due to ProLogis by the holder of the units), \$205,000 and \$302,000 were converted into Common Shares in 2000, 1999 and 1998, respectively.
- Mortgage notes in the amount \$39.8 million were assumed in connection with the acquisition of real estate in 1998.
- Employee share purchase notes in the amount of \$1,796,000 were retired in 1998. See Note 13.

### 13. LONG-TERM COMPENSATION

#### Long-Term Incentive Plan and Share Option Plan for Outside Trustees

ProLogis has a long-term incentive plan (the "Incentive Plan"), which includes an employee share purchase plan, a stock option plan, a restricted share unit plan and a performance share plan. No more than 14,600,000 Common Shares in the aggregate may be awarded under the Incentive Plan and no

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individual may be granted awards with respect to more than 500,000 Common Shares in any one-year period. The Incentive Plan has a 10-year term. Additionally, ProLogis has 500,000 Common Shares authorized for issuance under its Share Option Plan for Outside Trustees (the "Outside Trustees Plan"). As of December 31, 2000, 4,382,000 Common Shares remain to be issued under the Incentive Plan and 406,000 Common Shares remain to be issued under the Outside Trustees Plan.

### Employee Share Purchase Plan

Under the employee share purchase plan certain employees of ProLogis purchased 1,356,834 Common Shares on September 8, 1997 at a price of \$21.21875 per share. ProLogis financed 95% of the total purchase price through ten-year, recourse notes to the participants aggregating \$27.3 million. The loans, which have been recognized as a deduction from shareholders' equity, bear interest at the lower of ProLogis' annual dividend yield on Common Shares or 6% per annum. The loans are secured by the Common Shares purchased. For each Common Share purchased, participants were granted two options to purchase Common Shares at a price of \$21.21875. As of December 31, 2000, there were 930,807 Common Shares securing the employee share purchase notes. The outstanding notes receivable at December 31, 2000 of \$18,556,000 include \$16,314,000 due from officers of ProLogis.

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### PROLOGIS TRUST

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

#### Stock Options

ProLogis has granted stock options under the Incentive Plan and the Outside Trustees Plan. Stock options outstanding as of December 31, 2000 are as follows:

	NUMBER OF OPTIONS	EXERCISE PRICE(1)	EXPIRATION DATE	WEIGHTED AVERAGE REMAINING LIFE
	-----	-----	-----	-----
Outside Trustees Plan(2) .....	84,000	\$ 17.50-\$ 25.00	2001-2010	6.8 years
Employee stock purchase plan(3) .....	1,923,874	\$21.21875	2007	6.7 years
Stock option plan(2) (3):				
1997 awards .....	234,701	\$21.21875-\$23.96875	2007	6.7 years
1998 awards .....	1,217,610	\$ 20.9375-\$ 24.625	2008	7.8 years
1999 awards .....	1,265,689	\$ 17.1875-\$19.71875	2009	8.7 years
2000 awards .....	1,251,045	\$ 20.0625-\$ 24.25	2010	9.7 years
Meridian options(4) .....	359,724	\$ 16.375-\$ 23.9375	2004	3.2 years
Options sold to unconsolidated entities(2) .....	1,383,963	\$ 18.625-\$ 24.5625	2008-2010	8.6 years
	-----			
Total .....	7,720,606			
	=====			

(1) Exercise price was equal to the average of the high and low market price on the date of grant.

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- (2) The holders are awarded dividend equivalent units each year of the plan, except for holders of 24,000 options issued under the Outside Trustees Plan prior to 1999.
- (3) Graded vesting at various rates over periods from one to 10 years, subject to certain conditions.
- (4) Options are fully exercisable. Options issued to holders of Meridian options are exercisable into 1.1 Common Shares, plus \$2.00. See Note 11.

The weighted average fair value of the stock options issued under the Incentive Plan to ProLogis' employees, issued under the Outside Trustees Plan and sold to unconsolidated entities during 2000 was \$3.41 per option (excluding the value of the DEUs to be earned). The activity with respect to ProLogis' stock option plans for the years ended December 31, 2000, 1999 and 1998 is presented below.

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS EXERCISABLE
	-----	-----	-----
Balance at December 31, 1997.....	3,103,291	\$21.21	1,129,448
Granted/Sold.....	2,011,392	21.17	870,787
Exercised.....	--	--	--
Forfeited.....	(251,473)	21.22	--
	-----	-----	-----
Balance at December 31, 1998.....	4,863,210	21.19	2,000,235
Granted/Sold.....	2,066,133	20.41	458,204
Issued in merger with Meridian (Note 11).....	1,025,850	20.13	1,025,850
Exercised.....	(4,000)	15.50	(4,000)
Forfeited.....	(487,985)	21.02	--
	-----	-----	-----

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#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS EXERCISABLE
	-----	-----	-----
Balance at December 31, 1999.....	7,463,208	20.37	3,480,289
Granted/Sold.....	1,702,028	23.94	--
Exercised.....	(744,171)	19.80	(744,171)
Forfeited.....	(700,459)	20.55	--
	-----	-----	-----
Balance at December 31, 2000.....	7,720,606	\$21.11	2,736,118
	=====	=====	=====

ProLogis did not recognize compensation expense in 2000, 1999 or 1998

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related to stock options granted as the exercise price of all options granted was equal to the average of the high and low market price on the date of grant. Had compensation expense for these plans been determined using an option valuation model as provided in SFAS No. 123, ProLogis net earnings attributable to Common Shares and net earnings per Common Share would change as follows:

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Net earnings attributable to Common Shares:			
As reported.....	\$157,715	\$123,999	\$62,231
Pro forma.....	154,857	121,767	60,805
Basic and diluted net earnings per Common Share:			
As reported -- basic and diluted.....	\$ 0.96	\$ 0.81	\$ 0.51
Pro forma -- basic.....	0.95	0.80	0.50
Pro forma -- diluted.....	0.94	0.80	0.50

Since stock options vest over several years and additional grants are likely to be made in future years, the pro forma compensation cost may not be representative of that to be expected in future years.

The pro forma amounts above were calculated using the Black-Scholes model and the following assumptions:

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Risk-free interest rate.....	4.99%	6.58%	4.74%
Forecasted dividend yield.....	5.65%	6.10%	7.36%
Volatility.....	22.28%	23.01%	27.37%
Weighted average option life.....	6.25 years	6.25 years	6.75 years

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

#### Restricted Share Units ("RSUs")

RSUs in the form of Common Shares are awarded at a rate of one Common Share per RSU from time to time to employees of ProLogis. The RSUs are valued on the award date based upon the market price of the Common Shares on that date. ProLogis recognizes the value of the RSUs awarded over the applicable vesting period as compensation expense. As of December 31, 2000, there were 587,500 RSUs outstanding at a total value of \$12.6 million, of which \$4.4 million has been expensed. As of December 31, 2000, 166,250 of the outstanding RSUs are vested. The remaining RSUs will vest as follows:

2001.....	76,875
-----------	--------

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2002.....	116,875
2003.....	46,300
2004.....	41,875
2005.....	55,575
2006 and thereafter.....	83,750
	-----
Total.....	421,250
	=====

### Performance Share Plan

Under the performance share plan certain employees are awarded Common Shares if performance criteria is met. On December 31, 2000, 174,675 Common Shares valued at \$3.9 million were awarded under the plan, based upon the criteria established for 2000. The entire award will vest on December 31, 2002. ProLogis will recognize the related compensation expense over the two-year vesting period beginning January 1, 2001.

### Dividend Equivalent Units ("DEUs")

DEUs in the form of Common Shares are awarded at a rate of one Common Share per DEU on December 31st of each year that the underlying stock options, RSUs or performance shares are outstanding. The DEUs vest to the same extent the underlying award vests. The DEUs are valued on the award date based upon the market price of the Common Shares on that date and ProLogis recognizes that value as compensation expense over the underlying vesting period of the related award. Of the total RSUs outstanding, 167,500 RSUs do not earn DEUs but rather earn dividends at ProLogis' current Common Share distribution rate. As of December 31, 2000, there were 492,319 DEUs outstanding, of which 53,501 were vested. The DEUs outstanding have a total value of \$10.5 million, of which \$2.8 million has been expensed as of December 31, 2000.

### 401(k) Savings Plan and Trust

ProLogis has a 401(k) Savings Plan and Trust ("401(k) Plan"), that provides for matching employer contributions in Common Shares of 50 cents for every dollar contributed by an employee, up to 6% of the employees' annual compensation (within the statutory compensation limit). The vesting of contributed Common Shares is based on the employees' years of service, with 20% vesting each year of service, over a five-year period. Through December 31, 2000, no Common Shares have been issued under the 401(k) Plan as all matching contributions have been made with Common Shares purchased in the public market. A total of 190,000 Common Shares have been authorized for issuance under the 401(k) Plan.

### Nonqualified Savings Plan

Effective January 1, 1998, ProLogis established the Nonqualified Savings Plan to provide benefits for a select group of management. The purpose of this plan is to allow highly compensated employees the opportunity to defer the receipt and income taxation of a certain portion of their compensation in excess of the amount permitted under the 401(k) Plan. ProLogis will match the lesser of (a) 50% of the sum of deferrals under both the 401(k) Plan and this plan, and (b) 3% of total compensation up to certain levels. The matching account will vest in the same manner as the 401(k) Plan.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)



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## Warrants

During 1998, warrants were exercised into 11,764 Common Shares at an exercise price of \$10.00. There were no outstanding warrants as of December 31, 2000.

## 14. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED):

Selected quarterly financial data (in thousands, except for per share amounts) for 2000 and 1999 is as follows:

	THREE MONTHS ENDED,				
	MARCH 31,	JUNE 30,	SEPTEMBER 30,	DECEMBER 31,	TOTAL
	-----	-----	-----	-----	-----
2000:					
Rental income.....	\$120,809	\$119,696	\$121,519	\$118,064	\$480,088
	=====	=====	=====	=====	=====
Earnings from operations.....	\$ 62,526	\$ 52,612	\$ 67,194	\$ 59,475	\$241,807
Minority interest share in					
earnings.....	1,654	1,435	1,228	1,269	5,586
Gain (loss) on disposition of					
real estate.....	5,108	(4,801)	702	305	1,314
Foreign currency exchange					
gains (losses), net.....	(6,520)	(11,929)	(1,929)	2,451	(17,927)
Total income taxes.....	117	708	2,000	2,305	5,130
	-----	-----	-----	-----	-----
Net earnings.....	59,343	33,739	62,739	58,657	214,478
Less preferred share					
dividends.....	14,405	14,150	14,120	14,088	56,763
	-----	-----	-----	-----	-----
Net earnings attributable to					
Common Shares.....	\$ 44,938	\$ 19,589	\$ 48,619	\$ 44,569	\$157,715
	=====	=====	=====	=====	=====
Basic net earnings					
attributable to Common					
Shares.....	\$ 0.28	\$ 0.12	\$ 0.30	\$ 0.27	\$ 0.96
	=====	=====	=====	=====	=====
Diluted net earnings					
attributable to Common					
Shares.....	\$ 0.28	\$ 0.12	\$ 0.29	\$ 0.27	\$ 0.96
	=====	=====	=====	=====	=====
1999:					
Rental income.....	\$ 97,161	\$131,251	\$135,503	\$127,911	\$491,826
	=====	=====	=====	=====	=====
Earnings from operations.....	\$ 25,046	\$ 33,290	\$ 58,674	\$ 49,539	\$166,549
Minority interest share in					
earnings.....	1,169	1,434	1,139	1,237	4,979
Gain on disposition of real					
estate.....	715	--	25,643	12,636	38,994
Foreign currency exchange					
gains (losses), net.....	(8,283)	(4,012)	5,830	(10,353)	(16,818)
Total income taxes.....	374	585	534	(21)	1,472
	-----	-----	-----	-----	-----
Earnings before cumulative					
effect in accounting					
change.....	15,935	27,259	88,474	50,606	182,274
Cumulative effect of					
accounting change.....	1,440	--	--	--	1,440

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Net earnings.....	14,495	27,259	88,474	50,606	180,834
Less preferred share dividends.....	13,445	14,493	14,453	14,444	56,835
Net earnings attributable to Common Shares.....	\$ 1,050	\$ 12,766	\$ 74,021	\$ 36,162	\$123,999
	=====	=====	=====	=====	=====

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## PROLOGIS TRUST

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

	THREE MONTHS ENDED,				
	MARCH 31,	JUNE 30,	SEPTEMBER 30,	DECEMBER 31,	TOTAL
	-----	-----	-----	-----	-----
Per Common Share:					
Basic net earnings attributable to Common Shares before cumulative effect of accounting change.....	\$ 0.02	\$ 0.08	\$ 0.46	\$ 0.22	\$ 0.82
Cumulative effect of accounting change.....	(0.01)	--	--	--	(0.01)
	-----	-----	-----	-----	-----
Basic net earnings attributable to Common Shares.....	\$ 0.01	\$ 0.08	\$ 0.46	\$ 0.22	\$ 0.81
	=====	=====	=====	=====	=====
Diluted earnings attributable to Common Shares before cumulative effect of accounting change.....	\$ 0.02	\$ 0.08	\$ 0.44	\$ 0.22	\$ 0.82
Cumulative effect of accounting change.....	(0.01)	--	--	--	(0.01)
	-----	-----	-----	-----	-----
Diluted net earnings attributable to Common Shares.....	\$ 0.01	\$ 0.08	\$ 0.44	\$ 0.22	\$ 0.81
	=====	=====	=====	=====	=====

#### 15. RELATED PARTY TRANSACTIONS:

ProLogis leases space to Security Capital and certain of its affiliates on market terms that management believes are no less favorable to ProLogis than those that could be obtained with unaffiliated third parties.

ProLogis' rental income related to these leases were \$757,000, \$756,000 and \$717,000 for the years ended December 31, 2000, 1999 and 1998, respectively. As of December 31, 2000, 109,804 square feet were leased to related parties. The annualized rental revenues for these leases are \$763,000.

On September 8, 1997, ProLogis and Security Capital entered into an

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administrative services agreement (the "ASA"). Under the ASA, Security Capital provided ProLogis with certain administrative and other services as determined by ProLogis (certain services originally provided under the ASA were transferred to ProLogis employees). ProLogis' fees under the ASA were \$2.5 million, \$3.5 million and \$3.7 million for 2000, 1999 and 1998, respectively. Of these fees, \$0.4 million, \$0.6 million and \$0.7 million were capitalized in 2000, 1999 and 1998, respectively. ProLogis recognizes the ASA fees related to property management activities as a component of rental expenses. ProLogis began transitioning these functions from Security Capital during 2000 and, as of December 31, 2000, ProLogis had assumed substantially all of the functions previously provided by Security Capital. The ASA expired on December 31, 2000. Security Capital is continuing to provide the services not yet assumed by ProLogis under a month-to-month agreement until the transition is completed.

During 2000, ProLogis paid investment advisory fees of \$104,000 to Security Capital Markets Group Incorporated, a registered broker-dealer subsidiary of Security Capital, related to additional equity contributed by NYSCRF to ProLogis California during 2000 (see Note 4). During 1999, ProLogis paid investment advisory fees to Security Capital Markets Group aggregating \$15.6 million. The fees were incurred in connection with the merger with Meridian (\$1.54 billion purchase price -- see Note 11), the formation of ProLogis California which generated \$148.2 million of outside equity capital to ProLogis (see Note 4) and the formation of the ProLogis European Properties Fund (the currency equivalent of over \$1 billion as of December 31, 1999 of third party capital invested or committed -- see Note 4).

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### PROLOGIS TRUST

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

#### 16. FINANCIAL INSTRUMENTS:

##### Fair Value of Financial Instruments

The following estimates of the fair value of financial instruments have been determined by ProLogis using available market information and valuation methodologies believed to be appropriate for these purposes. Considerable judgement and a high degree of subjectivity are involved in developing these estimates and, accordingly, they are not necessarily indicative of amounts ProLogis would realize upon disposition.

As of December 31, 2000 and 1999, the carrying amounts of certain financial instruments employed by ProLogis, including cash and cash equivalents, accounts receivable, accounts payable and accrued expenses were representative of their fair values because of the short-term maturity of these instruments. Similarly, the carrying values of the lines of credit balances approximate fair value as of those dates since the interest rate fluctuates based on published market rates. As of December 31, 2000 and 1999, the fair values of the senior unsecured debt and the secured debt (including mortgage notes, assessment bonds and securitized debt) have been estimated based upon quoted market prices for the same or similar issues or by discounting the future cash flows using rates currently available for debt with similar terms and maturities. The differences in the fair value of ProLogis' senior unsecured debt and secured debt from the carrying value in the table below are the result of differences in the interest rates available to ProLogis as of December 31, 2000 and 1999, from the interest rates in effect at the dates of issuance. The senior unsecured debt and many of the secured debt issues contain pre-payment penalties or yield maintenance provisions which would make the cost of refinancing exceed the benefit of refinancing at the lower rates.

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As of December 31, 2000 and 1999, the fair value of ProLogis' derivative financial instruments are the amounts at which they could be settled, based on quoted market prices or estimates obtained from brokers or dealers.

The following table reflects the carrying amount and estimated fair value of ProLogis' financial instruments (in thousands):

	DECEMBER 31,			
	2000		1999	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Balance sheet financial instruments:				
Senior unsecured debt.....	\$1,699,989	\$1,703,737	\$1,729,630	\$1,656,445
Secured debt.....	\$ 537,925	\$ 543,967	\$ 565,776	\$ 547,428
Derivative financial instruments:				
Foreign currency put option				
contracts.....	\$ 446	\$ 446	\$ 628	\$ 628
Interest rate swap agreements.....	\$ --	\$ --	\$ --	\$ 7,998

### Derivative Financial Instruments

ProLogis uses derivative financial instruments as hedges to manage well-defined risk associated with interest and foreign currency rate fluctuations on existing or anticipated obligations and transactions. ProLogis does not use derivative financial instruments for trading purposes.

The primary risks associated with derivative instruments are market risk and credit risk. Market risk is defined as the potential for loss in the value of the derivative due to adverse changes in market prices (interest rates or foreign currency rates). The use of derivative financial instruments allows ProLogis to manage the risks of increases in interest rates and fluctuations in foreign currency exchange rates with respect to the effects these fluctuations would have on ProLogis' income and cash flows.

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PROLOGIS TRUST

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Credit risk is the risk that one of the parties to a derivative contract fails to perform or meet their financial obligation under the contract. ProLogis does not obtain collateral to support financial instruments subject to credit risk but monitors the credit standing of counterparties. ProLogis does not anticipate non-performance by any of the counterparties to its derivative contracts. Should a counterparty fail to perform, however, ProLogis would incur a financial loss to the extent of the positive fair market value of the derivative instruments, if any.

The following table summarizes the activity in derivative financial instruments for the years ended December 31, 2000 and 1999 (in millions):

INTEREST                      FOREIGN

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	INTEREST RATE CONTRACTS	RATE SWAP AGREEMENTS	CURRENCY PUT OPTIONS (1)
Notional amounts as of December 31, 1998.....	\$ 75.0	\$ 75.0	\$ --
New contracts.....	--	169.9 (2)	27.1
Matured or expired contracts.....	--	--	(3.9)
Terminated contracts.....	(75.0)	(75.0)	--
Notional amounts as of December 31, 1999.....	\$ --	\$ 169.9	\$ 23.2
New contracts.....	--	--	55.5
Matured or expired contracts.....	--	--	(34.9)
		(169.9)	
Contracts transferred.....	--	(2)	--
Notional amounts as of December 31, 2000.....	\$ --	\$ --	\$ 43.8
	=====	=====	=====

(1) ProLogis entered into foreign currency put option contracts during 2000 and 1999 related to its operations in Europe. The put option contracts provide ProLogis with the option to exchange euros for U.S. dollars at a fixed exchange rate such that if the euro were to depreciate against the U.S. dollar to predetermined levels as set by the contracts, ProLogis could exercise its options and mitigate its foreign currency exchange losses. The notional amounts of the put option contracts represent the U.S. dollar equivalent related to the put option contracts with notional amounts of 47.1 million euros and 23.0 million euros as of December 31, 2000 and 1999, respectively. The outstanding contracts do not qualify for hedge accounting treatment and were marked to market through income as of December 31, 2000 and 1999. ProLogis recognized aggregate income of \$627,000 in 2000 and aggregate expense of \$92,000 in 1999 on the put option contracts including mark to market expense of \$854,000 in 2000 and \$47,000 in 1999. See Note 1.

(2) Represents interest rate swap agreements related to debt of ProLogis European Properties S.a.r.l. See Note 4.

## 17. COMMITMENTS AND CONTINGENCIES:

### Environmental Matters

All of the facilities acquired by ProLogis have been subjected to environmental reviews by ProLogis or predecessor owners. While some of these assessments have led to further investigation and sampling, none of the environmental assessments has revealed, nor is ProLogis aware of any environmental liability (including asbestos related liability) that ProLogis believes would have a material adverse effect on ProLogis' business, financial condition or results of operations.

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## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Trustees and Shareholders of  
ProLogis Trust:

We have audited, in accordance with auditing standards generally accepted in the United States, the financial statements of ProLogis Trust included in this Form 10-K, and have issued our report thereon dated March 15, 2001. Our

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audit was made for the purpose of forming an opinion on those statements taken as a whole. The supplemental Schedule III -- Real Estate and Accumulated Depreciation ("Schedule III") is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. The Schedule III has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Arthur Andersen, LLP

Chicago, Illinois

March 15, 2001

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## PROLOGIS TRUST

### SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION DECEMBER 31, 2000 (IN THOUSANDS)

DESCRIPTION	NO. OF BLDGS.	ENCUM- BRANCES	INITIAL COST TO PROLOGIS		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION
			LAND	BUILDING & IMPROVEMENTS	
OPERATING PROPERTIES					
Atlanta, Georgia					
Atlanta Airport Distribution Center.....	6		\$ 3,437	\$ --	\$ 15,445
Atlanta NE at Sugarloaf.....	1		203	--	1,993
Atlanta NE Distribution Center.....	8	(d)	5,582	3,047	24,151
Atlanta West Distribution Center.....	20		6,771	34,785	12,121
Carter-Pacific Business Center.....	3		556	3,151	743
Cedars Distribution Center...	2		2,622	14,856	3,800
Cobb Place Distribution Center.....	2		1,579	--	8,682
International Airport Industrial Center.....	9	(e)	2,939	14,146	5,164
LaGrange Distribution Center.....	1		174	986	139
Northeast Industrial Center.....	4		1,109	6,283	1,548
Northmont Industrial Center.....	1		566	3,209	226
Oakcliff Industrial Center...	3		608	3,446	446
Olympic Industrial Center....	2		698	3,956	1,626
Peachtree Commerce Business Center.....	4	(e)	707	4,004	1,576
Piedmont Court Distribution Center.....	2		885	5,013	4,761
Plaza Industrial Center.....	1		66	372	90
Pleasantdale Industrial					

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Center.....	2	541	3,184	449
Riverside Distribution Center.....	4	2,827	15,821	1,961
Sullivan 75 Distribution Center.....	3	(f) 728	2,786	2,760
Tradeport Distribution Center.....	3	1,464	4,563	5,749
Weaver Distribution Center...	2	935	5,182	791
Westfork Industrial Center...	10	2,483	14,115	1,049
Zip Industrial Center.....	2	269	1,527	261
Austin, Texas				
Corridor Park Corporate Center.....	8	2,109	1,681	19,442
Montopolis Distribution Center.....	1	580	3,384	667
Rutland Distribution Center.....	2	460	2,617	315
Southpark Corporate Center...	7	1,946	--	15,037
Walnut Creek Corporate Center.....	17	3,626	5,649	26,539
Birmingham, Alabama				
Oxmoor Distribution Center...	4	2,398	13,591	875
Perimeter Distribution Center.....	2	2,489	14,109	955

GROSS AMOUNTS AT WHICH CARRIED  
AS OF DECEMBER 31, 2000

DESCRIPTION	LAND	BUILDING & IMPROVEMENTS	TOTAL (a) (b)	ACCUMULATED DEPRECIATION (c)	CON AC
OPERATING PROPERTIES					
Atlanta, Georgia					
Atlanta Airport Distribution Center.....	\$ 5,188	\$ 13,694	\$ 18,882	\$ (1,513)	1996
Atlanta NE at Sugarloaf.....	381	1,815	2,196	--	
Atlanta NE Distribution Center.....	6,276	26,504	32,780	(3,775)	1
Atlanta West Distribution Center.....	6,774	46,903	53,677	(9,102)	1
Carter-Pacific Business Center.....	556	3,894	4,450	(740)	
Cedars Distribution Center...	2,622	18,656	21,278	(869)	
Cobb Place Distribution Center.....	2,101	8,160	10,261	(338)	
International Airport Industrial Center.....	2,972	19,277	22,249	(3,900)	1
LaGrange Distribution Center.....	174	1,125	1,299	(248)	
Northeast Industrial Center.....	1,050	7,890	8,940	(1,249)	
Northmont Industrial Center.....	566	3,435	4,001	(733)	
Oakcliff Industrial Center...	608	3,892	4,500	(761)	
Olympic Industrial Center....	757	5,523	6,280	(976)	
Peachtree Commerce Business Center.....	707	5,580	6,287	(1,076)	
Piedmont Court Distribution Center.....	885	9,774	10,659	(854)	
Plaza Industrial Center.....	66	462	528	(96)	

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Pleasantdale Industrial Center.....	541	3,633	4,174	(764)	
Riverside Distribution Center.....	2,850	17,759	20,609	(843)	1
Sullivan 75 Distribution Center.....	728	5,546	6,274	(1,200)	1
Tradeport Distribution Center.....	1,479	10,297	11,776	(1,787)	1
Weaver Distribution Center...	935	5,973	6,908	(1,198)	
Westfork Industrial Center...	2,483	15,164	17,647	(2,827)	
Zip Industrial Center.....	269	1,788	2,057	--	
Austin, Texas					
Corridor Park Corporate Center.....	2,777	20,455	23,232	(2,436)	1995
Montopolis Distribution Center.....	580	4,051	4,631	(1,026)	
Rutland Distribution Center.....	462	2,930	3,392	(684)	
Southpark Corporate Center...	1,946	15,037	16,983	(2,766)	1994
Walnut Creek Corporate Center.....	3,685	32,129	35,814	(4,467)	1995
Birmingham, Alabama					
Oxmoor Distribution Center...	2,398	14,466	16,864	(3,282)	
Perimeter Distribution Center.....	2,490	15,063	17,553	(3,374)	

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PROLOGIS TRUST

SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CONTINUED)

DESCRIPTION	NO. OF BLDGS.	ENCUM- BRANCES	INITIAL COST TO PROLOGIS		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION
			LAND	BUILDING & IMPROVEMENTS	
-----					
Charlotte, North Carolina					
Barringer Industrial Center.....	3		308	1,746	587
Bond Distribution Center.....	2		905	5,126	904
Carowinds Distribution Center.....	1		3,600	20,400	--
Charlotte Commerce Center....	10	(d)	4,341	24,954	4,014
Charlotte Distribution Center.....	11	(d)	5,473	--	29,134
Charlotte Distribution Center South.....	1		309	--	4,734
Interstate North Business Park.....	2		535	3,030	316
Northpark Distribution Center.....	2	(d)	1,183	6,707	538
Chattanooga, Tennessee					
Stone Fort Distribution Center.....	4		2,063	11,688	532
Tiftonia Distribution Center.....	1		146	829	184
Chicago, Illinois					
Addison Distribution					



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Center.....	1		646	3,662	443
Alsip Distribution Center....	2	(f)	2,093	11,859	6,774
Bedford Park Distribution Center.....	2		1,142	6,469	207
Bensenville Distribution Center.....	2		1,668	9,448	10,416
Bloomington 100 Business Center.....	3		940	--	9,635
Bolingbrook Distribution Center.....	2		4,565	25,864	447
Bridgeview Distribution Center.....	4		1,302	7,378	964
Des Plaines Distribution Center.....	3		2,158	12,232	1,545
Elk Grove Distribution Center.....	20	(e) (f)	7,689	43,568	4,998
Elmhurst Distribution Center.....	1		713	4,043	144
Glendale Heights Distribution Center.....	3		3,903	22,119	481
Glenview Distribution Center.....	2	(e) (f)	1,156	6,550	745
Itasca Distribution Center...	3		1,613	9,143	328
Lombard Distribution Center.....	1	(f)	1,170	6,630	68
Mitchell Distribution Center.....	1	(e)	1,236	7,004	1,104
North Avenue Distribution Center.....	2		3,201	--	8,836
Northlake Distribution Center.....	1		372	2,106	69
O'Hare Cargo Distribution Center.....	2		3,566	--	18,780
Pleasant Prairie Distribution Center.....	1		1,314	7,450	--
Romeoville Distribution Center.....	2		1,104	6,258	3

PROLOGIS TRUST

SCHEDULE III -- REAL ESTATE AND

SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CON  
GROSS AMOUNTS AT WHICH CARRIED  
AS OF DECEMBER 31, 2000

DESCRIPTION	LAND	BUILDING & IMPROVEMENTS	TOTAL (a) (b)	ACCUMULATED DEPRECIATION (c)	CON AC
Charlotte, North Carolina					
Barringer Industrial Center.....	308	2,333	2,641	(528)	
Bond Distribution Center....	905	6,030	6,935	(1,356)	
Carowinds Distribution Center.....	3,600	20,400	24,000	(1,162)	
Charlotte Commerce Center....	4,342	28,967	33,309	(6,316)	
Charlotte Distribution Center.....	7,784	26,823	34,607	(3,437)	1995, 1
Charlotte Distribution Center South.....	1,062	3,981	5,043	(191)	
Interstate North Business Park.....	535	3,346	3,881	(457)	

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Northpark Distribution Center.....	1,184	7,244	8,428	(949)	1
Chattanooga, Tennessee					
Stone Fort Distribution Center.....	2,063	12,220	14,283	(2,525)	
Tiftonia Distribution Center.....	146	1,013	1,159	(193)	
Chicago, Illinois					
Addison Distribution Center.....	640	4,111	4,751	(643)	
Alsip Distribution Center....	2,549	18,177	20,726	(1,915)	1
Bedford Park Distribution Center.....	1,142	6,676	7,818	(627)	1
Bensenville Distribution Center.....	1,667	19,865	21,532	(1,826)	
Bloomington 100 Business Center.....	3,959	6,616	10,575	--	1
Bolingbrook Distribution Center.....	4,564	26,312	30,876	(1,517)	
Bridgeview Distribution Center.....	1,303	8,341	9,644	(1,290)	
Des Plaines Distribution Center.....	2,159	13,776	15,935	(2,167)	1
Elk Grove Distribution Center.....	7,689	48,566	56,255	(5,591)	1995, 1
Elmhurst Distribution Center.....	713	4,187	4,900	(512)	
Glendale Heights Distribution Center.....	3,903	22,600	26,503	(1,303)	
Glenview Distribution Center.....	1,156	7,295	8,451	(587)	1
Itasca Distribution Center...	1,613	9,471	11,084	(980)	1996
Lombard Distribution Center.....	1,170	6,698	7,868	(386)	
Mitchell Distribution Center.....	1,236	8,108	9,344	(1,320)	
North Avenue Distribution Center.....	2,047	9,990	12,037	(977)	1
Northlake Distribution Center.....	372	2,175	2,547	(341)	
O'Hare Cargo Distribution Center.....	5,924	16,422	22,346	(817)	
Pleasant Prairie Distribution Center.....	1,315	7,449	8,764	(424)	
Romeoville Distribution Center.....	1,104	6,261	7,365	(356)	

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PROLOGIS TRUST

SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CONTINUED)

DESCRIPTION	NO. OF BLDGS.	ENCUM- BRANCES	INITIAL COST TO PROLOGIS		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION
			LAND	BUILDING & IMPROVEMENTS	

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South Holland Distribution Center.....	2	(f)	1,156	6,550	327
Woodale Distribution Center.....	1		263	1,490	99
Cincinnati, Ohio					
Airpark Distribution Center.....	6	(d)	2,986	--	23,256
Blue Ash/Interstate Distribution Center.....	1		144	817	522
Capital Distribution Center I.....	4	(d)	1,750	9,922	1,332
Capital Distribution Center II.....	5	(d)	1,953	11,067	2,194
Capital Industrial Center I.....	10	(d)	1,039	5,885	2,168
Constitution Distribution Center.....	1		1,465	8,301	1
Empire Distribution Center...	3	(d)	529	2,995	693
Kentucky Drive Business Center.....	4		553	3,134	934
Production Distribution Center.....	2	(g)	717	2,717	2,690
Sharonville Distribution Center.....	3	(d)	1,761	--	11,340
Springdale Commerce Center...	3		421	2,384	1,067
Union Center Business Park...	3		2,852	--	21,443
Columbus, Ohio					
Canal Pointe Distribution Center.....	1		1,237	7,013	1
Capital Park South Distribution Center.....	6	(d)	2,551	--	35,718
Charter Street Distribution Center.....	1	(f)	1,245	7,055	3
Columbus West Industrial Center.....	3	(d)	645	3,655	905
Corporate Park West.....	2	(d)	679	3,849	305
Crosswinds Distribution Center.....	1	(f)	4,181	23,693	5
Fisher Distribution Center...	1		1,197	6,785	1,565
Foreign Trade Center I.....	5		6,527	36,989	3,231
International Street Commerce.....	2		455	--	6,663
McCormick Distribution Center.....	5		1,664	9,429	2,201
New World Distribution Center.....	1		207	1,173	1,116
South Park Distribution Center.....	1		1,086	6,151	5
Westbelt Business Center.....	2	(d)	465	2,635	249
Dallas/Fort Worth, Texas					
Carter Industrial Center.....	1		334	--	2,486
Centerport Distribution Center.....	2	(f)	1,558	8,830	189
Dallas Corporate Center.....	11	(e)	5,714	--	34,498
Enterprise Distribution Center.....	3		2,719	15,410	--
Freeport Distribution Center.....	4		1,393	5,549	4,079
Freeport Corporation Center.....	2		2,173	--	14,210

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PROLOGIS TRUST

SCHEDULE III -- REAL ESTATE AND SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CON  
GROSS AMOUNTS AT WHICH CARRIED  
AS OF DECEMBER 31, 2000

DESCRIPTION	LAND	BUILDING & IMPROVEMENTS	TOTAL (a) (b)	ACCUMULATED DEPRECIATION (c)	CON AC
South Holland Distribution Center.....	1,156	6,877	8,033	(396)	
Wooddale Distribution Center.....	263	1,589	1,852	(200)	
Cincinnati, Ohio					
Airpark Distribution Center.....	6,001	20,241	26,242	(2,353)	1996, 1
Blue Ash/Interstate Distribution Center.....	144	1,339	1,483	(234)	
Capital Distribution Center I.....	1,751	11,253	13,004	(2,288)	
Capital Distribution Center II.....	1,953	13,261	15,214	(2,783)	
Capital Industrial Center I.....	1,105	7,987	9,092	(1,640)	1
Constitution Distribution Center.....	1,465	8,302	9,767	(473)	
Empire Distribution Center...	529	3,688	4,217	(680)	
Kentucky Drive Business Center.....	553	4,068	4,621	(654)	
Production Distribution Center.....	824	5,300	6,124	(697)	1
Sharonville Distribution Center.....	2,424	10,677	13,101	(838)	1
Springdale Commerce Center...	421	3,451	3,872	(657)	
Union Center Business Park...	3,448	20,847	24,295	(239)	1
Columbus, Ohio					
Canal Pointe Distribution Center.....	1,238	7,013	8,251	(399)	
Capital Park South Distribution Center.....	2,898	35,371	38,269	(3,796)	1996, 1
Charter Street Distribution Center.....	1,245	7,058	8,303	(402)	
Columbus West Industrial Center.....	645	4,560	5,205	(877)	
Corporate Park West.....	679	4,154	4,833	(661)	
Crosswinds Distribution Center.....	4,181	23,698	27,879	(1,350)	
Fisher Distribution Center...	1,197	8,350	9,547	(1,680)	
Foreign Trade Center I.....	6,992	39,755	46,747	(2,267)	
International Street Commerce.....	483	6,635	7,118	(310)	1
McCormick Distribution Center.....	1,664	11,630	13,294	(2,278)	
New World Distribution Center.....	207	2,289	2,496	(441)	
South Park Distribution Center.....	1,085	6,157	7,242	(351)	
Westbelt Business Center.....	465	2,884	3,349	(259)	
Dallas/Fort Worth, Texas					
Carter Industrial Center.....	334	2,486	2,820	(395)	
Centerport Distribution Center.....	1,558	9,019	10,577	(504)	

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Dallas Corporate Center.....	6,012	34,200	40,212	(3,693)	1996, 1
Enterprise Distribution Center.....	2,719	15,410	18,129	(877)	
Freeport Distribution Center.....	1,440	9,581	11,021	(1,090)	1996
Freeport Corporation Center.....	3,582	12,801	16,383	--	

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PROLOGIS TRUST

SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CONTINUED)

DESCRIPTION	NO. OF BLDGS.	ENCUM- BRANCES	INITIAL COST TO PROLOGIS		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION
			LAND	BUILDING & IMPROVEMENTS	
Great Southwest Distribution Center.....	36	(e) (f)	16,580	81,174	24,350
Great Southwest Industrial Center I.....	2	(e)	234	1,326	964
Lone Star Distribution Center.....	1		512	2,896	131
Northgate Distribution Center.....	10	(f)	4,653	26,367	2,115
Northpark Business Center....	1		197	1,117	263
Plano Distribution Center....	7	(f)	3,915	22,186	95
Redbird Distribution Center.....	2		1,095	6,212	172
Royal Commerce Center.....	4	(e)	1,975	11,190	610
Stemmons Distribution Center.....	1		272	1,544	400
Stemmons Industrial Center...	15		2,279	12,913	2,375
Trinity Mills Distribution Center.....	7	(e)	4,909	27,815	1,713
Valwood Distribution Center.....	7	(f)	4,430	25,101	484
Denver, Colorado					
Denver Business Center.....	5		1,160	7,486	6,799
Downing Distribution Center.....	1		--	3,877	66
Havana Distribution Center...	1		401	2,281	310
Moline Distribution Center...	1		327	1,850	191
Moncrieff Distribution Center.....	1		314	2,493	429
Pagosa Distribution Center...	1		406	2,322	431
Peoria Distribution Center...	2		1,363	--	9,712
Upland Distribution Center I.....	8		1,948	5,710	15,088
Upland Distribution Center II.....	6		2,456	13,946	1,903
East Bay (San Francisco), California					
Barrington Business Center...	3		1,741	9,863	490
Central Valley Distribution Center.....	3		5,180	29,357	--
Central Valley Industrial					

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Center.....	3		6,382	36,165	55
East Bay Industrial Center...	1		531	3,009	494
Eigenbrodt Way Distribution Center.....	1	(f)	393	2,228	238
Hayward Commerce Center.....	4		1,933	10,955	963
Hayward Commerce Park.....	9		2,764	15,661	2,781
Hayward Distribution Center.....	6		2,906	19,165	1,320
Hayward Industrial Center....	13	(f)	4,481	25,393	2,648
Patterson Pass Business Center.....	8		4,616	4,885	14,627
San Leandro Distribution Center.....	3		1,387	7,862	480

PROLOGIS TRUST

SCHEDULE III -- REAL ESTATE AND

SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CON

GROSS AMOUNTS AT WHICH CARRIED

AS OF DECEMBER 31, 2000

DESCRIPTION	LAND	BUILDING & IMPROVEMENTS	TOTAL (a) (b)	ACCUMULATED DEPRECIATION (c)	CON AC
Great Southwest Distribution Center.....	17,530	104,574	122,104	(8,239)	1994, 1997, 1
Great Southwest Industrial Center I.....	308	2,216	2,524	(371)	
Lone Star Distribution Center.....	511	3,028	3,539	(485)	
Northgate Distribution Center.....	4,653	28,482	33,135	(3,219)	1994
Northpark Business Center....	197	1,380	1,577	(260)	
Plano Distribution Center....	3,915	22,281	26,196	(1,274)	
Redbird Distribution Center.....	1,096	6,383	7,479	(577)	1
Royal Commerce Center.....	1,975	11,800	13,775	(1,397)	
Stemmons Distribution Center.....	272	1,944	2,216	(380)	
Stemmons Industrial Center...	2,279	15,288	17,567	(2,364)	1994, 1
Trinity Mills Distribution Center.....	4,909	29,528	34,437	(2,893)	1
Valwood Distribution Center.....	4,430	25,585	30,015	(1,455)	
Denver, Colorado					
Denver Business Center.....	1,160	14,285	15,445	(3,001)	1992
Downing Distribution Center.....	--	3,943	3,943	(185)	
Havana Distribution Center...	401	2,591	2,992	(672)	
Moline Distribution Center...	327	2,041	2,368	(471)	
Moncrieff Distribution Center.....	314	2,922	3,236	(795)	
Pagosa Distribution Center...	406	2,753	3,159	(771)	
Peoria Distribution Center...	1,654	9,421	11,075	(566)	
Upland Distribution Center I.....	1,967	20,779	22,746	(3,274)	1992, 1
Upland Distribution Center II.....	2,489	15,816	18,305	(3,819)	1
East Bay (San Francisco), California					
Barrington Business Center...	1,741	10,353	12,094	(592)	

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Central Valley Distribution Center.....	5,181	29,356	34,537	(1,672)	
Central Valley Industrial Center.....	6,382	36,220	42,602	(2,063)	
East Bay Industrial Center...	531	3,503	4,034	(743)	
Eigenbrodt Way Distribution Center.....	393	2,466	2,859	(561)	
Hayward Commerce Center.....	1,933	11,918	13,851	(2,731)	
Hayward Commerce Park.....	2,764	18,442	21,206	(4,227)	
Hayward Distribution Center.....	3,327	20,064	23,391	(4,743)	
Hayward Industrial Center....	4,481	28,041	32,522	(6,465)	
Patterson Pass Business Center.....	6,255	17,873	24,128	(2,233)	1993, 1
San Leandro Distribution Center.....	1,387	8,342	9,729	(1,985)	

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PROLOGIS TRUST

SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CONTINUED)

DESCRIPTION	NO. OF BLDGS.	ENCUM- BRANCES	INITIAL COST TO PROLOGIS		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION
			LAND	BUILDING & IMPROVEMENTS	
El Paso, Texas					
Billy the Kid Distribution Center.....	1		273	1,547	552
Goodyear Distribution Center.....	1		511	2,899	77
Northwestern Corporate Center.....	7		1,552	--	19,295
Vista Corporate Center.....	4		1,945	--	11,062
Vista Del Sol Industrial Center.....	5	(f)	1,245	--	20,352
Fort Lauderdale/Miami, Florida					
Airport West Distribution Center.....	2		1,253	3,825	3,252
CenterPort Distribution Center.....	4		3,091	11,806	7,263
Copans Distribution Center...	2		504	2,857	352
North Andrews Distribution Center.....	1	(g)	698	3,956	97
Port Lauderdale Distribution Center.....	7		7,384	6,654	22,138
Houston, Texas					
Brittmore Distribution Center.....	2		1,838	10,417	703
Crosstimbers Distribution Center.....	1		359	2,035	514
Hempstead Distribution Center.....	3		1,013	5,740	933
I-10 Central Distribution Center.....	2		181	1,023	295
I-10 Central Service Center.....	1		58	330	119

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Jersey Village Corporate Center.....	1		1,536	--	11,938
Perimeter Distribution Center.....	2		813	4,604	1,907
Pine Forest Business Center.....	18	(e)	4,859	27,557	3,098
Pine North Distribution Center.....	2		847	4,800	350
Pine Timbers Distribution Center.....	2		2,956	16,750	1,350
Pinemont Distribution Center.....	2		642	3,636	275
Post Oak Business Center.....	15	(e)	3,005	15,378	3,723
Post Oak Distribution Center.....	7	(e)	2,115	12,017	3,329
South Loop Distribution Center.....	5		1,051	5,964	1,843
Southwest Freeway Industrial Center.....	1		84	476	171
West by Northwest Industrial Center.....	17		4,749	8,382	36,122
White Street Distribution Center.....	1		469	2,656	307
I-95 Corridor, New Jersey Amerisource Distribution Center.....	1		1,406	7,930	--
Bellmawr Distribution Center.....	1		212	1,197	49
Brunswick Distribution Center.....	2		870	4,928	1,542

PROLOGIS TRUST

SCHEDULE III -- REAL ESTATE AND

SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CON

GROSS AMOUNTS AT WHICH CARRIED

AS OF DECEMBER 31, 2000

DESCRIPTION	LAND	BUILDING & IMPROVEMENTS	TOTAL (a) (b)	ACCUMULATED DEPRECIATION (c)	CON
-----	-----	-----	-----	-----	-----
El Paso, Texas					
Billy the Kid Distribution Center.....	273	2,099	2,372	(462)	
Goodyear Distribution Center.....	511	2,976	3,487	(652)	
Northwestern Corporate Center.....	2,354	18,493	20,847	(2,657)	1992,
					1997
Vista Corporate Center.....	1,946	11,061	13,007	(1,947)	1994
Vista Del Sol Industrial Center.....	2,636	18,961	21,597	(2,582)	1995
Fort Lauderdale/Miami, Florida					
Airport West Distribution Center.....	1,974	6,356	8,330	(807)	1
CenterPort Distribution Center.....	3,308	18,852	22,160	(853)	
Copans Distribution Center...	504	3,209	3,713	(444)	1
North Andrews Distribution Center.....	698	4,053	4,751	(833)	
Port Lauderdale Distribution Center.....	9,353	26,823	36,176	(2,685)	1995, 1



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## Houston, Texas

Brittmore Distribution					
Center.....	1,838	11,120	12,958	(712)	
Crosstimbers Distribution					
Center.....	359	2,549	2,908	(559)	
Hempstead Distribution					
Center.....	1,013	6,673	7,686	(1,501)	
I-10 Central Distribution					
Center.....	181	1,318	1,499	(308)	
I-10 Central Service					
Center.....	58	449	507	(113)	
Jersey Village Corporate					
Center.....	2,063	11,411	13,474	--	
Perimeter Distribution					
Center.....	813	6,511	7,324	(270)	
Pine Forest Business					
Center.....	4,859	30,655	35,514	(6,122)	1993
Pine North Distribution					
Center.....	847	5,150	5,997	(327)	
Pine Timbers Distribution					
Center.....	2,956	18,100	21,056	(1,160)	
Pinemont Distribution					
Center.....	642	3,911	4,553	(248)	
Post Oak Business Center.....	3,005	19,101	22,106	(4,531)	1993
Post Oak Distribution					
Center.....	2,115	15,346	17,461	(3,809)	1
South Loop Distribution					
Center.....	1,052	7,806	8,858	(1,763)	
Southwest Freeway Industrial					
Center.....	84	647	731	(150)	
West by Northwest Industrial					
Center.....	4,738	44,515	49,253	(6,693)	1993, 1996, 1
White Street Distribution					
Center.....	469	2,963	3,432	(586)	
I-95 Corridor, New Jersey					
Amerisource Distribution					
Center.....	1,406	7,930	9,336	(454)	
Bellmawr Distribution					
Center.....	211	1,247	1,458	(75)	
Brunswick Distribution					
Center.....	870	6,470	7,340	(1,177)	

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## PROLOGIS TRUST

### SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CONTINUED)

DESCRIPTION	NO. OF BLDGS.	ENCUM- BRANCES	INITIAL COST TO PROLOGIS		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION
			LAND	BUILDING & IMPROVEMENTS	
Clearview Distribution					
Center.....	1		2,232	12,648	411
Cranbury Business Park.....	2		4,015	--	16,357
Kilmer Distribution Center...	4	(d)	2,526	14,313	723
Kraft Distribution Center....	2		6,582	37,296	33,398

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Meadowland Industrial Center.....	8	(d)	5,676	32,167	12,369
Mt. Laurel Distribution Center.....	3		826	4,679	64
National Distribution Center.....	2		513	2,908	1,023
Pennsauken Distribution Center.....	4		490	2,778	5
Indianapolis, Indiana Airport Business Center.....	2		600	3,406	4,211
Eastside Distribution Center.....	3		1,447	8,197	345
North by Northeast Distribution Center.....	1		1,058	--	6,346
Park 100 Industrial Center...	25		10,751	60,928	6,434
Park Fletcher Distribution Center.....	9		2,687	15,224	3,406
Shadeland Industrial Center.....	3		428	2,431	986
Juarez, Mexico Salvacar Industrial Center...	5		2,175	--	10,121
Ramon Rivera Industrial Center.....	1		445	--	3,142
Los Aztecas Industrial Center.....	1		148	837	54
Kansas City, Kansas/Missouri 44th Street Business Center.....	1		143	813	406
Congleton Distribution Center.....	3		518	2,937	449
Executive Park Distribution Center.....	1	(f)	258	1,463	198
Lamar Distribution Center....	1		323	1,829	737
Macon Bedford Distribution Center.....	1		304	1,725	474
Platte Valley Industrial Center.....	11	(f)	3,867	20,017	7,946
Riverside Distribution Center.....	5		533	3,024	996
Riverside Industrial Center.....	5	(f)	1,012	5,736	955
Terrace & Lackman Distribution Center.....	1		285	1,615	446
Las Vegas, Nevada Black Mountain Distribution Center.....	2		1,108	--	7,635
Cameron Business Center.....	1	(f)	1,634	9,256	37
Hughes Airport Center.....	1		876	--	3,255
Las Vegas Corporate Center...	8	(h)	5,210	--	28,226
Placid Street Distribution Center.....	1	(f)	2,620	14,848	2

PROLOGIS TRUST

SCHEDULE III -- REAL ESTATE AND

SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CON

GROSS AMOUNTS AT WHICH CARRIED

AS OF DECEMBER 31, 2000

DESCRIPTION	LAND	BUILDING & IMPROVEMENTS	TOTAL (a) (b)	ACCUMULATED DEPRECIATION (c)	CON AC
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Clearview Distribution					
Center.....	2,232	13,059	15,291	(1,854)	
Cranbury Business Park.....	5,688	14,684	20,372	(294)	1
Kilmer Distribution Center...	2,526	15,036	17,562	(2,247)	
Kraft Distribution Center....	6,582	70,694	77,276	(2,124)	
Meadowland Industrial					
Center.....	5,677	44,535	50,212	(7,248)	1
Mt. Laurel Distribution					
Center.....	826	4,743	5,569	(272)	
National Distribution					
Center.....	513	3,931	4,444	(508)	
Pennsauken Distribution					
Center.....	490	2,783	3,273	(159)	
Indianapolis, Indiana					
Airport Business Center.....	934	7,283	8,217	(341)	
Eastside Distribution					
Center.....	1,448	8,541	9,989	(835)	1
North by Northeast					
Distribution Center.....	1,059	6,345	7,404	(1,341)	
Park 100 Industrial Center...	10,646	67,467	78,113	(11,859)	1994
Park Fletcher Distribution					
Center.....	2,785	18,532	21,317	(3,151)	1994
Shadeland Industrial					
Center.....	429	3,416	3,845	(616)	
Juarez, Mexico					
Salvacar Industrial Center...	2,996	9,300	12,296	(710)	1998
Ramon Rivera Industrial					
Center.....	2,246	1,341	3,587	(18)	
Los Aztecas Industrial					
Center.....	--	1,039	1,039	(38)	
Kansas City, Kansas/Missouri					
44th Street Business					
Center.....	143	1,219	1,362	(200)	
Congleton Distribution					
Center.....	518	3,386	3,904	(747)	
Executive Park Distribution					
Center.....	258	1,661	1,919	(128)	
Lamar Distribution Center....	323	2,566	2,889	(616)	
Macon Bedford Distribution					
Center.....	304	2,199	2,503	(404)	
Platte Valley Industrial					
Center.....	4,002	27,828	31,830	(5,126)	1
Riverside Distribution					
Center.....	534	4,019	4,553	(918)	
Riverside Industrial					
Center.....	1,012	6,691	7,703	(1,386)	
Terrace & Lackman					
Distribution Center.....	285	2,061	2,346	(481)	
Las Vegas, Nevada					
Black Mountain Distribution					
Center.....	1,206	7,537	8,743	(719)	
Cameron Business Center.....	1,634	9,293	10,927	(530)	
Hughes Airport Center.....	910	3,221	4,131	(731)	
Las Vegas Corporate Center...	6,390	27,046	33,436	(3,526)	1994, 1
Placid Street Distribution					
Center.....	2,620	14,850	17,470	(846)	

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PROLOGIS TRUST

SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CONTINUED)

DESCRIPTION	NO. OF BLDGS.	ENCUM- BRANCES	INITIAL COST TO PROLOGIS		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION
			LAND	BUILDING & IMPROVEMENTS	
South Arville Center.....	1		1,440	8,160	15
West One Business Center.....	4	(f)	2,468	13,985	816
Lille, France					
Lille Business Park.....	1		90	510	2,225
Los Angeles/Orange County, California					
Chatsworth Distribution Center.....	1		295	1,668	1,397
Inland Empire Distribution Center.....	1		889	5,037	4,475
Louisville, Kentucky					
Airpark Commerce Center.....	4		1,583	8,971	5,730
Louisville Distribution Center.....	2		680	3,402	4,573
Riverport Distribution Center.....	1	(f)	1,515	8,585	301
Lyon, France					
L'Isle d'Abeau Distribution Center.....	1		1,456	--	4,934
Memphis, Tennessee					
Airport Distribution Center.....	20		7,160	40,573	9,302
Delp Distribution Center.....	10	(f)	4,886	27,687	7,580
Fred Jones Distribution Center.....	1		125	707	161
Olive Branch Distribution Center.....	2	(f)	2,892	16,389	116
Raines Distribution Center...	1	(f)	1,635	9,264	2,721
Southwide Industrial Center.....	4		725	4,105	119
Willow Lake Distribution Center.....	1	(f)	613	3,474	6
Milan, Italy					
Piacenza Distribution Center.....	2		478	--	15,719
Monterrey, Mexico					
Monterrey Industrial Park....	9		5,220	3,785	27,948
Ojo de Agua Industrial Center.....	1		983	--	6,681
Nashville, Tennessee					
Bakertown Distribution Center.....	2		463	2,626	372
I-40 Industrial Center.....	4		1,711	9,698	613
Interchange City Distribution Center.....	7		3,524	12,585	10,446
Nashville/I-24 Distribution Center.....	1		266	--	5,657
Space Park South Distribution Center.....	15		3,499	19,830	3,832

PROLOGIS TRUST

SCHEDULE III -- REAL ESTATE AND SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CON

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DESCRIPTION	GROSS AMOUNTS AT WHICH CARRIED AS OF DECEMBER 31, 2000			ACCUMULATED DEPRECIATION (c)	CON AC
	LAND	BUILDING & IMPROVEMENTS	TOTAL (a) (b)		
South Arville Center.....	1,440	8,175	9,615	(466)	
West One Business Center.....	2,468	14,801	17,269	(2,203)	
Lille, France					
Lille Business Park.....	99	2,726	2,825	(20)	
Los Angeles/Orange County, California					
Chatsworth Distribution Center.....	491	2,869	3,360	(163)	
Inland Empire Distribution Center.....	1,546	8,855	10,401	(507)	
Louisville, Kentucky					
Airpark Commerce Center.....	1,583	14,701	16,284	(1,356)	
Louisville Distribution Center.....	689	7,966	8,655	(979)	1
Riverport Distribution Center.....	1,515	8,886	10,401	(489)	
Lyon, France					
L'Isle d'Abeau Distribution Center.....	1,138	5,252	6,390	--	
Memphis, Tennessee					
Airport Distribution Center.....	7,160	49,875	57,035	(8,107)	1995
Delp Distribution Center.....	4,886	35,267	40,153	(4,169)	1995
Fred Jones Distribution Center.....	125	868	993	(181)	
Olive Branch Distribution Center.....	2,892	16,505	19,397	(951)	
Raines Distribution Center...	1,635	11,985	13,620	(1,657)	
Southwide Industrial Center.....	724	4,225	4,949	(247)	
Willow Lake Distribution Center.....	613	3,480	4,093	(199)	
Milan, Italy					
Piacenza Distribution Center.....	2,640	13,557	16,197	--	
Monterrey, Mexico					
Monterrey Industrial Park....	9,036	27,917	36,953	(2,111)	1997, 1
Ojo de Agua Industrial Center.....	1,881	5,783	7,664	(356)	
Nashville, Tennessee					
Bakertown Distribution Center.....	463	2,998	3,461	(517)	
I-40 Industrial Center.....	1,712	10,310	12,022	(1,153)	1995
Interchange City Distribution Center.....	4,279	22,276	26,555	(3,093)	1994, 1
Nashville/I-24 Distribution Center.....	1,251	4,672	5,923	--	
Space Park South Distribution Center.....	3,499	23,662	27,161	(5,026)	

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PROLOGIS TRUST

SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CONTINUED)

DESCRIPTION	NO. OF BLDGS.	ENCUM- BRANCES	INITIAL COST TO PROLOGIS		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION
			LAND	BUILDING & IMPROVEMENTS	
Oklahoma City, Oklahoma					
Melcat Distribution Center...	1		240	1,363	720
Meridian Business Center.....	2		195	1,109	639
Oklahoma Distribution Center.....	3		893	5,082	760
Orlando, Florida					
33rd Street Industrial Center.....	9	(g)	1,980	11,237	1,533
Chancellor Distribution Center.....	1		380	2,156	1,143
Consulate Distribution Center.....	5	(f)	5,354	30,335	1,695
La Quinta Distribution Center.....	1		354	2,006	650
Orlando Central Park.....	3		1,378	--	9,113
Orlando Corporate Center.....	2		1,081	--	7,130
Princeton Oaks Distribution Center.....	1	(f)	900	5,100	--
Titusville Industrial Center.....	1	(f)	283	1,603	97
Paris, France					
Cergy-Pontoise.....	1		1,258	--	7,466
Phoenix, Arizona					
24th Street Industrial Center.....	2		503	2,852	551
Alameda Distribution Center.....	2		820	4,977	813
Black Canyon Business Center.....	3		717	4,062	242
Brookridge Distribution Center.....	1		1,628	9,228	--
Hohokam 10 Industrial Center.....	6		4,258	7,467	11,183
I-10 West Business Center....	3		263	1,525	281
Kyrene Commons Distribution Center.....	3		2,369	5,475	3
Kyrene Commons South Distribution Center.....	2		1,096	--	4,990
Martin Van Buren Distribution Center.....	6		572	3,285	754
Papago Distribution Center...	1		420	2,383	175
Pima Distribution Center.....	1		306	1,742	268
Watkins Distribution Center.....	1		242	1,375	260
Portland, Oregon					
Argyle Distribution Center...	3		946	5,388	582
Columbia Distribution Center.....	2		550	3,121	285
Jennifer Distribution Center.....	2		1,712	--	6,658
PDX Corporate Center East....	6	(h)	3,288	--	20,708
PDX Corporate Center North...	7	(h)	2,405	--	10,637

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Wilsonville Corporate Center.....	6	(h)	2,963	--	14,346
PROLOGIS TRUST					
SCHEDULE III -- REAL ESTATE AND SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CON					
GROSS AMOUNTS AT WHICH CARRIED					
AS OF DECEMBER 31, 2000					
DESCRIPTION	LAND	BUILDING & IMPROVEMENTS	TOTAL (a) (b)	ACCUMULATED DEPRECIATION (c)	CON
Oklahoma City, Oklahoma					
Melcat Distribution Center...	240	2,083	2,323	(404)	
Meridian Business Center.....	196	1,747	1,943	(380)	
Oklahoma Distribution Center.....	893	5,842	6,735	(1,486)	
Orlando, Florida					
33rd Street Industrial Center.....	1,980	12,770	14,750	(2,300)	1994
Chancellor Distribution Center.....	380	3,299	3,679	(596)	
Consulate Distribution Center.....	5,353	32,031	37,384	(1,835)	
La Quinta Distribution Center.....	354	2,656	3,010	(495)	
Orlando Central Park.....	1,871	8,620	10,491	(808)	1
Orlando Corporate Center.....	1,429	6,782	8,211	(353)	
Princeton Oaks Distribution Center.....	900	5,100	6,000	(290)	
Titusville Industrial Center.....	283	1,700	1,983	(347)	
Paris, France					
Cergy-Pontoise.....	1,333	7,391	8,724	--	
Phoenix, Arizona					
24th Street Industrial Center.....	503	3,403	3,906	(792)	
Alameda Distribution Center.....	820	5,790	6,610	(1,129)	1
Black Canyon Business Center.....	717	4,304	5,021	(242)	
Brookridge Distribution Center.....	1,628	9,228	10,856	(525)	
Hohokam 10 Industrial Center.....	4,258	18,650	22,908	(2,422)	1
I-10 West Business Center....	263	1,806	2,069	(461)	
Kyrene Commons Distribution Center.....	1,093	6,754	7,847	(1,104)	1992
Kyrene Commons South Distribution Center.....	1,163	4,923	6,086	(463)	
Martin Van Buren Distribution Center.....	572	4,039	4,611	(955)	1
Papago Distribution Center...	420	2,558	2,978	(577)	
Pima Distribution Center.....	306	2,010	2,316	(478)	
Watkins Distribution Center.....	243	1,634	1,877	(324)	
Portland, Oregon					
Argyle Distribution Center...	946	5,970	6,916	(1,438)	
Columbia Distribution Center.....	551	3,405	3,956	(711)	
Jennifer Distribution					

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Center.....	2,303	6,067	8,370	(633)	1
PDX Corporate Center East....	4,468	19,528	23,996	(1,811)	1997
PDX Corporate Center North...	2,542	10,500	13,042	(1,952)	1
Wilsonville Corporate Center.....	2,964	14,345	17,309	(2,188)	1

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PROLOGIS TRUST

SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CONTINUED)

DESCRIPTION	NO. OF BLDGS.	ENCUM- BRANCES	INITIAL COST TO PROLOGIS		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION
			LAND	BUILDING & IMPROVEMENTS	
Reno, Nevada					
Golden Valley Distribution Center.....	2		560	--	10,111
Meredith Kleppe Business Center.....	5		1,573	8,949	1,304
Pacific Industrial Center....	4		2,501	--	10,668
Packer Way Business Center...	3		458	2,604	720
Packer Way Distribution Center.....	2		506	2,879	697
Damonte Ranch Dist Ctr.....	2		4,579	--	8,513
Spice Island Distribution Center.....	1		435	2,466	803
Reynosa, Mexico					
Colonial Industrial Center...	2		943	1,574	2,436
Del Norte Industrial Center.....	2		809	--	6,153
Del Norte Industrial Center II.....	1		675	--	604
Reynosa Industrial Center III.....	1		401	--	3,612
Reynosa Industrial Center....	6		2,035	1,038	13,890
Rio Grande Valley, Texas					
Rio Grande Distribution Center.....	5	(f)	527	2,987	801
Rio Grande Industrial Center.....	8	(f)	2,188	12,399	1,994
Valley Industrial Center.....	1		230	--	3,703
Rotterdam, Netherlands					
DistriPark Maasvlakte.....	2		--	--	15,742
Salt Lake City, Utah					
Centennial Distribution Center.....	2		1,149	--	8,211
Clearfield Distribution Center.....	2		2,500	14,165	757
Crossroads Corporate Center.....	1		642	--	3,217
Salt Lake International Distribution Center.....	2		1,367	2,792	8,268
San Antonio, Texas					
10711 Distribution Center....	2		582	3,301	590
Coliseum Distribution Center.....	2		1,102	2,380	10,382



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Distribution Drive Center....	1	473	2,680	668
Downtown Distribution Center.....	1	241	1,364	250
I-10 Central Distribution Center.....	1	223	1,275	214
I-35 Business Center.....	4	663	3,773	910
Landmark One Distribution Center.....	1	341	1,933	368
Macro Distribution Center....	1	225	1,282	259
Perrin Creek Corporate Center.....	6	1,547	--	9,887

PROLOGIS TRUST

SCHEDULE III -- REAL ESTATE AND SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CONTINUED)  
GROSS AMOUNTS AT WHICH CARRIED  
AS OF DECEMBER 31, 2000

DESCRIPTION	LAND	BUILDING & IMPROVEMENTS	TOTAL (a) (b)	ACCUMULATED DEPRECIATION (c)	COMPUTED ACCUMULATED DEPRECIATION
Reno, Nevada					
Golden Valley Distribution Center.....	2,035	8,636	10,671	(1,118)	1997
Meredith Kleppe Business Center.....	1,573	10,253	11,826	(2,478)	1997
Pacific Industrial Center....	2,501	10,668	13,169	(1,967)	1997
Packer Way Business Center...	458	3,324	3,782	(811)	1997
Packer Way Distribution Center.....	506	3,576	4,082	(867)	1997
Damonte Ranch Dist Ctr.....	6,228	6,864	13,092	--	1997
Spice Island Distribution Center.....	435	3,269	3,704	(497)	1997
Reynosa, Mexico					
Colonial Industrial Center...	670	4,283	4,953	(70)	1997
Del Norte Industrial Center.....	1,065	5,897	6,962	(533)	1997
Del Norte Industrial Center II.....	1,274	5	1,279	--	1997
Reynosa Industrial Center III.....	481	3,532	4,013	(121)	1997
Reynosa Industrial Center....	2,313	14,650	16,963	(1,301)	1997
Rio Grande Valley, Texas					
Rio Grande Distribution Center.....	527	3,788	4,315	(729)	1997
Rio Grande Industrial Center.....	2,188	14,393	16,581	(2,828)	1997
Valley Industrial Center....	363	3,570	3,933	(352)	1997
Rotterdam, Netherlands					
DistriPark Maasvlakte.....	--	15,742	15,742	--	1997
Salt Lake City, Utah					
Centennial Distribution Center.....	1,149	8,211	9,360	(1,433)	1997
Clearfield Distribution Center.....	2,481	14,941	17,422	(2,597)	1997
Crossroads Corporate Center.....	719	3,140	3,859	--	1997
Salt Lake International Distribution Center.....	1,364	11,063	12,427	(1,867)	1997
San Antonio, Texas					
10711 Distribution Center....	582	3,891	4,473	(942)	1997

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Coliseum Distribution					
Center.....	1,613	12,251	13,864	(2,611)	1
Distribution Drive Center....	473	3,348	3,821	(953)	
Downtown Distribution					
Center.....	241	1,614	1,855	(398)	
I-10 Central Distribution					
Center.....	240	1,472	1,712	(437)	
I-35 Business Center.....	663	4,683	5,346	(1,216)	
Landmark One Distribution					
Center.....	341	2,301	2,642	(497)	
Macro Distribution Center....	225	1,541	1,766	(413)	
Perrin Creek Corporate					
Center.....	1,634	9,800	11,434	(1,476)	1

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PROLOGIS TRUST

SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CONTINUED)

DESCRIPTION	NO. OF BLDGS.	ENCUM- BRANCES	INITIAL COST TO PROLOGIS		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION
			LAND	BUILDING & IMPROVEMENTS	
San Antonio Distribution					
Center I.....	13		2,154	12,247	3,803
San Antonio Distribution					
Center II.....	3		945	--	5,963
San Antonio Distribution					
Center III.....	8		2,539	9,684	7,628
Tri-County Distribution					
Center.....	1		672	--	4,902
Woodlake Distribution					
Center.....	2		248	1,405	452
Seattle, Washington					
Andover East Business					
Center.....	2		535	3,033	278
Fife Corporate Center.....	3		4,059	--	10,223
Kent Corporate Center.....	2	(h)	2,882	1,987	8,595
Park at Woodinville A.....	5	(f)	1,937	10,976	528
Van Doren's Distribution					
Center.....	3	(h)	3,663	--	12,811
South Bay (San Francisco), California					
Bayside Business Center.....	2	(h)	2,088	--	4,548
Bayside Corporate Center.....	7	(h)	4,365	--	15,963
Bayside Plaza I.....	12	(h)	5,212	18,008	1,403
Bayside Plaza II.....	2	(h)	634	--	2,892
Gateway Corporate Center.....	11	(f) (h)	7,575	24,746	4,896
Mowry Business Center.....	4		5,933	--	17,943
Overlook Distribution					
Center.....	1		1,573	8,915	29
Shoreline Business Center....	8	(h)	4,328	16,101	810
Shoreline Business Center					
II.....	2	(h)	922	--	4,721
Spinnaker Business Center....	12	(h)	7,043	25,220	1,700
Thornton Business Center.....	5	(f)	3,988	11,706	6,169
Trimble Distribution					

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Center.....	5		2,836	16,067	1,312
St. Louis, Missouri					
Earth City Industrial					
Center.....	10	(f)	5,750	19,144	12,475
Hazelwood Distribution					
Center.....	2	(f)	847	4,802	113
Westport Distribution					
Center.....	3	(f)	761	4,310	272
Tampa, Florida					
Adamo Distribution Center....	1		105	595	346
Clearwater Distribution					
Center.....	1	(g)	87	504	--
Commerce Park Distribution					
Center.....	4		811	4,597	813
Eastwood Distribution					
Center.....	1	(g)	122	690	95
Joe's Creek Distribution					
Center.....	2	(g)	161	909	134
Lakeland Distribution					
Center.....	1		938	5,313	602
Orchid Lake Industrial					
Center.....	1		41	235	20

PROLOGIS TRUST

SCHEDULE III -- REAL ESTATE AND SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CON  
GROSS AMOUNTS AT WHICH CARRIED  
AS OF DECEMBER 31, 2000

DESCRIPTION	LAND	BUILDING & IMPROVEMENTS	TOTAL (a) (b)	ACCUMULATED DEPRECIATION (c)	CON AC
San Antonio Distribution					
Center I.....	2,154	16,050	18,204	(4,449)	1992
San Antonio Distribution					
Center II.....	885	6,023	6,908	(1,332)	
San Antonio Distribution					
Center III.....	2,704	17,147	19,851	(2,389)	1996
Tri-County Distribution					
Center.....	741	4,833	5,574	--	
Woodlake Distribution					
Center.....	248	1,857	2,105	(359)	
Seattle, Washington					
Andover East Business					
Center.....	535	3,311	3,846	(720)	
Fife Corporate Center.....	4,209	10,073	14,282	(1,446)	
Kent Corporate Center.....	3,216	10,248	13,464	(2,082)	
Park at Woodinville A.....	1,937	11,504	13,441	(663)	
Van Doren's Distribution					
Center.....	4,108	12,366	16,474	(1,440)	1995
South Bay (San Francisco), California					
Bayside Business Center.....	2,088	4,548	6,636	(776)	
Bayside Corporate Center.....	4,365	15,963	20,328	(3,604)	1
Bayside Plaza I.....	5,216	19,407	24,623	(4,502)	
Bayside Plaza II.....	634	2,892	3,526	(985)	
Gateway Corporate Center.....	7,575	29,642	37,217	(7,315)	1
Mowry Business Center.....	7,815	16,061	23,876	(1,526)	1
Overlook Distribution					
Center.....	1,573	8,944	10,517	(510)	
Shoreline Business Center....	4,328	16,911	21,239	(3,952)	

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Shoreline Business Center					
II.....	922	4,721	5,643	(1,267)	
Spinnaker Business Center....	7,043	26,920	33,963	(6,366)	
Thornton Business Center.....	3,989	17,874	21,863	(3,637)	1
Trimble Distribution					
Center.....	2,836	17,379	20,215	(4,025)	
St. Louis, Missouri					
Earth City Industrial					
Center.....	5,936	31,433	37,369	(3,128)	1997
Hazelwood Distribution					
Center.....	847	4,915	5,762	(367)	1
Westport Distribution					
Center.....	761	4,582	5,343	(535)	
Tampa, Florida					
Adamo Distribution Center....	105	941	1,046	(136)	
Clearwater Distribution					
Center.....	81	510	591	(111)	
Commerce Park Distribution					
Center.....	811	5,410	6,221	(1,118)	
Eastwood Distribution					
Center.....	122	785	907	(171)	
Joe's Creek Distribution					
Center.....	160	1,044	1,204	(227)	
Lakeland Distribution					
Center.....	938	5,915	6,853	(1,281)	
Orchid Lake Industrial					
Center.....	41	255	296	(51)	

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SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CONTINUED)

DESCRIPTION	NO. OF BLDGS.	ENCUM- BRANCES	INITIAL COST TO PROLOGIS		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION
			-----		
			LAND	BUILDING & IMPROVEMENTS	
-----	-----	-----	-----	-----	-----
Plant City Distribution Center.....	1	(g)	206	1,169	128
Sabal Park Distribution Center.....	7	(d)	2,341	5,610	15,574
Silo Bend Distribution Center.....	4	(g)	2,887	16,358	1,178
Silo Bend Industrial Center.....	1	(g)	525	2,975	346
St. Petersburg Service Center.....	1		35	197	22
Tampa East Distribution Center.....	10	(g)	2,700	15,302	1,578
Tampa East Industrial Center.....	2	(g)	332	1,880	307
Tampa West Distribution Center.....	15	(g)	3,273	18,659	2,867
Tampa West Industrial Center.....	4	(g)	437	471	5,587
Tampa West Service Center....	2	(g)	422	2,569	165
Tijuana, Mexico					

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Tijuana Industrial Center....	4		2,389	--	20,058
Tulsa, Oklahoma					
52nd Street Distribution					
Center.....	1		340	1,924	241
70th East Distribution					
Center.....	1		129	733	315
Expressway Distribution					
Center.....	4		573	3,280	808
Henshaw Distribution					
Center.....	3		500	2,829	221
Warsaw, Poland					
Blonie Industrial Park.....	1		1,378	--	8,455
Teresin Distribution					
Center.....	1		1,618	--	10,907
Washington D.C./Baltimore,					
Maryland					
Airport Commons Distribution					
Center.....	2	(d)	2,320	--	9,203
Ardmore Distribution					
Center.....	3		1,431	8,110	847
Ardmore Industrial Center....	2		984	5,581	792
Concorde Industrial Center...	4	(d)	1,538	8,717	2,090
De Soto Business Park.....	5		1,774	10,055	5,408
Eisenhower Industrial					
Center.....	3	(d)	1,240	7,025	1,481
Fleet Distribution Center....	8	(d)	3,198	18,121	1,746
Gateway Distribution					
Center.....	3		774	--	7,389
Hampton Central Distribution					
Center.....	3		3,067	--	16,640
Meadowridge Distribution					
Center.....	3	(d)	4,752	--	6,811
Patapsco Distribution					
Center.....	1		270	1,528	1,078
Sunnyside Industrial					
Center.....	3		1,541	8,733	1,407
Other.....	3	(g)	823	4,693	14
	-----		-----	-----	-----
Total Operating					
Properties.....	1,244		588,915	2,231,458	1,439,903
	-----		-----	-----	-----

PROLOGIS TRUST

SCHEDULE III -- REAL ESTATE AND

SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CON

GROSS AMOUNTS AT WHICH CARRIED

AS OF DECEMBER 31, 2000

DESCRIPTION	LAND	BUILDING & IMPROVEMENTS	TOTAL (A) (B)	ACCUMULATED DEPRECIATION (C)	CON AC
Plant City Distribution					
Center.....	206	1,297	1,503	(263)	
Sabal Park Distribution					
Center.....	2,678	20,847	23,525	(1,657)	
Silo Bend Distribution					
Center.....	2,887	17,536	20,423	(3,479)	
Silo Bend Industrial					
Center.....	525	3,321	3,846	(695)	
St. Petersburg Service					
Center.....	35	219	254	(44)	

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Tampa East Distribution Center.....	2,541	17,039	19,580	(3,512)	
Tampa East Industrial Center.....	332	2,187	2,519	(451)	
Tampa West Distribution Center.....	3,319	21,480	24,799	(4,396)	1
Tampa West Industrial Center.....	717	5,778	6,495	(787)	1994
Tampa West Service Center....	423	2,733	3,156	(537)	
Tijuana, Mexico					
Tijuana Industrial Center....	7,244	15,203	22,447	(424)	1
Tulsa, Oklahoma					
52nd Street Distribution Center.....	340	2,165	2,505	(483)	
70th East Distribution Center.....	129	1,048	1,177	(213)	
Expressway Distribution Center.....	573	4,088	4,661	(1,097)	
Henshaw Distribution Center.....	499	3,051	3,550	(653)	
Warsaw, Poland					
Blonie Industrial Park.....	1,040	8,793	9,833	--	
Teresin Distribution Center.....	722	11,803	12,525	--	
Washington D.C./Baltimore, Maryland					
Airport Commons Distribution Center.....	2,360	9,163	11,523	(1,225)	
Ardmore Distribution Center.....	1,431	8,957	10,388	(1,807)	
Ardmore Industrial Center....	985	6,372	7,357	(1,306)	
Concorde Industrial Center...	1,538	10,807	12,345	(1,849)	
De Soto Business Park.....	1,774	15,463	17,237	(2,705)	
Eisenhower Industrial Center.....	1,240	8,506	9,746	(1,847)	
Fleet Distribution Center....	3,198	19,868	23,066	(3,392)	
Gateway Distribution Center.....	1,413	6,750	8,163	(442)	
Hampton Central Distribution Center.....	4,604	15,103	19,707	(1,432)	1996
Meadowridge Distribution Center.....	5,920	5,643	11,563	(461)	1
Patapsco Distribution Center.....	270	2,606	2,876	(494)	
Sunnyside Industrial Center.....	1,541	10,140	11,681	(2,107)	
Other.....	823	4,707	5,529	(518)	1
	-----	-----	-----	-----	
Total Operating Properties.....	648,950	3,611,326	4,260,276	(476,982)	
	-----	-----	-----	-----	

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## FACILITIES UNDER DEVELOPMENT

Atlanta, Georgia					
Breckenridge Distribution Center.....			1,035	--	3,72
Greenwood Industrial Park.....			1,632	--	3,94
Austin, Texas					

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Corridor Park Corporate Center.....	874	--	4,46
Brabant, Netherlands			
Tiburg Distribution Center.....	6,911	--	--
Chicago, Illinois			
O'Hare Cargo Distribution Center.....	2,199	--	4,80
Bloomington 100 Business Center.....	971	--	1,82
Remington Lakes Business Park.....	2,416	--	7,47
Cincinnati, Ohio			
Union Center Commerce Park.....	1,116	--	3,70
Cologne, Germany			
Cologne Eifeltor Distribution Center.....	2,476	--	2,32
Columbus, Ohio			
Capital Park South Distribution Center.....	320	--	6,44
El Paso, Texas			
Northwestern Corporate Center.....	225	--	5,14
Fort Lauderdale/Miami, Florida			
CenterPort Distribution Center.....	1,170	--	2,75
I-95 Corridor, New Jersey			
Cranbury Business Park.....	1,598	--	7,90
Los Angeles / Orange County, California			
Torrance Distribution Center.....	25,010	--	18,23
Louisville, Kentucky			
New Cut Road Distribution Center.....	2,155	--	5,65
Marseille, France			
Clesud Grans Miramas.....	1,247	--	--
Memphis, Tennessee			
Memphis Industrial Park.....	220	--	8,26

## FACILITIES UNDER DEVELOPMENT

Atlanta, Georgia			
Breckenridge Distribution Center.....	4,756	--	2000
Greenwood Industrial Park.....	5,575	--	2000
Austin, Texas			
Corridor Park Corporate Center.....	5,340	--	2000
Brabant, Netherlands			
Tiburg Distribution Center.....	6,911	--	2000
Chicago, Illinois			
O'Hare Cargo Distribution Center.....	7,006	--	2000
Bloomington 100 Business Center.....	2,800	--	2000
Remington Lakes Business Park.....	9,893	--	2000
Cincinnati, Ohio			
Union Center Commerce Park.....	4,824	--	2000
Cologne, Germany			
Cologne Eifeltor Distribution Center.....	4,798	--	2000
Columbus, Ohio			
Capital Park South Distribution Center.....	6,763	--	2000
El Paso, Texas			
Northwestern Corporate Center.....	5,368	--	2000
Fort Lauderdale/Miami, Florida			
CenterPort Distribution Center.....	3,923	--	2000
I-95 Corridor, New Jersey			
Cranbury Business Park.....	9,500	--	2000
Los Angeles / Orange County, California			
Torrance Distribution Center.....	43,249	--	2000
Louisville, Kentucky			
New Cut Road Distribution Center.....	7,812	--	2000
Marseille, France			

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Clesud Grans Miramas.....	1,247	--	2000
Memphis, Tennessee			
Memphis Industrial Park.....	8,486	--	2000

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## PROLOGIS TRUST

### SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CONTINUED)

DESCRIPTION	NO. OF BLDGS.	ENCUM- BRANCES	INITIAL COST TO PROLOGIS		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION
			LAND	BUILDING & IMPROVEMENTS	
Neustadt, Germany					
Neustadt.....			904	--	--
Paris, France					
ProLogis Parc Vatry.....			4,709	--	--
Reno, Nevada					
Damonte Ranch Distribution Center.....			1,221	--	1,012
Reynosa, Mexico					
Reynosa Industrial Center III.....			1,453	--	7,702
Rotterdam, Netherlands					
Moerdijk Distribution Center.....			1,057	--	--
Soest, Germany					
Soest.....			1,895	--	241
Tijuana, Mexico					
Tijuana Industrial Center....			1,376	--	1,958
Warsaw, Poland					
Teresin Distribution Center.....			7,277	--	--
Washington D.C./Baltimore, Maryland					
ProLogis Park -- Dulles.....			2,513	--	2,871
Troy Hill Distribution Center.....			4,564	--	1,925
Kraft Distribution Center....			1,580	--	3,511
			-----	-----	-----
Total Facilities Under Development.....			80,124	--	105,896
			-----	-----	-----
LAND HELD FOR DEVELOPMENT					
Atlanta, Georgia					
Atlanta West Distribution Center.....			561	--	193
Breckenridge Distribution Center.....			2,504	--	1,693
Greenwood Ind Park.....			8,353	--	114
Riverside Distribution Center.....			1,107	--	99
Austin, Texas					
Southpark Corporate Center...			525	--	64
Walnut Creek Corporate Center.....			135	--	40
Barcelona, Spain					



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Sant Boi Park..... 16,072 -- 3,900

PROLOGIS TRUST

SCHEDULE III -- REAL ESTATE AND SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CON  
GROSS AMOUNTS AT WHICH CARRIED  
AS OF DECEMBER 31, 2000

DESCRIPTION	LAND	BUILDING & IMPROVEMENTS	TOTAL (a) (b)	ACCUMULATED DEPRECIATION (c)	CON AC
Neustadt, Germany					
Neustadt.....	904	--	904	--	
Paris, France					
ProLogis Parc Vatry.....	4,709	--	4,709	--	
Reno, Nevada					
Damonte Ranch Distribution Center.....	2,233	--	2,233	--	
Reynosa, Mexico					
Reynosa Industrial Center III.....	9,155	--	9,155	--	
Rotterdam, Netherlands					
Moerdijk Distribution Center.....	1,057	--	1,057	--	
Soest, Germany					
Soest.....	2,136	--	2,136	--	
Tijuana, Mexico					
Tijuana Industrial Center....	3,334	--	3,334	--	
Warsaw, Poland					
Teresin Distribution Center.....	7,277	--	7,277	--	
Washington D.C./Baltimore, Maryland					
ProLogis Park -- Dulles.....	5,384	--	5,384	--	
Troy Hill Distribution Center.....	6,489	--	6,489	--	
Kraft Distribution Center....	5,091	--	5,091	--	
Total Facilities Under Development.....	186,020	--	186,020	--	
LAND HELD FOR DEVELOPMENT					
Atlanta, Georgia					
Atlanta West Distribution Center.....	754	--	754	--	
Breckenridge Distribution Center.....	4,197	--	4,197	--	1
Greenwood Ind Park.....	8,467	--	8,467	--	
Riverside Distribution Center.....	1,206	--	1,206	--	
Austin, Texas					
Southpark Corporate Center...	589	--	589	--	
Walnut Creek Corporate Center.....	175	--	175	--	1
Barcelona, Spain					
Sant Boi Park.....	19,972	--	19,972	--	

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## PROLOGIS TRUST

### SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CONTINUED)

DESCRIPTION	NO. OF BLDGS.	ENCUM- BRANCES	INITIAL COST TO PROLOGIS		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION
			LAND	BUILDING & IMPROVEMENTS	
Brabant, Netherlands					
Tilburg Distribution					
Center.....			1,711	--	--
Charlotte, North Carolina					
Charlotte Distribution Center					
South.....			352	--	1,851
Interstate North Business					
Park.....			343	--	9
Chicago, Illinois					
Bloomington 100 Business					
Center.....			2,462	--	1,536
Bolingbrook Distribution					
Center.....			4,621	--	133
O'Hare Cargo Distribution					
Center.....			6,954	--	3,792
I-55 Distribution Center....			11,966		630
Remington Lakes Business					
Park.....			528	--	--
Cincinnati, Ohio					
Airport West Distribution					
Center.....			2,213	--	160
Union Center Commerce Park...			297	--	3,989
Cologne, Germany					
Cologne Eifeltor Distribution					
Center.....			614	--	--
Columbus, Ohio					
Capital Park South					
Distribution Center.....			2,040	--	94
International Street Commerce					
Center.....			101	--	8
Dallas/Fort Worth, Texas					
Freeport Corporate Center....			1,705	--	1,252
Plano Distribution Center....			1,166	--	--
Northgate Distribution					
Center.....			806	--	18
Arlington Corporation					
Center.....			1,241	--	17
Lewisville Distribution					
Center.....			5,186	--	--
Denver, Colorado					
Denver Business Center					
Land.....			326	--	530
Upland Distribution Center					
I.....			519	--	31
East Bay (San Francisco),					
California					
Patterson Pass Business					
Center.....			887	--	147
Pescadero Distribution					
Center.....			4,684	--	235
El Paso, Texas					
Northwestern Corporate					

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Center.....	1,086	--	2,125
Vista Corporate Center.....	330	--	144

PROLOGIS TRUST

SCHEDULE III -- REAL ESTATE AND SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CON  
GROSS AMOUNTS AT WHICH CARRIED  
AS OF DECEMBER 31, 2000

DESCRIPTION	LAND	BUILDING & IMPROVEMENTS	TOTAL (a) (b)	ACCUMULATED DEPRECIATION (c)	CON AC
Brabant, Netherlands					
Tilburg Distribution					
Center.....	1,711	--	1,711	--	
Charlotte, North Carolina					
Charlotte Distribution Center					
South.....	2,203	--	2,203	--	
Interstate North Business					
Park.....	352	--	352	--	
Chicago, Illinois					
Bloomington 100 Business					
Center.....	3,998	--	3,998	--	
Bolingbrook Distribution					
Center.....	4,754	--	4,754	--	
O'Hare Cargo Distribution					
Center.....	10,746	--	10,746	--	1
I-55 Distribution Center.....	12,596	--	12,596	--	
Remington Lakes Business					
Park.....	528	--	528	--	
Cincinnati, Ohio					
Airport West Distribution					
Center.....	2,373	--	2,373	--	
Union Center Commerce Park...	4,286	--	4,286	--	1
Cologne, Germany					
Cologne Eifeltor Distribution					
Center.....	614	--	614	--	
Columbus, Ohio					
Capital Park South					
Distribution Center.....	2,134	--	2,134	--	1994, 1
International Street Commerce					
Center.....	109	--	109	--	
Dallas/Fort Worth, Texas					
Freeport Corporate Center....	2,957	--	2,957	--	
Plano Distribution Center....	1,166	--	1,166	--	
Northgate Distribution					
Center.....	824	--	824	--	
Arlington Corporation					
Center.....	1,258	--	1,258	--	
Lewisville Distribution					
Center.....	5,186	--	5,186	--	
Denver, Colorado					
Denver Business Center					
Land.....	856	--	856	--	
Upland Distribution Center					
I.....	550	--	550	--	
East Bay (San Francisco), California					
Patterson Pass Business					
Center.....	1,034	--	1,034	--	
Pescadero Distribution					

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Center.....	4,919	--	4,919	--
El Paso, Texas				
Northwestern Corporate				
Center.....	3,211	--	3,211	--
Vista Corporate Center.....	474	--	474	--

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PROLOGIS TRUST

SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CONTINUED)

DESCRIPTION	NO. OF BLDGS.	ENCUM- BRANCES	INITIAL COST TO PROLOGIS		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION
			LAND	BUILDING & IMPROVEMENTS	
Vista Del Sol Industrial Center.....			324	--	12
Vista Del Sol Industrial Center II.....			1,268		397
Vista Del Sol Industrial Center III.....			306	--	456
Houston, Texas					
Jersey Village Corporate Center.....			3,217	--	1,050
West by Northwest Industrial Center.....			898	--	135
I-95 Corridor, New Jersey Cranbury Business Park.....			650	--	90
Indianapolis, Indiana					
Airport Business Center.....			2,214	--	--
Lebanon Commerce Park Land...			827	--	686
North by Northeast Distribution Center.....			435	--	60
Plainfield Park Distribution Center.....			1,082	--	570
Juarez, Mexico					
Los Aztecas Industrial Center.....			670	--	--
Salvacar Industrial Park.....			2,051	--	624
Ramon Rivera Industrial Center.....			445	--	22
Kansas City, MO					
Executive Park.....			1,267	--	244
Las Vegas, Nevada					
Black Mountain Distribution Center.....			1,242	--	114
Hughes Airport Center.....			263	--	11
Las Vegas Corporate Center...		(h)	3,891	--	1,417
Le Havre, France					
Le Havre.....			1,105	--	--
Los Angeles/Orange County, California					
Magnolia Business Center.....			4,232	--	42
Ontario Distribution Center.....			1,545	--	74
Louisville, Kentucky					
Riverport Distribution					

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Center.....	600	--	--
Lyon, France			
Isle d'Abeau Distribution			
Center.....	2,014	--	--
Memphis, Tennessee			
Memphis Industrial Park.....	897	--	790

PROLOGIS TRUST

SCHEDULE III -- REAL ESTATE AND SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CON  
GROSS AMOUNTS AT WHICH CARRIED  
AS OF DECEMBER 31, 2000

DESCRIPTION	LAND	BUILDING & IMPROVEMENTS	TOTAL (a) (b)	ACCUMULATED DEPRECIATION (c)	CON AC
Vista Del Sol Industrial					
Center.....	336	--	336	--	
Vista Del Sol Industrial					
Center II.....	1,665	--	1,665	--	1
Vista Del Sol Industrial					
Center III.....	762	--	762	--	
Houston, Texas					
Jersey Village Corporate					
Center.....	4,267	--	4,267	--	
West by Northwest Industrial					
Center.....	1,033	--	1,033	--	
I-95 Corridor, New Jersey					
Cranbury Business Park.....	740	--	740	--	1
Indianapolis, Indiana					
Airport Business Center.....	2,214	--	2,214	--	
Lebanon Commerce Park Land...	1,513	--	1,513	--	
North by Northeast					
Distribution Center.....	495	--	495	--	
Plainfield Park Distribution					
Center.....	1,652	--	1,652	--	
Juarez, Mexico					
Los Aztecas Industrial					
Center.....	670	--	670	--	
Salvacar Industrial Park.....	2,675	--	2,675	--	
Ramon Rivera Industrial					
Center.....	467	--	467	--	
Kansas City, MO					
Executive Park.....	1,511	--	1,511	--	
Las Vegas, Nevada					
Black Mountain Distribution					
Center.....	1,356	--	1,356	--	
Hughes Airport Center.....	274	--	274	--	
Las Vegas Corporate Center...	5,308	--	5,308	--	1
Le Havre, France					
Le Havre.....	1,105	--	1,105	--	
Los Angeles/Orange County, California					
Magnolia Business Center.....	4,274	--	4,274	--	
Ontario Distribution					
Center.....	1,619	--	1,619	--	
Louisville, Kentucky					
Riverport Distribution					
Center.....	600	--	600	--	
Lyon, France					
Isle d'Abeau Distribution					

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Center.....	2,014	--	2,014	--
Memphis, Tennessee				
Memphis Industrial Park.....	1,687	--	1,687	--

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PROLOGIS TRUST

SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CONTINUED)

DESCRIPTION	NO. OF BLDGS.	ENCUM- BRANCES	INITIAL COST TO PROLOGIS		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION
			LAND	BUILDING & IMPROVEMENTS	
Distriplex Distribution Center.....			1,919	--	25
Milan, Italy					
Piacenza Distribution Center.....			814	--	410
Monterrey Mexico					
Monterrey Industrial Park....			3,797	--	78
Orlando, Florida					
Orlando Central Park.....			2,152	--	637
Portland, Oregon					
Jennifer Distribution Center.....			2,139	--	709
Reno, Nevada					
Damonte Ranch.....			2,454	--	860
Golden Valley Distribution Center.....			444	--	439
Reynosa, Mexico					
Del Norte Industrial Center II.....			1,391	--	571
Reynosa Industrial Center III.....			149	--	15
Pharr Bridge Industrial Center.....			3,912	--	28
Reynosa Industrial Park.....			362	--	28
Rio Grande Valley, Texas					
Rio Grande Industrial Center.....			139	--	--
Rio Grande Distribution Center.....			300	--	--
Salt Lake City, Utah					
Centennial Distribution Center.....			824	--	99
Clearfield Industrial Center.....			125	--	14
Salt Lake International Distribution Center.....			878	--	77
San Antonio, Texas					
Coliseum Distribution Center.....			611	--	335
Landmark One Distribution Center.....			127	--	5
Perrin Creek Corporate Center.....			2,637	--	245
San Antonio Distribution					

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Center III.....	458	--	71
Tri-County Distribution			
Center.....	773		26
Seattle, Washington			
Port of Tacoma.....	1,543	--	377

PROLOGIS TRUST

SCHEDULE III -- REAL ESTATE AND SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CON

GROSS AMOUNTS AT WHICH CARRIED

AS OF DECEMBER 31, 2000

DESCRIPTION	LAND	BUILDING & IMPROVEMENTS	TOTAL (a) (b)	ACCUMULATED DEPRECIATION (c)	CON AC
Distriplex Distribution					
Center.....	1,944	--	1,944	--	
Milan, Italy					
Piacenza Distribution					
Center.....	1,224	--	1,224	--	
Monterrey Mexico					
Monterrey Industrial Park....	3,875	--	3,875	--	1
Orlando, Florida					
Orlando Central Park.....	2,789	--	2,789	--	
Portland, Oregon					
Jennifer Distribution					
Center.....	2,848	--	2,848	--	
Reno, Nevada					
Damonte Ranch.....	3,314	--	3,314	--	
Golden Valley Distribution					
Center.....	883	--	883	--	
Reynosa, Mexico					
Del Norte Industrial Center					
II.....	1,962	--	1,962	--	
Reynosa Industrial Center					
III.....	164	--	164	--	
Pharr Bridge Industrial					
Center.....	3,940	--	3,940	--	
Reynosa Industrial Park.....	390	--	390	--	
Rio Grande Valley, Texas					
Rio Grande Industrial					
Center.....	139	--	139	--	
Rio Grande Distribution					
Center.....	300	--	300	--	
Salt Lake City, Utah					
Centennial Distribution					
Center.....	923	--	923	--	
Clearfield Industrial					
Center.....	139	--	139	--	
Salt Lake International					
Distribution Center.....	955	--	955	--	1
San Antonio, Texas					
Coliseum Distribution					
Center.....	946	--	946	--	
Landmark One Distribution					
Center.....	132	--	132	--	
Perrin Creek Corporate					
Center.....	2,882	--	2,882	--	
San Antonio Distribution					
Center III.....	529	--	529	--	
Tri-County Distribution					

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Center.....	799	--	799	--
Seattle, Washington				
Port of Tacoma.....	1,920	--	1,920	--

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PROLOGIS TRUST

SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CONTINUED)

DESCRIPTION	NO. OF BLDGS.	ENCUM- BRANCES	INITIAL COST TO PROLOGIS		COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION
			LAND	BUILDING & IMPROVEMENTS	
Tampa, Florida					
Sabal Park Distribution					
Center.....			1,075	--	245
Tampa East Distribution					
Center.....			233	--	--
Tampa East Industrial					
Center.....			1,783	--	22
Tampa West Distribution					
Center.....			242	--	158
Tijuana, Mexico					
Tijuana Industrial Center....			1,474	--	1,452
Tongeren, Belgium					
Tongeren Distribution					
Center.....			144	--	38
Warsaw, Poland					
Blonie Industrial Park.....			1,085	--	588
Teresin Distribution					
Center.....			1,472		--
Washington D.C./Baltimore,					
Maryland					
ProLogis Park -- Dulles.....			1,165	--	--
Meadowridge Distribution					
Center.....			760	--	36
Total Land Held for					
Development.....			150,219	--	37,186
GRAND TOTAL.....			\$819,258	\$2,231,458	\$1,582,985

PROLOGIS TRUST

SCHEDULE III -- REAL ESTATE AND ACCUMULATED DEPRECIATION -- (CONTINUED)  
GROSS AMOUNTS AT WHICH CARRIED  
AS OF DECEMBER 31, 2000

DESCRIPTION	LAND	BUILDING & IMPROVEMENTS	TOTAL (a) (b)	ACCUMULATED DEPRECIATION (c)	CON AC
Tampa, Florida					
Sabal Park Distribution					
Center.....	1,320	--	1,320	--	1
Tampa East Distribution					



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Center.....	233	--	233	--
Tampa East Industrial Center.....	1,805	--	1,805	--
Tampa West Distribution Center.....	400	--	400	--
Tijuana, Mexico				
Tijuana Industrial Center....	2,926	--	2,926	--
Tongeren, Belgium				
Tongeren Distribution Center.....	182	--	182	--
Warsaw, Poland				
Blonie Industrial Park.....	1,673	--	1,673	--
Teresin Distribution Center.....	1,472	--	1,472	--
Washington D.C./Baltimore, Maryland				
ProLogis Park -- Dulles.....	1,165	--	1,165	--
Meadowridge Distribution Center.....	796	--	796	--
	-----	-----	-----	-----
Total Land Held for Development.....	187,405	--	187,405	--
	-----	-----	-----	-----
GRAND TOTAL.....	\$1,022,375	\$3,611,326	\$4,633,701	\$ (476,982)
	=====	=====	=====	=====

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(a) Reconciliation of total cost to real estate balance sheet caption at December 31, 2000 (in thousands):

Total per Schedule III.....	\$4,633,701
Minority interest in real estate company.....	8,217
Capitalized preacquisition costs.....	47,574
	-----
Total real estate.....	\$4,689,492 (i)
	=====

- (b) The aggregate cost for federal income tax purposes was approximately \$3,392,893,856.
- (c) Buildings are depreciated over their estimated useful lives (7 years for capital improvements, 10 years for tenant improvements, 30 years for acquisitions and 40 years for developments).
- (d) \$340,160,523 of these facilities secure \$200,000,000 of mortgage notes.
- (e) \$211,562,957 of these facilities secure \$147,165,811 of mortgage notes.
- (f) \$375,253,585 of these facilities secure \$156,914,474 of mortgage notes.
- (g) \$61,295,480 of these facilities secure \$23,799,748 of securitized debt.
- (h) \$236,284,865 of these facilities secure \$10,044,915 of assessment bonds.

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- (i) A summary of activity for real estate and accumulated depreciation as of December 31, 2000 is as follows (in thousands):

Real Estate	
Balance at beginning of year.....	\$4,974,951
Additions:	
Acquisitions and completions of operating facilities...	324,495
Improvements to operating facilities.....	247,570
Dispositions.....	(890,320)
Change in construction in progress balance.....	2,307
Change in capitalized preacquisition costs balance.....	30,489
	-----
Balance at end of year.....	\$4,689,492
	=====

Accumulated depreciation	
Balance at beginning of year.....	\$ 366,703
Depreciation expense.....	128,403
Accumulated depreciation associated with dispositions.....	(18,124)
	-----
Balance at end of year.....	\$ 476,982
	=====

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### POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each of ProLogis Trust, a Maryland real estate investment trust, and the undersigned Trustees and officers of ProLogis Trust, hereby constitutes and appoints K. Dane Brooksher, Walter C. Rakowich, Luke A. Lands and Edward S. Nekritz, or his true and lawful attorneys in fact and agents, for it or him and in its or his name, place and stead, in any and all capacities, with full power to act alone, to sign any and all amendments to this report, and to file each such amendment to this report, with all exhibits, thereto, and any and all documents, in connection therewith, with the Securities and Exchange Commission, hereby granting unto and attorneys-in-fact and agents, and each of them, full power and authority to do and perform any and all acts and things requisite and necessary to be done in and about the premises, as fully to all intents and purposes as it or he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them may lawfully do or cause to be done by virtue hereof.

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### SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PROLOGIS TRUST

By:           /s/ K. DANE BROOKSHER

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-----  
K. Dane Brooksher  
Chairman, Chief Executive Officer

Date: March 23, 2001

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE -----	TITLE -----	DATE -----
/s/ K. DANE BROOKSHER ----- K. Dane Brooksher	Chairman, Chief Executive Officer and Trustee	March 23,
/s/ IRVING F. LYONS III ----- Irving F. Lyons III	President, Chief Investment Officer and Trustee	March 23,
/s/ WALTER C. RAKOWICH ----- Walter C. Rakowich	Managing Director and Chief Financial Officer (Principal Financial Officer)	March 23,
/s/ LUKE A. LANDS ----- Luke A. Lands	Senior Vice President and Controller	March 23,
/s/ SHARI J. JONES ----- Shari J. Jones	Vice President (Principal Accounting Officer)	March 23,
/s/ C. RONALD BLANKENSHIP ----- C. Ronald Blankenship	Trustee	March 23,
/s/ STEPHEN L. FEINBERG ----- Stephen L. Feinberg	Trustee	March 23,
/s/ DONALD P. JACOBS ----- Donald P. Jacobs	Trustee	March 23,
/s/ WILLIAM G. MYERS ----- William G. Myers	Trustee	March 23,
/s/ JOHN E. ROBSON ----- John E. Robson	Trustee	March 23,

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SIGNATURE -----	TITLE -----	DATE ----
/s/ KENNETH N. STENSBY ----- Kenneth N. Stensby	Trustee	March 23,
/s/ J. ANDRE TEIXEIRA ----- J. Andre Teixeira	Trustee	March 23,
/s/ THOMAS G. WATTLES ----- Thomas G. Wattles	Trustee	March 23,

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## INDEX TO EXHIBITS

Certain of the following documents are filed herewith. Certain other of the following documents have been previously filed with the Securities and Exchange Commission and, pursuant to Rule 12b-32, are incorporated herein by reference.

EXHIBIT NUMBER -----	DESCRIPTION -----
3.1	-- Articles of Amendment and Restatement of Declaration of Trust of ProLogis (incorporated by reference to exhibit 4.1 to ProLogis' quarterly report on Form 10-Q for the quarter ended June 30, 1999).
3.2	-- Amended and Restated Bylaws of ProLogis (incorporated by reference to exhibit 3.2 to ProLogis' quarterly report on Form 10-Q for the quarter ended June 30, 1999).
4.1	-- Rights Agreement, dated as of December 31, 1993, between ProLogis and State Street Bank and Trust Company, as Rights Agent, including form of Rights Certificate (incorporated by reference to exhibit 4.4 to ProLogis' registration statement No. 33-78080).
4.2	-- First Amendment to Rights Amendment, dated as of February 15, 1995, between ProLogis, State Street Bank and Trust Company and The First National Bank of Boston, as successor Rights Agent (incorporated by reference to exhibit 3.1 to ProLogis' Form 10-Q for the quarter ended September 30, 1995).
4.3	-- Second Amendment to Rights agreement, dated as of June 22, 1995, between ProLogis, State Street Bank and Trust Company and The First National Bank of Boston (incorporated by reference to Exhibit 3.1 to ProLogis' Form 10-Q for the quarter ended September 30, 1995).
4.4	-- Form of share certificate for Common Shares of Beneficial

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Interest of ProLogis (incorporated by reference to exhibit 4.4 to ProLogis' registration statement No. 33-73382).

- 4.5 -- Form of share certificate for Series A Cumulative Redeemable Preferred Shares of Beneficial Interest of ProLogis (incorporated by reference to exhibit 4.7 to ProLogis' Form 8-A registration statement relating to such shares).
- 4.6 -- 8.72% Note due March 1, 2009 (incorporated by reference to exhibit 4.7 to ProLogis' Form 10-K for the year ended December 31, 1994).
- 4.7 -- Form of share certificate for Series B Cumulative Convertible Redeemable Preferred Shares of Beneficial Interest of ProLogis (incorporated by reference to exhibit 4.8 to ProLogis' Form 8-A registration statement relating to such shares).
- 4.8 -- Form of share certificate for Series C Cumulative Redeemable Preferred Shares of Beneficial Interest of ProLogis (incorporated by reference to exhibit 4.8 to ProLogis' Form 10-K for the year ended December 31, 1996).
- 4.9 -- 9.34% Note due March 1, 2015 (incorporated by reference to exhibit 4.8 to ProLogis' Form 10-K for the year ended December 31, 1994).
- 4.10 -- 7.875% Note due May 15, 2009 (incorporated by reference to exhibit 4.4 to ProLogis' Form 8-K dated May 9, 1995).
- 4.11 -- 7.30% Note due May 15, 2001 (incorporated by reference to exhibit 4.3 to ProLogis' Form 8-K dated May 9, 1995).
- 4.12 -- 7.25% Note due May 15, 2000 (incorporated by reference to exhibit 4.2 to ProLogis' Form 8-K dated May 9, 1995).
- 4.13 -- 7.125% Note due May 15, 1998 (incorporated by reference to exhibit 4.1 to ProLogis' Form 8-K dated May 9, 1995).

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EXHIBIT  
NUMBER

DESCRIPTION

- 4.14 -- 7.25% Note due May 15, 2002 (incorporated by reference to exhibit 4.1 to ProLogis' Form 10-Q for the quarter ended June 30, 1996).
- 4.15 -- 7.95% Note due May 15, 2008 (incorporated by reference to exhibit 4.2 to ProLogis' Form 10-Q for the quarter ended June 30, 1996).
- 4.16 -- 8.65% Note due May 15, 2016 (incorporated by reference to exhibit 4.3 to ProLogis' Form 10-Q for the quarter ended

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June 30, 1996).

- 4.17 -- 7.81% Medium-Term Notes, Series A, due February 1, 2015 (incorporated by reference to exhibit 4.17 to ProLogis' Form 10-K for the year ended December 31, 1996).
- 4.18 -- Indenture, dated as of March 1, 1995, between ProLogis and State Street Bank and Trust Company, as Trustee (incorporated by reference to exhibit 4.9 to ProLogis' Form 10-K for the year ended December 31, 1994).
- 4.19 -- Collateral Trust Indenture, dated as of July 22, 1993, between Krauss/Schwartz Properties, Ltd. and NationsBank of Virginia, N.A., as Trustee (incorporated by reference to exhibit 4.10 to ProLogis' Form 10-K for the year ended December 31, 1994).
- 4.20 -- First Supplement Collateral Trust Indenture, dated as of October 28, 1994, among ProLogis Limited Partnership-IV, Krauss/Schwartz Properties, Ltd., and NationsBank of Virginia, N.A., as Trustee (incorporated by reference to exhibit 10.6 to ProLogis' Form 10-Q for the quarter ended September 30, 1994).
- 4.21 -- Form of share certificate for Series D Cumulative Redeemable Preferred Shares of Beneficial Interest of ProLogis (incorporated by reference to exhibit 4.21 of ProLogis' Registration Statement No. 69001).
- 4.22 -- Form of share certificate for Series E Cumulative Redeemable Preferred Shares of Beneficial Interest of ProLogis (incorporated by reference to exhibit 4.22 of ProLogis' Registration Statement No. 69001).
- 4.23 -- 7.625% Note due July 1, 2017 (incorporated by reference to exhibit 4 to ProLogis' Form 8-K dated July 11, 1997).
- 4.24 -- Form of 7.05% Promissory Note due July 15, 2006 (incorporated by reference to exhibit 4.24 to ProLogis' Form 10-K for the year ended December 31, 1999).
- 4.25 -- 7.00% Promissory Note due October 1, 2003 (incorporated by reference to exhibit 4.25 to ProLogis' Form 10-K for the year ended December 31, 1999).
- 4.26 -- Form of 6.70% Promissory Note due April 15, 2004 (incorporated by reference to exhibit 4.26 to ProLogis' Form 10-K for the year ended December 31, 1999).
- 4.27 -- Form of 7.10% Promissory Note due April 15, 2008 (incorporated by reference to exhibit 4.27 to ProLogis' Form 10-K for the year ended December 31, 1999).
- 10.1 -- Agreement of Limited Partnership of ProLogis Limited Partnership-I, dated as of December 22, 1993, by and among ProLogis, as general partner, and the limited partners set forth therein (incorporated by reference to exhibit 10.4 to ProLogis' Registration Statement No. 33-73382).
- 10.2 -- Amended and Restated Agreement of Limited Partnership of ProLogis Limited Partnership-II, dated as of February 15,

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1994, among ProLogis as general partner, and the limited partners set forth therein (incorporated by reference to exhibit 10.12 to ProLogis' Registration Statement No. 33-78080).

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EXHIBIT NUMBER -----	DESCRIPTION -----
10.3	-- Third Amended and Restated Investor Agreement, dated as of September 9, 1997, between ProLogis and SC Group Incorporated (incorporated by reference to exhibit 10.3 to Security Capital Group Incorporated's Form 10-Q for the quarter ended September 30, 1997).
10.4	-- Form of Indemnification Agreement entered into between ProLogis and its Trustees and executive officers (incorporated by reference to exhibit 10.16 to ProLogis' Registration Statement No. 33-73382).
10.5	-- Indemnification Agreement between ProLogis and each of its independent Trustees (incorporated by reference to exhibit 10.16 to ProLogis' Form 10-K for the year ended December 31, 1995).
10.6	-- Declaration of Trust for the benefit of ProLogis' independent Trustees (incorporated by reference to exhibit 10.17 to ProLogis' Form 10-K for the year ended December 31, 1995).
10.7	-- Share Option Plan for Outside Trustees (incorporated by reference to exhibit 10.18 to ProLogis' Form 10-Q for the quarter ended June 30, 1994).
10.8	-- 1999 Dividend Reinvestment and Share Purchase Plan (incorporated by reference to the Prospectus contained in Registration Statement No. 333-75893).
10.9	-- Amended and Restated Agreement of Limited Partnership of ProLogis Limited Partnership-III, dated as of October 28, 1994, by and among ProLogis, as general partner, and the limited partners set forth therein (incorporated by reference to exhibit 10.3 to ProLogis' Form 10-Q for the quarter ended September 30, 1994).
10.10	-- Amended and Restated Agreement of Limited Partnership of ProLogis Limited Partnership-IV, dated as of October 28, 1994, by and among ProLogis IV, Inc., as general partner, and the limited partners set forth therein (incorporated by reference to exhibit 10.4 to ProLogis' Form 10-Q for the quarter ended September 30, 1994).
10.11	-- Option Agreement and Consent, dated October 24, 1994, by and between ProLogis and Farm Bureau Life Insurance Company (incorporated by reference to exhibit 10.7 to ProLogis' Form 10-Q for the quarter ended September 30,

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1994).

- 10.12 -- Form of Secured Promissory Note and Pledge Agreement relating to Share Purchase Program (incorporated by reference to exhibit 10.17 to ProLogis' Form 10-K for the year ended December 31, 1998).
- 10.13 -- Loan Agreement, dated as of December 23, 1998, between ProLogis and Connecticut General Life Insurance Company (incorporated by reference to exhibit 10.19 to ProLogis' Form 10-K for the year ended December 31, 1998).
- 10.14 -- Tranche A Promissory Note, dated as of February 22, 1999, between ProLogis and Teachers Insurance and Annuity Association of America (incorporated by reference to exhibit 10.20 to ProLogis' Form 10-K for the year ended December 31, 1998).
- 10.15 -- Tranche B Promissory Note, dated as of February 22, 1999, between ProLogis and Teachers Insurance and Annuity Association of America (incorporated by reference to exhibit 10.21 to ProLogis' Form 10-K for the year ended December 31, 1998).
- 10.16 -- Stock Purchase Agreement among Meridian, Harris Trust & Savings Bank, as Trustee for Ameritech Pension Trust, and OTR, on behalf of and as nominee for the State Teachers Retirement Board of Ohio, dated as of December 29, 1995 (incorporated by reference to Meridian's Registration Statement No. 333-00018).

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- 10.17 -- Amended and Restated Loan Administration Agreement between The Prudential Insurance Company of America and Meridian, IndTennco Limited Partnership, Metro-Sierra Limited Partnership, and Progress Center/Alabama Limited Partnership, dated as of February 23, 1996 (incorporated by reference to exhibit 10.24 to Meridian's Form 10-K for the year ended December 31, 1996).
- 10.18 -- Note Purchase Agreement among Meridian and The Travelers Insurance Company (I/N/TRAL & CO.), United Services Automobile Association (I/N/O SALKELD & CO.), The Variable Annuity Life Insurance Company, The United States Life Insurance Company in the City of New York, All American Life Insurance Company, The Old Line Life Insurance Company of America, The Lincoln National Life Insurance Company, Lincoln Life & Annuity Company of New York, First Penn-Pacific Life Insurance Company (I/N/O CUDD & CO), Lincoln National Health & Casualty Insurance Company, Allied Life Insurance Company "B" (I/N/O GERLACH & CO), sons of Norway (I/N/O VAR & CO), Aid Association for Lutherans (I/N/O NIMER & CO), Metropolitan Life



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Insurance Company, National Life Insurance Company, Life Insurance Company of the Southwest, Keyport Life Insurance Company (I/N/O BOST & CO), Union Central Life Insurance Company (I/N/O HARE & CO), and Pan-American Life Insurance Company, dated November 15, 1997 (incorporated by reference to exhibit 10.66 to Meridian's Form 10-K for the year ended December 31, 1997).

- 10.19 -- Credit Agreement among ProLogis Trust, NationsBank, N.A., Commerzbank Aktien Gesellschaft, New York Branch, Chase Bank of Texas, National Association and Lenders Named Herein, dated as of March 29, 1999 (incorporated by reference to exhibit 10.1 to ProLogis' Form 8-K dated April 16, 1999).
- 10.20 -- Credit Agreement among ProLogis Trust, as Borrower and Guarantor, ProLogis Logistics Services Incorporated, as Borrower, ProLogis Development Services Incorporated, as Borrower, Bank of America N.A., as Administrative Agent, Commerzbank Aktiengesellschaft, New York Branch, as Syndication Agent, Chase Bank of Texas, National Association, as Documentation Agent, First Union National Bank and Societe Generale, Southwest Agency, as Managing Agents and the Lenders Named Herein as Lenders, as of June 6, 2000 (incorporated by reference to exhibit 10.2 to ProLogis' Form 10-Q for the quarter ended June 30, 2000).
- 10.21 -- Mortgage Noted dated as of March 29, 1999 between ProLogis Trust and Pro-Industrial Funding Company, Inc. (incorporated by reference to exhibit 10.1 to ProLogis' Form 8-K dated May 17, 1999).
- 10.22 -- Agreement of Limited Partnership of Meridian Realty Partners, L.P. (incorporated by reference to exhibit 99.1 to ProLogis' Registration Statement No. 333-86081).
- 10.23 -- ProLogis Trust 1997 Long-Term Incentive Plan (as Amended and Restated Effective as of May 18, 2000 (incorporated by reference to exhibit 10.1 to ProLogis' Form 10-Q for the quarter ended June 30, 2000)).
- 10.24 -- Multi-Currency Revolving Credit Facility Agreement among PLD Europe Finance B.V. and PLD U.K. Finance B.V. as Original Borrowers, ProLogis Trust as guarantor, ABN AMRO Bank N.V. as Arranger and Societe Generale as Co-Arranger, ABN AMRO Bank N.S. as Agent and Issuing bank as Banks as defined herein, dated December 17, 1999 (incorporated by reference to exhibit 10.24 to ProLogis' Form 10-K for the year ended December 31, 1999).

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- 10.25 -- Form of Executive Protection Agreements entered into

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between ProLogis and K. Dane Brooksher and Irving F. Lyons III, dated as of June 24, 1999. (incorporated by reference to exhibit 10.25 to ProLogis' Form 10-K for the year ended December 31, 1999).

- 10.26 -- Form of Executive Protection Agreements entered into between ProLogis and Walter C. Rakowich, Jeffrey H. Schwartz, Robert J. Watson and John W. Seiple, dated as of June 24, 1999 (incorporated by reference to exhibit 10.26 to ProLogis' Form 10-K for the year ended December 31, 1999).
- 12.1 -- Statement re: Computation of Ratio of Earnings to Fixed Charges.
- 12.2 -- Statement re: Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Share Dividends.
- 21.1 -- Subsidiaries of ProLogis.
- 23.1 -- Consent of Arthur Andersen LLP.
- 23.2 -- Consent of KPMG -- Stockholm, Sweden.
- 23.3 -- Report of KPMG -- Stockholm, Sweden.
- 23.4 -- Consent of KPMG -- New York, New York.
- 23.5 -- Report of KPMG -- New York, New York.
- 24.1 -- Power of Attorney (included at page 121).