PROLOGIS TRUST
Form 424B2
February 21, 2003
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Filed Pursuant to Rule 424(b)(2)

Registration Nos. 333-39797 and 333-79813

Prospectus Supplement

February 19, 2003

(To Prospectus dated February 19, 2003)

$300,000,000

5.50% Notes due 2013

The notes will bear interest at the rate of 5.50% per year. Interest on the notes is payable on March 1 and September 1 of each year, beginning on September 1, 2003. The notes will mature on March 1, 2013. We may redeem some or all of the notes at any time and from time to time at our option. The redemption prices are discussed under the heading Description of Notes Optional Redemption.

The notes will be our direct unsecured and unsubordinated obligations and will rank equally with all of our other unsecured and unsubordinated indebtedness from time to time outstanding. The notes are not subject to any sinking fund.

Investing in the notes involves risks. See Risk Factors beginning on page 2 of the accompanying prospectus.

	Per Note	Total
Public offering price (1)	99.801%	$ 299,403,000
Underwriting discount	0.650%	$ 1,950,000
Proceeds to us (before expenses)	99.151%	$ 297,453,000

(1) Plus accrued interest from February 24, 2003, if settlement occurs after that date.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the notes to purchasers in book-entry form only through the facilities of The Depository Trust Company on or about February 24, 2003.

Book-Running Manager

Banc of America Securities LLC

Senior Co-Managers

ABN AMRO Incorporated

Commerzbank Securities

JPMorgan

Morgan Stanley

Co-Managers

SG Cowen **Wachovia Securities**

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You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized anyone to provide you with different information. We are not, and the underwriters are not, making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date on the front of this prospectus supplement. Our business, financial condition, results of operations and prospects may have changed since that date.

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Prospectus Supplement

Prospectus

References to we, us, and our in this prospectus supplement and the accompanying prospectus are to ProLogis and its consolidated subsidiaries, unless the context otherwise requires.

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USE OF PROCEEDS

The net proceeds from the sale of the notes are expected to be approximately $296.9 million, after deducting underwriting discounts and estimated offering expenses. We will use the net proceeds to repay a portion of the borrowings under our revolving credit facilities. We currently have a total commitment of $1.15 billion under our credit facilities. As of February 14, 2003, this commitment is reduced by $22.2 million representing letters of credit outstanding with the lending banks. We have approximately $666.0 million outstanding and an available balance of approximately $466.5 at February 14, 2003. Amounts repaid under the credit facilities may be reborrowed and we expect to make additional borrowings under the credit facilities following this offering for the development and acquisition of industrial distribution properties and for working capital purposes. Our $1.15 billion credit facilities are led by Bank of America, N.A., in the United States, ABN AMRO Bank N.V., in Europe, Royal Bank of Scotland, in Europe, and Sumitomo Mitsui Banking Corporation, in Japan. Bank of America, N.A. and ABN AMRO Bank N.V. are affiliates of certain underwriters participating in this offering. Borrowings under our credit facilities generally bear interest at the interbank offered rate in the relevant market for the currency borrowed plus an applicable margin (generally 0.65% to 0.675% in the United States, 0.75% to 1.00% in Europe, and 1.00% in Japan). Our credit facilities mature at varying times between June 2003 and November 2005 and are generally renewable at our option.

RECENT DEVELOPMENTS

The following information for the quarter and year ended December 31, 2002 has been derived from our preliminary unaudited results of operations while the information for the year ended December 31, 2001 has been derived from our audited results of operations.

For the quarter ended December 31, 2002, net earnings attributable to common shares were $79.1 million and total revenues were $193.3 million, compared to a net loss attributable to common shares of $46.6 million and total revenues of $52.7 million for the quarter ended December 31, 2001. For the year ended December 31, 2002, net earnings attributable to common shares were $216.2 million and total revenues were $675.0 million, compared to $90.8 million in net earnings attributable to common shares and total revenues of $523.1 million for the year ended December 31, 2001.

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DESCRIPTION OF NOTES

The following description of the terms of the notes, which are referred to in the accompanying prospectus as the debt securities, supplements, and to the extent inconsistent therewith replaces, the description of the general terms and provisions of the debt securities set forth in the accompanying prospectus, to which reference is hereby made.

General

The notes constitute a series of debt securities, which are more fully described in the accompanying prospectus, to be issued pursuant to an Indenture, dated as of March 1, 1995, between us and U.S. Bank National Association (formerly State Street Bank and Trust Company), as trustee. We refer to this document as the indenture. The terms of the notes include those provisions contained in the indenture, the terms of which are more fully described in the accompanying prospectus, and those made part of the indenture by reference to the Trust Indenture Act of 1939. The notes are subject to all of these terms, and holders of notes are referred to the indenture and the Trust Indenture Act for a statement of those terms. As of December 31, 2002 we had $1.47 billion of unsecured long-term indebtedness outstanding pursuant to the indenture and aggregate unsecured long-term indebtedness of approximately $1.63 billion.

The notes will initially be limited to $300,000,000 aggregate principal amount. We may in the future, without the consent of holders, issue additional notes on the same terms and conditions and with the same CUSIP number as the notes being offered hereby. The notes will be our direct, unsecured and unsubordinated obligations and will rank equally with all of our other unsecured and unsubordinated indebtedness from time to time outstanding. However, the notes are subordinated to our secured indebtedness to the extent of the value of the assets securing that indebtedness, including secured indebtedness of our consolidated subsidiaries, and are subordinated to our revolving credit facilities in North America to the extent of the value of the assets pledged to secure borrowings thereunder. In addition, the notes are effectively subordinated to all indebtedness and other liabilities, including revolving credit facilities in Europe and Japan, of our consolidated subsidiaries. As of December 31, 2002, we had approximately $2.23 billion of unsubordinated indebtedness outstanding, including $596.2 million of secured indebtedness. As of December 31, 2002, our consolidated subsidiaries had approximately $505.7 million of indebtedness outstanding.

As of December 31, 2002, our total outstanding indebtedness, including indebtedness of our consolidated subsidiaries, was approximately $2.73 billion.

Reference is made to the section entitled Description of Debt Securities Covenants in the accompanying prospectus for a description of the covenants applicable to the notes. The defeasance and covenant defeasance provisions of the indenture described under Description of Debt Securities Discharge, Defeasance and Covenant Defeasance in the accompanying prospectus will apply to the notes. Each of the covenants described in the accompanying prospectus under the caption Description of Debt Securities Covenants will be subject to defeasance.

Except as set forth under Description of Debt Securities Covenants Limitations on Incurrence of Debt in the accompanying prospectus, the indenture does not contain any provisions that would limit our ability to incur indebtedness or that would afford holders of the notes protection in the event of a highly leveraged or similar transaction involving us or in the event of a change of control.

The notes will be issued only in fully registered form in denominations of $1,000 and integral multiples of $1,000.

Principal and Interest

The notes will bear interest at the rate of 5.50% per year and will mature on March 1, 2013. Interest on the notes will accrue from February 24, 2003 and will be payable semi-annually in arrears on March 1 and September 1 of each year, commencing on September 1, 2003 (each such date being an interest payment date), to the persons in whose names the notes are registered in the security register on the preceding February 15 or August 15, whether or not a business day, as the case may be (each such date being a regular record date). Interest on the notes will be computed on the basis of a 360-day year consisting of twelve 30-day months.

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If any interest payment date or the maturity date falls on a day that is not a business day, the required payment shall be made on the next business day as if it were made on the date the payment was due and no interest shall accrue on the amount so payable for the period from and after the interest payment date or the maturity date, as the case may be, until the next business day. A business day means any day, other than a Saturday or Sunday, or legal holidays on which banks in The City of New York or The City of Boston are not required or authorized by law or executive order to be closed.

Optional Redemption

The notes will be redeemable in whole at any time or in part from time to time, at our option, at a redemption price equal to the greater of:

- 100% of the principal amount of the notes to be redeemed; or
- the sum of the present values of the remaining scheduled payments of principal and interest on the notes to be redeemed (exclusive of interest accrued to the date of redemption) discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the then current Treasury Rate plus 25 basis points.

In each case we will pay accrued and unpaid interest on the principal amount being redeemed to the date of redemption.

Comparable Treasury Issue means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term (Remaining Life) of the notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the Remaining Life.

Comparable Treasury Price means, with respect to any redemption date, (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (2) if the trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

Independent Investment Banker means one of the Reference Treasury Dealers that we appoint to act as the Independent Investment Banker from time to time.

Reference Treasury Dealer means each of Banc of America Securities LLC and its successors, and three other firms that are primary U.S. Government securities dealers (each a Primary Treasury Dealer) which we specify from time to time; provided, however, that if any of them ceases to be a Primary Treasury Dealer, we will substitute another Primary Treasury Dealer.

Reference Treasury Dealer Quotations means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the trustee by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding such redemption date.

Treasury Rate means, with respect to any redemption date, the rate per year equal to: (1) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated H.15(519) or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption Treasury Constant Maturities, for the maturity corresponding to the Comparable Treasury Issue; provided that, if no maturity is within three months before or after the Remaining Life of the notes to be redeemed, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Treasury Rate shall be

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interpolated or extrapolated from those yields on a straight line basis, rounding to the nearest month; or (2) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date. The Treasury Rate shall be calculated on the third business day preceding the redemption date.

Notice of redemption will be mailed at least 30 but not more than 60 days before the redemption date to each holder of record of the notes to be redeemed at its registered address. The notice of redemption for the notes will state, among other things, the amount of notes to be redeemed, the redemption date, the redemption price and the place or places that payment will be made upon presentation and surrender of notes to be redeemed. Unless we default in payment of the redemption price, interest will cease to accrue on any notes that have been called for redemption at the redemption date.

If less than all of the notes are to be redeemed at our option, we will notify the trustee under the indenture at least 45 days prior to the redemption date, or any shorter period as may be satisfactory to the trustee, of the aggregate principal amount of the notes to be redeemed and the redemption date. The trustee will select, in the manner as it deems fair and appropriate, the notes to be redeemed. Notes may be redeemed in part in the minimum authorized denomination for notes or in any integral multiple of such amount.

Book-Entry Procedures

The Depository Trust Company, New York, New York (DTC), will act as securities depository for the notes. The notes will be issued as fully-registered securities registered in the name of Cede & Co., which is DTC s nominee. One fully-registered global note will be issued with respect to the notes.

DTC is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code, and a clearing agency registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants deposit with DTC. DTC also facilitates the settlement among participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in participants accounts, thereby eliminating the need for physical movement of securities certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its direct participants and by The New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others (the indirect participants and together with direct participants, the participants) such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly. The rules applicable to DTC and its participants are on file with the Securities and Exchange Commission.

Purchases of notes under the DTC system must be made by or through direct participants, which will receive a credit for the notes on DTC s records. The ownership interest of each actual purchaser of each note, a beneficial owner, will in turn be recorded on the direct and indirect participants records. Beneficial owners will not receive written confirmation from DTC of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct or indirect participant through which the beneficial owner entered into the transaction. Transfers of ownership interests in the notes are to be accomplished by entries made on the books of participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in notes, except in the event that use of the book-entry system for the notes is discontinued.

The deposit of notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the notes; DTC s records reflect

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only the identity of the direct participants to whose accounts the notes are credited, which may or may not be the beneficial owners. Participants are responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants, and by direct and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the notes within a series are being redeemed, DTC s practice is to determine by lot the amount of the interest of each direct participant in the series to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the notes. Under its usual procedures, DTC mails an omnibus proxy to us as soon as possible after the record date. The omnibus proxy assigns Cede & Co. s consenting or voting rights to those direct participants to whose accounts the notes are credited on the record date, which are identified in a listing attached to the omnibus proxy.

Principal and interest payments on the notes will be made to Cede & Co., as nominee of DTC. DTC s practice is to credit direct participants accounts, upon DTC s receipt of funds and corresponding detail information from us, on the applicable payment date in accordance with their respective holdings shown on DTC s records. Payments by participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in street name, and will be the responsibility of the participant and not of DTC or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. is our responsibility, disbursement of the payments to direct participants is the responsibility of DTC, and disbursement of the payments to the beneficial owners shall be the responsibility of direct and indirect participants.

DTC may discontinue providing its services as securities depository with respect to the notes at any time by giving reasonable notice to us. Under these circumstances, in the event that a successor securities depository is not obtained, certificates representing the notes will be printed and delivered.

We may, at any time, decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates representing the notes will be printed and delivered.

The information in this section concerning DTC and DTC s book-entry system has been obtained from sources that we believe to be reliable, but we take no responsibility for the accuracy thereof.

Same-Day Settlement and Payment

Settlement for the notes will be made by the purchasers in immediately available funds. All payments of principal and interest will be made by us in immediately available funds or the equivalent, so long as DTC continues to make its Same-Day Funds Settlement System available to us.

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UNDERWRITING

Subject to the terms and conditions of the underwriting agreement, the underwriters named below have severally agreed to purchase from us, and we have agreed to sell, the principal amount of notes listed opposite their names below at the public offering price less the underwriting discount set forth on the cover page of this prospectus supplement:

Underwriters	Principal Amount of Notes
Banc of America Securities LLC	$ 180,000,000
ABN AMRO Incorporated	24,300,000
Commerzbank Capital Markets Corp.	24,300,000
J.P. Morgan Securities Inc.	24,300,000
Morgan Stanley & Co. Incorporated	24,300,000
SG Cowen Securities Corporation	11,400,000
Wachovia Securities, Inc.	11,400,000
Total	$ 300,000,000

The underwriting agreement provides that the obligations of the several underwriters to purchase the notes offered hereby are subject to certain conditions and that the underwriters will purchase all of the notes offered by this prospectus supplement if any of these notes are purchased.

We have been advised by the representatives of the underwriters that the underwriters propose to offer the notes directly to the public at the public offering price set forth on the cover page of this prospectus supplement and to certain dealers at such price less a concession not in excess of 0.400% of the principal amount of the notes. The underwriters may allow, and such dealers may reallow, a concession not in excess of 0.250% of the principal amount of the notes to certain other dealers. After the initial public offering, representatives of the underwriters may change the offering price and other selling terms.

We estimate that our share of total expenses of this offering, excluding the underwriting discount, will be approximately $525,000.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, and to contribute to payments the underwriters may be required to make in respect of any of these liabilities.

The notes are a new issue of securities with no established trading market. The notes will not be listed on any securities exchange or on any automated dealer quotation system. The underwriters may make a market in the notes after completion of the offering, but will not be obligated to do so and may discontinue any market-making activities at any time without notice. No assurance can be given as to the liquidity of the trading market for the notes or that an active public market for the notes will develop. If an active public trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected.

In connection with the offering of the notes, certain of the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the notes. Specifically, the underwriters may overallot in connection with the offering, creating a short position. In addition, the underwriters may bid for, and purchase, the notes in the open market to cover short positions or to stabilize the price of the notes. Any of these activities may stabilize or maintain the market price of the notes above independent market levels, but no representation is made hereby of the magnitude of any effect that the transactions described above may have on the market price of the notes. The underwriters will not be required to engage in these activities, and may engage in these activities, and may end any of these activities at any time without notice.

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Several of the underwriters or their affiliates have provided and in the future may continue to provide investment banking and other financial services, including the provision of credit facilities, to us in the ordinary course of business for which they have received and will receive customary compensation. In addition, affiliates of underwriters participating in this offering are lenders under one of our existing credit facilities. Because more than 10% of the proceeds of this offering, not including underwriting compensation, will be received by entities who are affiliated with National Association of Securities Dealers, Inc. members who are participating in this offering, this offering is being conducted in compliance with Rule 2710(c)(8) of the Conduct Rules of the National Association of Securities Dealers, Inc.

LEGAL MATTERS

The validity of the notes will be passed upon for us by Mayer, Brown, Rowe & Maw, Chicago, Illinois. Certain legal matters will be passed upon for the underwriters by Shearman & Sterling, New York, New York.

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PROSPECTUS

PROLOGIS

$500,000,000*

DEBT SECURITIES

PREFERRED SHARES

COMMON SHARES

We will provide specific terms of these securities in supplements to this prospectus. You should carefully read this prospectus and any supplement before you invest.

* Pursuant to Rule 429 under the Securities Act of 1933, this prospectus also relates to an additional $108,029,182 of the debt securities, preferred shares and common shares, which were registered under a previous registration statement.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE

The date of this Prospectus is February 19, 2003

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WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934 and, in accordance therewith, file reports, proxy statements and other information with the Securities and Exchange Commission. Such reports, proxy statements and other information can be inspected and copied at the public reference facilities maintained by the Securities and Exchange Commission at 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained at prescribed rates from the Public Reference Room of the Securities and Exchange Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 or by calling the Securities and Exchange Commission at 1-800-SEC-0330. Such material can also be obtained from the Securities and Exchange Commission s worldwide web site at http://www.sec.gov. Our outstanding common shares, Series D cumulative redeemable preferred shares of beneficial interest and Series E cumulative redeemable preferred shares of beneficial interest, are listed on the New York Stock Exchange under the symbols PLD , PLD-PRD and PLD-PRE , respectively, and all such reports, proxy statements and other information filed by us with the New York Stock Exchange may be inspected at the New York Stock Exchange s offices at 20 Broad Street, New York, New York 10005. You can also obtain information about us at our website, http://ir.prologis.com.

We have filed with the Securities and Exchange Commission a registration statement on Form S-3 under the Securities Act of 1933 with respect to our common shares being offered. This prospectus, which constitutes part of the registration statement, does not contain all of the information set forth in the registration statement. Parts of the registration statement are omitted from this prospectus in accordance with the rules and regulations of the Securities and Exchange Commission. For further information, your attention is directed to the registration statement. Statements made in this prospectus concerning the contents of any documents referred to herein are not necessarily complete, and in each case are qualified in all respects by reference to the copy of such document filed with the Securities and Exchange Commission.

The Securities and Exchange Commission allows us to incorporate by reference the information we file with the Securities and Exchange Commission, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus, and information that we file later with the Securities and Exchange Commission will automatically update and supersede this information.

We incorporate by reference the documents listed below:

(a) Our annual report on Form 10-K for the year ended December 31, 2001, filed on April 5, 2002, as amended by Form 10-K/A filed on April 16, 2002; and

(b) Our quarterly reports on Form 10-Q for the quarters ended March 31, 2002 filed on May 15, 2002, June 30, 2002 filed on August 14, 2002 and September 30, 2002 filed on November 14, 2002; and

(c) Our periodic reports on Form 8-K filed April 23, 2002, April 30, 2002, May 30, 2002, October 15, 2002 and February 19, 2003 and

(d) The description of our common shares and preferred share purchase rights contained or incorporated by reference in our registration statement on Form 8-A filed February 23, 1994.

The Securities and Exchange Commission has assigned file number 1-12846 to the reports and other information that ProLogis files with the Securities and Exchange Commission.

You may request a copy of each of the above-listed ProLogis documents at no cost, by writing or telephoning us at the following address or telephone number.

Investor Relations Department

ProLogis

14100 East 35th Place

Aurora, Colorado 80011

(800) 820-0181

http://ir.prologis.com

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All documents subsequently filed by us pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act, prior to the termination of the offering, shall be deemed to be incorporated by reference into this prospectus.

Any statement contained in a document incorporated or deemed to be incorporated herein shall be deemed modified or superseded for purposes of this prospectus to the extent that a statement contained herein or in any other subsequently filed document that is deemed to be incorporated herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is inconsistent with information contained in this document or any document incorporated herein. This prospectus is not an offer to sell these securities in any state where the offer and sale of these securities is not permitted. The information in this prospectus is current as of the date it is mailed to security holders, and not necessarily as of any later date. If any material change occurs during the period that this prospectus is required to be delivered, this prospectus will be supplemented or amended.

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FORWARD-LOOKING STATEMENTS

The following statements are or may constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934:

(1) statements, including our possible or assumed future results of operations including any forecasts, projections and descriptions of anticipated cost savings or other synergies referred to in such statements, and any such statements incorporated by reference from documents filed with the Securities and Exchange Commission by us, including any statements contained in such documents or this prospectus regarding the development or possible or assumed future results of operations of our businesses, the markets for our services and products, anticipated capital expenditures or competition;

(2) any statements preceded by, followed by or that include the words believes, expects, anticipates, intends or similar expressions; and

(3) other statements contained or incorporated by reference in this prospectus regarding matters that are not historical facts.

Because such statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Shareholders are cautioned not to place undue reliance on such statements, which speak only as of the date the statements were made.

Among the factors that could cause actual results to differ materially are: general economic conditions, competition and the supply of and demand for industrial distribution properties in the combined company s markets, interest rate levels, the availability of financing, potential environmental liability and other risks associated with the ownership, development and acquisition of industrial distribution properties, including risks that tenants will not take or remain in occupancy or pay rent, or that construction or operating costs may be greater than anticipated, inflationary trends, and other risks detailed from time to time in the reports filed with the Securities and Exchange Commission by us.

Except for their ongoing obligations to disclose material information as required by the federal securities laws, we do not undertake any obligation to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of the filing of this prospectus or to reflect the occurrence of unanticipated events.

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PROLOGIS

ProLogis is a real estate investment trust that operates a global network of industrial distribution properties. Our business strategy is designed to achieve long-term sustainable growth in cash flow and increase the overall return on equity for our shareholders. Our business is organized into two primary operating segments: property operations and corporate distribution facilities services business, which we refer to as the CDFS business. During 2001 and 2002, we disposed of significant portions of our third operating segment, temperature-controlled distribution operations.

The property operations segment includes the long-term ownership, management and leasing of industrial distribution properties. The property operations segment generates income from rents and reimbursement of property operating expenses from unaffiliated customers. Also, our share of the earnings of eight unconsolidated property funds (which we refer to as the Funds), and the fee income that we receive for managing the properties owned by the Funds, is included in the property operations segment. In addition to these property and asset management fees earned, we earn fees for other services performed on behalf of the Funds, including development and leasing activities.

The CDFS business segment represents the development of industrial distribution properties that are either sold to unaffiliated customers or contributed to property funds in which we maintain an ownership interest and act as manager. Income from the CDFS business segment is primarily generated through the profits realized from the sales or contributions of developed properties. We also earn fees from customers for development activities performed on their behalf and realize profits from sales of land parcels when our development plans no longer include these parcels. These development projects are located in North America, in Europe and in Japan (we completed development of our first project in Asia in 2002). Additionally, we own or control (either through contracts, options or letters of intent) land that we intend to use for the development of distribution properties in North America and Europe. Most of these properties will eventually be contributed to property funds in which we will maintain an ownership interest and which we will manage and others will be sold to unrelated third parties.

We manage our business by utilizing the ProLogis Operating System®, an organizational structure and service delivery system that is built around our customers. The ProLogis Operating System® is made up of the Market Services Group, the Global Services Group, the Global Development Group and the ProLogis Solutions Group. When combined with our international network of distribution properties, the ProLogis Operating System® enables us to meet our customers distribution space needs on a global basis. We believe that by integrating international scope and expertise with strong local presence in our markets we have become an attractive choice for our targeted customer base, which is made up of the largest global users of distribution properties.

We are organized under Maryland law and have elected to be taxed as a real estate investment trust under the Internal Revenue Code. Our world headquarters are located in Aurora, Colorado, our European headquarters are located in Luxembourg, with our European customer service headquarters located in Amsterdam, Netherlands, and our Asian headquarters are located in Tokyo, Japan.

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RISK FACTORS

ProLogis operations involve various risks that could adversely affect ProLogis financial condition, results of operations, cash flow, ability to pay distributions on common shares and the market price of common shares. These risks include, among others:

General Real Estate Risks

General Economic Conditions

We are exposed to the general economic conditions and the local, regional, national and international conditions that affect the markets in which we own industrial distribution properties. Our operating performance depends on the economic conditions of markets in which our distribution properties are concentrated. While we do not have in excess of 10% of our total portfolio in any one market, we do have significant holdings in Atlanta, Chicago, Dallas/Ft. Worth, Los Angeles, Paris, San Francisco and the United Kingdom. Our operating performance could be adversely affected if conditions in these larger markets, such as an oversupply of distribution space or a reduction in demand for industrial distribution properties, become less favorable relative to other geographic areas. Any material oversupply of distribution space or material reduction of demand for distribution space could adversely affect our operating income and the value of our common shares.

Risks Particular To Real Estate

Real property investments are subject to varying degrees of risk. While we seek to minimize these risks through our market research, asset management and property management capabilities, these risks cannot be eliminated. The factors that can affect real estate values include:

- changes in the general economic climate;
- local conditions, such as an oversupply of space or a reduction in demand for industrial real estate in an area;
- the quality and philosophy of management;
- the attractiveness of our properties to potential customers;
- competition from other available properties;
- our ability to provide adequate maintenance and insurance on our properties;
- our ability to control variable operating costs;

governmental regulations, including zoning, usage and tax laws and changes in these laws;

interest rate levels at which we may borrow funds and the availability of funds to us;

potential liability under, and changes in, environmental, zoning and other laws.

Risks Associated with Concentration of Investments in the Industrial Sector

Our property operations and CDFS business segments are concentrated in the industrial distribution sector. This concentration may expose us to the risk of economic downturns in this sector to a greater extent than if our business activities included other types of real estate investments.

Risks Associated with Development Activities

We have developed a significant number of distribution properties since our inception and intend to continue to pursue development activities as opportunities arise. Such development activities generally require various government and other approvals. We may not receive such approvals.

We will be subject to risks associated with such development activities. These risks include:

- the risk that development opportunities explored by us may be abandoned with the related investment written off;

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

- the risk that occupancy rates and rents of a completed project will not make the project as profitable as originally estimated.

Risks Associated with the Disposition of Properties

We have disposed of or contributed to property funds a significant number of distribution properties in recent years and we intend to continue to pursue disposition activities as opportunities arise, particularly in our CDFS business segment. Our ability to dispose of properties on advantageous terms is dependent upon several factors, some of which are beyond the control of our management, primarily competition from other owners of properties that are also trying to dispose of their properties. Our ability to complete and lease developed properties will impact our ability to dispose of or contribute these properties. Should we not have sufficient properties available that meet the investment criteria of current or future property funds, then the dispositions could be delayed resulting in adverse effects on our liquidity and on our ability to meet projected earnings levels in a particular reporting period. Failure to meet our projected earnings levels could have an adverse effect on the market price of common shares. Further, our inability to redeploy the proceeds from our divestitures in accordance with our investment strategy could have an adverse affect.

Risks Associated with Acquisition of Properties

We acquire distribution properties from time to time. The acquisition of properties involves risks, including the risk that the acquired property will not perform as anticipated. The acquisition of properties also involves the risks that the expected costs for renovation and improvements identified in the pre-acquisition due diligence process prove to be inaccurate. There is, and it is expected that there will continue to be, significant competition for investment opportunities that meet our investment criteria as well as risks associated with obtaining financing for acquisition activities, if necessary.

Tenant Default

Our income and distributable cash flow would be adversely affected if a significant number of our tenants are unable to meet their obligations to us. In the event of default by a significant number of tenants, we may incur substantial costs in enforcing our rights as landlord.

Ability to Renew Leases or Re-let Space as Leases Expire

Our income and distributable cash flow would be adversely affected if we were unable to lease, on economically favorable terms, a significant amount of space in our distribution properties. We have 22.9 million square feet (out of a total of 107.8 million of occupied square feet) of distribution space with leases that expire in 2003 and the Funds have a combined 4.5 million square feet (out of a total of 77.2 million of occupied square feet) of distribution space with leases that expire in 2003. The number of distribution properties in a market or submarket could adversely affect both our ability to lease distribution space and the rental rates that can be obtained in new leases.

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 that may tend to limit our ability to react promptly to changes in economic or other conditions. In addition, significant expenditures associated with real estate investments, such as mortgage payments, real estate taxes and maintenance costs, are generally not reduced when circumstances cause a reduction in income from the investments. Like other companies qualifying as REITs under the Code, we must either comply with the safe harbor rules relating to the number of properties disposed of in a year, their tax bases and the cost of improvements made to the properties, or meet other tests which enable a REIT to avoid punitive taxation on the sale of assets. Thus, our ability at any time to sell assets, or contribute assets to property funds or other entities in which we have an ownership interest may be restricted.

Insurance Coverage Does Not Include All Potential Losses

We and our unconsolidated entities currently carry comprehensive insurance coverage including property, liability, fire, flood, earthquake, terrorism, environmental, extended coverage and rental loss as appropriate for the markets where each entity s facilities and business operations are located. The insurance coverage contains policy specifications and insured limits customarily carried for similar facilities. We believe our properties and the properties of our unconsolidated entities, including our property funds, are adequately insured. However, there are certain losses, including losses from floods and losses from earthquakes, acts of war or riots, and terrorism, that are not generally insured against or that are not generally fully insured against because it is not deemed to be economically feasible or prudent to do so. Should an uninsured loss or a loss in excess of insured limits occur with respect to one or more of our properties, we could experience a significant loss of capital invested and potential revenues in these properties and could potentially remain obligated under any recourse debt associated with the property.

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. We conduct Phase I environmental assessments as part of our due diligence activities. We have not been notified nor are we aware of any environmental condition with respect to our real estate investments that are likely to be material to our financial condition. However, we cannot give any assurance that such conditions do not exist or may not arise in the future. The presence of such substances on our real estate investments could adversely affect our ability to sell such investments or to borrow using such investments as collateral and may also have an adverse effect on our cash flow and, consequently, our ability to pay distributions to our shareholders.

Financing and Capital Risks

Access to Capital

As a REIT, we are required to distribute at least 90% of our taxable income to our shareholders. Consequently, we are, as are all REITs, dependent on external capital to fund our development and acquisition activities. Due to the reduced availability of direct public debt and public equity capital at favorable prices in the real estate industry during the last several years, we have been accessing private debt and equity capital through the establishment of property funds that acquire properties from us. Our ability to access private debt and equity capital on favorable terms or at all is dependent upon a number of factors, including general market conditions and competition from other real estate companies. Further, we generate significant returns as a result of transfers and contributions to the property funds. To the extent that private capital is not available to acquire properties from us, these earnings may not be realized which could result in an earnings stream that is less predictable than some of our competitors and result in not meeting our projected earnings levels in a particular reporting period. Failure to meet our projected earnings levels could have an adverse effect on the market price of our common shares.

We are obligated to contribute all of the properties we develop within certain specified markets in Europe to ProLogis European Properties Fund, subject to these properties meeting specified investment criteria. The subscription agreements with ProLogis European Properties Fund s investors expired on September 15, 2002 and all commitments were fully funded prior to expiration. No assurance can be given that ProLogis European Properties Fund will be able to obtain additional sources of capital. Our ability to dispose of our development pipeline in Europe will be jeopardized and our ability to meet our projected earnings levels and generate cash flow would be adversely affected should additional equity commitments not be obtained.

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We are obligated to contribute all properties developed in North America through December 2003 to ProLogis Macquarie Fund, which we refer to as ProLogis North American Properties Fund V, subject to the property meeting specified investment criteria. Our ability to dispose of our development pipeline in North America will be jeopardized and our ability to meet our projected earnings levels and generate cash flow would be adversely affected should ProLogis North American Properties Fund V not have sufficient funds to acquire the properties.

We are obligated to contribute all properties developed in Japan to PLD/RECO Japan TMK Property Trust, which we refer to as ProLogis Japan Properties Fund, subject to the property meeting specified investment criteria. Our ability to dispose of our development pipeline in Japan will be jeopardized and our ability to meet our projected earnings levels and generate cash flow would be adversely affected should ProLogis Japan Properties Fund not have sufficient funds to acquire the properties.

Limitations on Debt

We currently have a policy of incurring debt only, if upon such incurrence, our debt-to-book capitalization ratio, as adjusted, would not exceed 50%. The board of trustees could alter or eliminate this policy without shareholder approval and would do so if, for example, it were necessary in order for us to continue to qualify as a REIT under the Internal Revenue Code. If this policy were changed, we could become more highly leveraged, resulting in an increase in debt service that could adversely affect the cash available for distribution to shareholders.

Debt Financing

We are subject to risks normally associated with debt financing, including the risk that our cash flow will be insufficient to meet required payments of principal and interest and the risk that we will not be able to refinance existing indebtedness or that the terms of such refinancings will not be as favorable as the terms of the existing indebtedness. There can be no assurance that we will be able to refinance any indebtedness or otherwise obtain funds by selling assets or raising equity to make required payments on maturing indebtedness. Currently, we utilize our short-term borrowing capability (over $1.15 billion available) under six credit agreements in addition to operating cash flow and proceeds from dispositions to fund our development, acquisition and distribution requirements. Our six short-term credit agreements have maturities during 2003 ($551.2 million), 2004 ($203.5 million) and 2005 ($400.0 million). Our ability to refinance these credit agreements in a timely manner and at favorable terms is dependent on several factors, including general economic conditions and interest rate levels.

Our short-term credit agreements bear interest at variable rates. Increases in interest rates would increase our interest expense under these agreements. If we are unable to refinance our indebtedness at maturity or meet our payment obligations, the amount of cash available for distribution may be adversely affected.

Requirements of Credit Facilities

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

Federal Income Tax Risks

Failure to Qualify as a REIT Could Adversely Affect Shareholders

We have elected to be taxed as a REIT under the Internal Revenue Code commencing with our taxable year ended December 31, 1993. To maintain REIT status, we must meet a number of highly technical requirements on

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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 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 in our business, no assurance can be given that we will qualify as a REIT for any particular year. If we fail to qualify as a REIT, we will be taxed as a regular corporation, and distributions to shareholders will not be deductible in computing our taxable income. The resulting corporate income tax liabilities could materially reduce the funds available for distribution to shareholders or for reinvestment. Moreover, we might not be able to elect to be treated as a REIT for the four taxable years after the year during which we ceased to qualify as a REIT. In addition, if we later requalified as a REIT, we might be required to pay a full corporate-level tax on any unrealized gain in our 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. In the absence of REIT status, distributions to shareholders would no longer be required.

Potential Adverse Effect of REIT Distribution Requirements

To maintain our qualification as a REIT under the Code, we must annually distribute to shareholders at least 90% of our ordinary taxable income, excluding net capital gains. This requirement limits our ability to accumulate capital. We 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 our 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, we might be required to borrow funds or sell properties on adverse terms in order to meet the distribution requirements. If we fail to make a required distribution, we would cease to be a REIT.

Prohibited Transaction Income Could Result From Certain Property Transfers

We dispose of and contribute properties from both our property operations segment and from within our CDFS business to third parties and to property funds. Some of these dispositions and contributions are made from our taxable subsidiaries. Under the Internal Revenue Code, if the disposition or contribution of properties by us is deemed to be a prohibited transaction, a 100% penalty tax on the resulting income could be assessed. The question of what constitutes a prohibited transaction is based on the facts and circumstances surrounding each transaction. The Internal Revenue Service could contend that certain dispositions or contributions by us are prohibited transactions. While management does not believe that the Internal Revenue Service would prevail in such a dispute, if the matter was successfully argued by the Internal Revenue Service the 100% penalty tax could be assessed against the profits from these transactions. Additionally, any income from a prohibited transaction may adversely affect our ability to satisfy the income tests for qualification as a REIT.

Other Risks

We are Dependent on Key Personnel

Our executive and senior officers have a significant role in our success. Our ability to retain our management group or to attract suitable replacements should any members of the management group leave is dependent on the competitive nature of the employment market. The loss of services from key members of the management group or a limitation in their availability could adversely affect our financial condition and cash flow. Further, such a loss could be negatively perceived in the capital markets and have an adverse affect on the market price of our common shares.

Share Prices May Be Affected By Market Interest Rates

The annual distribution rate on common shares as a percentage of the market price of our common shares may influence the trading price of our common shares. An increase in market interest rates may lead investors to

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demand a higher annual distribution rate, which could adversely affect the market price of our common shares. A decrease in the market price of our common shares could reduce our ability to raise additional equity capital in the public markets.

Foreign Currency Risk

We have pursued and intend to continue to pursue growth opportunities in international markets and we often invest in countries where the U.S. dollar is not the national currency. As a result, we are 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 we have a significant investment may materially adversely affect our performance. We attempt to mitigate any such effects through the use of debt denominated in foreign currencies and foreign currency put option contracts, although there can be no assurance that such attempts will be successful.

Government Regulations and Actions

There are many laws and governmental regulations that are applicable to us and our facilities. Changes in these laws and governmental regulations, or their interpretation by agencies or the courts, could occur. Further, economic and political factors, including civil unrest, governmental changes and restrictions on the ability to transfer capital across borders in the United States, but primarily in the foreign countries in which we have invested, can have a major impact on a global company such as us.

RATIO INFORMATION

For the purpose of computing the following ratios, earnings consist of earnings from operations plus fixed charges other than capitalized interest and fixed charges consist of interest on borrowed funds and amortization of capitalized loan costs, discounts and premium.

	Nine Months Ended September 30,		Years Ended December 31,				
	2002	2001	2001	2000	1999	1998	1997
Ratio of earnings to fixed charges	2.2	2.1	1.5	2.1	1.8	1.9	1.3
Ratio of earnings to combined fixed charges and preferred share dividends	1.8	1.7	1.3	1.7	1.4	1.2	(a)

(a) Due to a one-time, non-recurring charge of $75.4 million relating to the costs incurred in acquiring our management companies from a related party, our earnings were insufficient to cover our combined fixed charges and preferred share dividends for the year ended December 31, 1997 by $14.9 million.

USE OF PROCEEDS

Unless otherwise described in the applicable prospectus supplement, the net proceeds from the sale of the offered securities will be used for the acquisition and development of additional distribution properties as suitable opportunities arise, for the repayment of any outstanding indebtedness at such time, for capital improvements to properties and for general corporate purposes.

DESCRIPTION OF DEBT SECURITIES

The debt securities are to be issued under an Indenture, dated as of March 1, 1995, between us and U.S. Bank National Association (formerly State Street Bank and Trust Company), as trustee. The Indenture has been incorporated by reference as an exhibit to the registration statement of which this prospectus is a part and is available for inspection at the corporate trust office of the trustee at Two Avenue de Lafayette, Boston,

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Massachusetts 02111 or as described above under Where You Can Find More Information. The Indenture is subject to, and governed by, the Trust Indenture Act of 1939. The statements made in this section of the prospectus relating to the Indenture and the debt securities to be issued pursuant to the Indenture are summaries of some provisions of the Indenture and do not purport to be complete. The statements are subject to and are qualified in their entirety by reference to all the provisions of the Indenture and the debt securities.

General

The debt securities will be our direct, unsecured and unsubordinated obligations and will rank equally with all other of our unsecured and unsubordinated indebtedness from time to time outstanding. The Indenture provides that the debt securities may be issued without limit as to aggregate principal amount, in one or more series. Each series may be as established from time to time in or pursuant to authority granted by a resolution of our board of trustees or as established in one or more indentures supplemental to the Indenture. All debt securities of one series need not be issued at the same time and, unless otherwise provided, a series may be reopened for issuances of additional debt securities of such series without the consent of the holders of the debt securities of such series.

Reference is made to the prospectus supplement relating to the series of debt securities being offered for the specific terms of the securities, including:

(1) the title of such series of debt securities;

(2) the aggregate principal amount of such series of debt securities and any limit on such principal amount;

(3) the percentage of the principal amount at which the debt securities of such series will be issued and, if other than the full principal amount of the debt securities, the portion of the principal amount of the debt securities payable upon declaration of acceleration of the maturity of the securities, or the method by which any such portion shall be determined;

(4) the date or dates, or the method by which such date or dates will be determined, on which the principal of the debt securities of such series will be payable and the amount of principal payable thereon;

(5) the rate or rates, which may be fixed or variable, or the method by which such rate or rates shall be determined, at which the debt securities of such series will bear interest, if any;

(6) the date or dates, or the method by which such date or dates will be determined, from which any such interest will accrue, the interest payment dates on which any such interest will be payable, the regular record dates for such interest payment dates, or the method by which such dates shall be determined, the person to whom, and the manner in which, such interest shall be payable, and the basis upon which interest shall be calculated if other than that of a 360-day year comprised of twelve 30-day months;

(7) the place or places where the principal of, and premium or make-whole amount, if any, and interest and additional amounts, if any, on the debt securities of such series will be payable, where such debt securities may be surrendered for registration of transfer or exchange and where notices or demands to or upon us in respect of such debt securities and the Indenture may be served;

(8)

the period or periods within which, the price or prices, including the premium or make-whole amount, if any, at which, the currency or currencies in which, and the other terms and conditions upon which the debt securities of such series may be redeemed, as a whole or in part, at our option, if we are to have such an option;

(9) our obligation, if any, to redeem, repay or purchase the debt securities of such series pursuant to any sinking fund or analogous provision or at the option of a holder of the debt securities, and the period or periods within which, the date or dates upon which, the price or prices at which, the currency or currencies, currency unit or units or composite currency or currencies in which, and the other terms and conditions upon which such debt securities shall be redeemed, repaid or purchased, as a whole or in part, pursuant to such obligation;

(10) if other than United States dollars, the currency or currencies in which the debt securities of such series are denominated and payable, which may be a foreign currency or units of two or more foreign currencies or a composite currency or currencies, and the terms and conditions relating to the currency;

(11) whether the amount of payments of principal, and premium or make-whole amount, if any, or interest, if any, on the debt securities of such series may be determined with reference to an index, formula or other method, which index, formula or method may be, but need not be, based on a currency, currencies, currency unit or units or composite currency or currencies, and the manner in which such amounts shall be determined;

(12) whether the principal, and premium or make-whole amount, if any, or interest or additional amounts, if any, on the debt securities of such series are to be payable, at our election or a holder, in a currency or currencies, currency unit or units or composite currency or currencies, other than that in which such debt securities are denominated or stated to be payable, the period or periods within which, and the terms and conditions upon which, such election may be made, and the time and manner of, and identity of the exchange rate agent with responsibility for, determining the exchange rate between the currency or currencies in which such debt securities are denominated or stated to be payable and the currency or currencies in which such debt securities are to be so payable;

(13) any deletions from, modifications of or additions to the terms of such series of debt securities with respect to the events of default or covenants set forth in the Indenture;

(14) whether the debt securities of such series will be issued in certificated or book-entry form;

(15) whether the debt securities of such series will be in registered or bearer form and, if in registered form, the denominations of the debt securities if other than $1,000 and any integral multiple of the securities and, if in bearer form, the denominations of the securities if other than $5,000 and the terms and conditions relating to the securities;

(16) the applicability, if any, of the defeasance and covenant defeasance provisions of Article Fourteen of the Indenture to such series of debt securities and any additions to or replacements of the provisions;

(17) if the debt securities of such series are to be issued upon the exercise of debt warrants, the time, manner and place for such debt securities to be authenticated and delivered;

(18) whether and under what circumstances we will pay additional amounts as contemplated in the Indenture on the debt securities of such series in respect of any tax, assessment or governmental charge and, if so, whether we will have the option to redeem such debt securities rather than pay such additional amounts; and

(19) any other terms of such series of debt securities not inconsistent with the provisions of the Indenture.

The debt securities may be original issue discount securities, which provide for less than the entire principal amount of the securities to be payable upon declaration of acceleration of the maturity of the securities or bear no interest or bear interest at a rate which at the time of issuance is below market rates. Special United States federal income tax, accounting and other considerations applicable to original issue discount securities will be described in the applicable prospectus supplement.

Except as set forth below under Covenants Limitations on incurrence of debt, the Indenture does not contain any other provisions that would limit our ability to incur indebtedness or that would afford holders of debt securities protection in the event of a highly leveraged or similar transaction involving us or in the event of a change of control. However, our Declaration of Trust restricts beneficial ownership of our outstanding shares of beneficial interest by a single person, or persons acting as a group, to 9.8% of such shares, with exceptions. See Description of Common Shares Restriction on size of holdings. Additionally, the articles supplementary relating to the Series C Preferred Shares and Series D preferred shares restrict beneficial ownership of such shares by a person, or persons acting as a group, to 25% of the Series C Preferred Shares and Series D preferred

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shares, respectively, with limited exceptions. The articles supplementary relating to the Series E preferred shares restrict beneficial ownership of such shares to 9.8% of the Series E preferred shares, with limited exceptions. Similarly, the articles supplementary for each other series of preferred shares will contain specific provisions restricting the ownership and transfer of the preferred shares. See Description of Preferred Shares Restrictions on ownership. These restrictions are designed to preserve our status as a real estate investment trust under the Internal Revenue Code and may act to prevent or hinder a change of control. Reference is made to the applicable prospectus supplement for information with respect to any deletions from, modifications of or additions to the events of default or covenants that are described below, including any addition of a covenant or other provision providing event risk or similar protection.

Denominations

Unless otherwise described in the applicable prospectus supplement, the debt securities of any series issued in registered form will be issuable in denominations and integral multiples of $1,000. Unless otherwise described in the applicable prospectus supplement, the debt securities of any series issued in bearer form will be issuable in denominations of $5,000.

Principal and interest

Unless otherwise specified in the applicable prospectus supplement, the principal of, and premium or make-whole amount, if any, and interest on any series of debt securities will be payable at the corporate trust office of State Street Bank and Trust Company, initially located at 225 Franklin Street, Boston, Massachusetts 02110; provided that, at our option, payment of interest may be made by check mailed to the address of the person entitled to such payment as it appears in the security register or by wire transfer of funds to such person to an account maintained within the United States.

If any interest payment date, principal payment date or the maturity date falls on a day that is not a business day, the required payment shall be made on the next business day as if it were made on the date such payment was due and no interest shall accrue on the amount so payable for the period from and after such interest payment date, principal payment date or the maturity date, as the case may be. Any interest not punctually paid or duly provided for on any interest payment date with respect to any debt security, will cease to be payable to the holder on the applicable regular record date and may either be paid to the person in whose name such debt security is registered at the close of business on a special record date for the payment of such defaulted interest to be fixed by the trustee or may be paid at any time in any other lawful manner, all as more completely described in the Indenture. Notice of the special record date shall be given to the holder of such debt security not less than 10 days prior to the special record date.

Merger, consolidation or sale

We may consolidate with or merge with or into another entity, or sell, lease or convey all or substantially all of our assets to another entity, provided that the following three conditions are met:

(1) After the transaction, we, or a person organized and existing under the laws of the United States or one of the fifty states, are the continuing entity. If the continuing entity is an entity other than us, that entity must also assume our payment obligations under the Indenture, as well as, the due and punctual performance and observance of all of the covenants contained in the Indenture.

(2) After giving effect to the transaction and any additional indebtedness incurred by us or any of our subsidiaries as a result of the transaction, an event of default has not occurred under the Indenture. Additionally, the transaction may not cause an event which, after notice or a lapse of time, or both, would become an event of default.

(3) The continuing entity delivers an officer s certificate and legal opinion covering (1) and (2) above.

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Covenants

Limitations on incurrence of debt

We will not, and will not permit any subsidiary to, incur any debt if, immediately after giving effect to the incurrence of such additional debt and the application of the proceeds of the additional debt, the aggregate principal amount of all our outstanding debt and that of our subsidiaries on a consolidated basis determined in accordance with generally accepted accounting principles is greater than 60% of the sum of

(1) Our total assets,

(2) the purchase price of any real estate assets or mortgages receivable acquired, and

(3) the amount of any securities offering proceeds received by us or any subsidiary since the end of the last calendar quarter, including those proceeds obtained in connection with the incurrence of the additional debt.

Our total assets will be measured at the end of the calendar quarter covered in our annual report on Form 10-K or quarterly report on Form 10-Q, as the case may be, most recently filed with the Securities and Exchange Commission. If such filing is not permitted under the Securities Exchange Act of 1934 we will provide this information to the trustee, prior to the incurrence of such additional debt. To the extent that any real estate assets or mortgages had been previously included in our total assets, or the proceeds from a securities offering were used to purchase real estate assets, their accounting will not be duplicated.

In addition to this limitation on the incurrence of debt, we and our subsidiaries will not allow our outstanding debt that is secured by any mortgage, lien, charge, pledge, encumbrance or security interest on our property or any subsidiary, on a consolidated basis, to be greater than 40% of the sum of our total assets, real estate or mortgage receivables, and proceeds from the sale of securities, determined as described above. This ratio will be measured immediately after giving effect to the incurrence of such additional debt and the application of the proceeds of the additional debt.

In addition to these limitations on the incurrence of debt, no subsidiary may incur any unsecured debt other than intercompany debt subordinate to the debt securities; provided, however, that we or a subsidiary may acquire an entity that becomes a subsidiary that has unsecured debt if the incurrence of such debt, including any guarantees of such debt assumed by us or any subsidiary, was not intended to evade the restrictions on incurring unsecured debt and the incurrence of such debt, including any guarantees of such debt assumed by us or any subsidiary, would otherwise be permitted under the Indenture.

We and our subsidiaries may not at any time own total unencumbered assets equal to less than 150% of the aggregate outstanding principal amount of our unsecured debt and that of our subsidiaries on a consolidated basis.

In addition to these limitations on the incurrence of debt, we will not, and will not permit any subsidiary to, incur any debt if the ratio of consolidated income available for debt service to the annual service charge or the four consecutive fiscal quarters most recently ended prior to the date on which such additional debt is to be incurred shall have been less than 1.5, on a pro forma basis after giving effect the incurrence of such debt and to the application of the proceeds therefrom, and calculated on the assumption that:

such debt and any other debt incurred by us and our subsidiaries since the first day of such four-quarter period and the application of the proceeds therefrom, including to refinance other debt, had occurred at the beginning of such period;

the repayment or retirement of any other debt by us and our subsidiaries since the first day of such four-quarter period had been incurred, repaid or retired at the beginning of such period, except that, in making such computation, the amount of debt under any revolving credit facility shall be computed based upon the average daily balance of such debt during such period;

in the case of acquired debt or debt incurred in connection with any acquisition since the first day of such four-quarter period, the related acquisition had occurred as of the first day of such period with the appropriate adjustments with respect to such acquisition being included in such pro forma calculation; and

in the case of any acquisition or disposition by us or our subsidiaries of any asset or group of assets since the first day of such four-quarter period, whether by merger, stock purchase or sale, or asset purchase or sale, such acquisition or disposition or any related repayment of debt had occurred as of the first day of such period with the appropriate adjustments with respect to such acquisition or disposition being included in such pro forma calculation.

Existence

Except as permitted under Merger, consolidation or sale, we will do or cause to be done all things necessary to preserve and keep in full force and effect our existence, rights, both charter and statutory, and franchises; provided, however, that we will not be required to preserve any right or franchise if we determine that the preservation of the right or franchise is no longer desirable in the conduct of our business and that the loss of the right or franchise is not disadvantageous in any material respect to the holders of the debt securities.

Maintenance of properties

We will cause all of our properties used or useful in the conduct of our business or the business of any subsidiary to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements of our properties, all as in our judgment may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; provided, however, that we and our subsidiaries shall not be prevented from selling or otherwise disposing for value our properties in the ordinary course of business.

Insurance

We will, and will cause each of our subsidiaries to, keep all of our insurable properties insured against loss or damage at least equal to their then full insurable value with financially sound and reputable insurance companies.

Payment of taxes and other claims

We will pay or discharge or cause to be paid or discharged, before the same shall become delinquent, all taxes, assessments and governmental charges levied or imposed upon us or any subsidiary or upon our income, profits or property or any subsidiary and all lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien upon our property or any subsidiary; provided, however, that we will not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings

Provision of financial information

Whether or not we are subject to Section 13 or 15(d) of the Securities Exchange Act of 1934, we will file with the Securities and Exchange Commission, to the extent permitted under the Securities Exchange Act of 1934, the annual reports, quarterly reports and other documents which we would have been required to file with the Securities and Exchange Commission pursuant to Section 13 or 15(d) if we were so subject. We will file the documents with the Securities and Exchange Commission on or prior to the respective filing dates by which we would have been required so to file the documents if we were so subject. We will also in any event within 15 days of each required filing date transmit by mail to all holders of debt securities, as their names and addresses appear in the security register, without cost to such holders, copies of the annual reports and quarterly reports which we would have been required to file with the Securities and Exchange Commission pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 if we were subject to Section 13 or 15(d). Additionally, we will provide the trustee with copies of the annual reports, quarterly reports and other documents which we would have been required to file with the Securities and Exchange Commission pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 if we were subject to such sections. If filing the documents by us with the Securities and Exchange Commission is not permitted under the Securities Exchange Act of 1934, we will promptly upon written request and payment of the reasonable cost of duplication and delivery, supply copies of such documents to any prospective holder.

Events of default, notice and waiver

The Indenture provides that the following events are events of default with respect to any series of debt securities issued pursuant to it:

(1) default in the payment of any installment of interest or additional amounts payable on any debt security of such series which continues for 30 days;

(2) default in the payment of the principal, or premium or make-whole amount, if any, on, any debt security of such series at its maturity;

(3) default in making any sinking fund payment as required for any debt security of such series;

(4) default in the performance of any other of our covenants contained in the Indenture, other than a covenant added to the Indenture solely for the benefit of another series of debt securities issued under the Indenture, continued for 60 days after written notice as provided in the Indenture;

(5) default in the payment of an aggregate principal amount exceeding $10,000,000 of any evidence of or indebtedness or any mortgage, indenture or other instrument under which such indebtedness is issued or by which such indebtedness is secured, such default having occurred after the expiration of any applicable grace period and having resulted in the acceleration of the maturity of such indebtedness, but only if such indebtedness is not discharged or such acceleration is not rescinded or annulled;

(6) the entry by a court of competent jurisdiction of one or more judgments, orders or decrees against us or any of our subsidiaries in an aggregate amount, excluding amounts fully covered by insurance, in excess of $10,000,000 and such judgments, orders or decrees remain undischarged, unstayed and unsatisfied in an aggregate amount, excluding amounts fully covered by insurance, in excess of $10,000,000 for a period of 30 consecutive days;

(7) events of bankruptcy, insolvency or reorganization, or court appointment of a receiver, liquidator or trustee for us or any significant subsidiary or for all or substantially all of our or our significant subsidiary s property; and

(8) any other event of default provided with respect to a particular series of debt securities.

The term significant subsidiary means each significant subsidiary of our, as defined in Regulation S-X promulgated under the Securities Act of 1933.

If an event of default under the Indenture with respect to debt securities of any series at the time outstanding occurs and is continuing, then in every such case, unless the principal of all of the outstanding debt securities of such series shall already have become due and payable, the trustee or the holders of not less than 25% in principal amount of the outstanding debt securities of such series may declare the principal and the make-whole amount, if any, on, all of the debt securities of such series to be due and payable immediately by written notice to us that payment of the debt securities is due, and to the trustee if given by the holders. If the debt securities of such series are original issue discount securities or indexed securities, the holders of not less than 25% of such securities may declare such portion of the principal as may be specified in the terms of the debt security, along with any make-whole amount, to be due and payable immediately. However, at any time after such a declaration of acceleration with respect to debt securities of any series has been made, but before a judgment or decree for payment of the money due has been obtained by the trustee, the holders of not less than a majority in principal amount of the outstanding debt securities of such series may rescind and annul such declaration and its consequences if we shall have deposited with the trustee all required payments of the principal of, and premium or make-whole amount, if any, and interest, and any additional amounts, on the debt securities of such series, plus fees, expenses, disbursements and advances of the trustee and all events of default, other than the nonpayment of accelerated principal, or specified portion of the principal and the make-whole amount, if any, or interest, with respect to debt securities of such series have been cured or waived as provided in the Indenture. The Indenture also provides that the holders of not less than a majority in principal amount of the outstanding debt securities of any series may waive any past default with respect to such series and its consequences, except a default in the payment of the principal of, or premium or make-whole amount, if any, or interest or additional amounts payable on any debt security of such series or in respect of a covenant or provision contained in the Indenture that cannot be modified or amended without the consent of the holder of each outstanding debt security affected the proposed modification or amendment.

The trustee is required to give notice to the holders of debt securities within 90 days of a default under the Indenture; provided, however, that the trustee may withhold notice to the holders of any series of debt securities of any default with respect to such series, except a default in the payment of the principal of, or premium or make-whole amount, if any, or interest or additional amounts payable on any debt security of such series or in the payment of any sinking fund installment in respect of any debt security of such series, if the responsible officers of the trustee consider such withholding to be in the interest of such holders.

The Indenture provides that no holders of debt securities of any series may institute any proceedings, judicial or otherwise, with respect to the Indenture or for any remedy which the Indenture provides, except in the case of failure of the trustee, for 60 days, to act after it has received a written request to institute proceedings in respect of an event of default from the holders of not less than 25% in principal amount of the outstanding debt securities of such series, as well as an offer of reasonable indemnity. This provision will not prevent, however, any holder of debt securities from instituting suit for the enforcement of payment of the principal of, and premium or make-whole amount, if any, interest on, and additional amounts payable with respect to, such debt securities at the respective due dates of the securities.

Subject to provisions in the Indenture relating to its duties in case of default, the trustee is under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any holders of any series of debt securities then outstanding under the Indenture, unless such holders shall have offered to the trustee reasonable security or indemnity. The holders of not less than a majority in principal amount of the outstanding debt securities of any series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee, or of exercising any trust or power conferred upon the trustee. However, the trustee may refuse to follow any direction which is in conflict with any law or the Indenture, which may involve the trustee in personal liability or which may be unduly prejudicial to the holders of debt securities of such series not joining in the proceeding.

Within 120 days after the close of each fiscal year, we must deliver to the trustee a certificate, signed by one of several specified officers, stating whether or not such officer has knowledge of any default under the Indenture and, if so, specifying each such default and the nature and status of the default.

Modification of the Indenture

Modifications and amendments of the Indenture may be made with the consent of the holders of not less than a majority in principal amount of all outstanding debt securities which are affected by such modification or amendment; provided, however, that no such modification or amendment may, without the consent of the holder of each such debt security affected by the modification or amendment:

(1) change the stated maturity of the principal of, or premium or make-whole amount, if any, or any installment of principal of or interest or additional amounts payable on, any such debt security;

(2) reduce the principal amount of, or the rate or amount of interest on, or any premium or make-whole amount payable on redemption of, or any additional amounts payable with respect to, any such debt security, or reduce the amount of principal of an original issue discount security or make-whole amount, if any, that would be due and payable upon declaration of acceleration of the maturity of the security or would be provable in bankruptcy, or adversely affect any right of repayment of the holder of any such debt security;

(3) change the place of payment, or the coin or currency, for payment of principal of, and premium or make-whole amount, if any, or interest on, or any additional amounts payable with respect to, any such debt security;

(4) impair the right to institute suit for the enforcement of any payment on or with respect to any such debt security;

(5) reduce the above-stated percentage of outstanding debt securities of any series necessary to modify or amend the Indenture, to waive compliance with a provisions of the debt security or defaults and consequences under the Indenture or to reduce the quorum or voting requirements set forth in the Indenture; or

(6) modify any of the provisions relating to modification of the Indenture or any of the provisions relating to the waiver of past defaults or covenants, except to increase the required percentage to effect such action or to provide that other provisions may not be modified or waived without the consent of the holder of such debt security.

The holders of not less than a majority in principal amount of outstanding debt securities have the right to waive our compliance with covenants in the Indenture.

Modifications and amendments of the Indenture may be made by us and the trustee without the consent of any holder of debt securities for any of the following purposes:

(1) to evidence the succession of another person to us as obligor under the Indenture;

(2) to add to our covenants for the benefit of the holders of all or any series of debt securities or to surrender any right or power conferred upon us in the Indenture;

(3) to add events of default for the benefit of the holders of all or any series of debt securities;

(4) to add or change any provisions of the Indenture to facilitate the issuance of, or to liberalize terms of, debt securities in bearer form, or to permit or facilitate the issuance of debt securities in uncertificated form, provided that such action shall not adversely affect the interests of the

holders of the debt securities of any series in any material respect;

(5) to change or eliminate any provisions of the Indenture, provided that any such change or elimination shall become effective only when there are no debt securities outstanding of any series created prior such change which are entitled to the benefit of such provision;

(6) to secure the debt securities;

(7) to establish the form or terms of debt securities of any series and any related coupons;

(8) to provide for the acceptance of appointment by a successor trustee or facilitate the administration of the trust under the Indenture by more than one trustee;

(9) to cure any ambiguity, defect or inconsistency in the Indenture or to make any other changes, provided that in each case, such action shall not adversely affect the interests of holders of debt securities of any series in any material respect;

(10) to close the Indenture with respect to the authentication and delivery of additional series of debt securities or to qualify, or maintain qualification of, the Indenture under the Trust Indenture Act of 1939;

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(11) to supplement any of the provisions of the Indenture to the extent necessary to permit or facilitate defeasance and discharge of any series of such debt securities, provided that such action shall not adversely affect the interests of the holders of the debt securities of any series in any material respect.

The Indenture provides that in determining whether the holders of the requisite principal amount of outstanding debt securities of a series have given any request, demand, authorization, direction, notice, consent or waiver under the Indenture or whether a quorum is present at a meeting of holders of debt securities:

(1) the principal amount of an original issue discount security that shall be deemed to be outstanding shall be the amount of the principal of the security that would be due and payable as of the date of such determination upon declaration of acceleration of the maturity of the security;

(2) the principal amount of a debt security denominated in a foreign currency that shall be deemed outstanding shall be the United States dollar equivalent, determined on the issue date for such debt security, of the principal amount, or, in the case of an original issue discount security, the United States dollar equivalent on the issue date of such debt security of the amount determined as provided in (1) above;

(3) the principal amount of an indexed security that shall be deemed outstanding shall be the principal face amount of such indexed security at original issuance, unless otherwise provided with respect to such indexed security pursuant to Section 301 of the Indenture; and

(4) debt securities owned by us or any other obligor upon the debt securities or any affiliate of ours or of such other obligor shall be disregarded.

The Indenture contains provisions for convening meetings of the holders of debt securities of a series. A meeting may be called at any time by the trustee, and also, upon request, by us or the holders of at least 10% in principal amount of the outstanding debt securities of such series, in any such case upon notice given as provided in the Indenture.

Except for any consent that must be given by the holder of each debt security affected by modifications and amendments of the Indenture, any resolution presented at a meeting or at an adjourned meeting duly reconvened, at which a quorum is present, may be adopted by the affirmative vote of the holders of a majority in principal amount of the outstanding debt securities of such series; provided, however, that, except as referred to above, any resolution with respect to any request, demand, authorization, direction, notice, consent, waiver or other action that may be made, given or taken by the holders of a specified percentage, which is less than a majority, in principal amount of the outstanding debt securities of a series may be adopted at a meeting or adjourned meeting duly reconvened at which a quorum is present by the affirmative vote of the holders of such specified percentage in principal amount of the outstanding debt securities of such series. Any resolution passed or decision taken at any meeting of holders of debt securities of any series duly held in accordance with the Indenture will be binding on all holders of debt securities of such series. The quorum at any meeting called to adopt a resolution, and at any reconvened meeting, will be persons holding or representing a majority in principal amount of the outstanding debt securities of a series; provided, however, that if any action is to be taken at such meeting with respect to a consent or waiver which may be given by the holders of not less than a specified percentage in principal amount of the outstanding debt securities of a series, the persons holding or representing such specified percentage in principal amount of the outstanding debt securities of such series will constitute a quorum.

Notwithstanding the foregoing provisions, if any action is to be taken at a meeting of holders of debt securities of any series with respect to any request, demand, authorization, direction, notice, consent, waiver or other action that the Indenture expressly provides may be made, given or taken by the holders of a specified percentage in principal amount of all outstanding debt securities affected the action, or of the holders of such series and one or more additional series:

(1) there shall be no minimum quorum requirement for such meeting, and

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(2) the principal amount of the outstanding debt securities of such series that vote in favor of such request, demand, authorization, direction, notice, consent, waiver or other action shall be taken into account in determining whether such request, demand, authorization, direction, notice, consent, waiver or other action has been made, given or taken under the Indenture.

Any request, demand, authorization, direction, notice, consent, waiver or other action provided by the Indenture to be given or taken by a specified percentage in principal amount of the holders of any or all series of debt securities may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such specified percentage of holders in person or by agent duly appointed in writing; and, except as otherwise expressly provided in the Indenture, such action shall become effective when such instrument or instruments are delivered to the trustee. Proof of execution of any instrument or of a writing appointing any such agent shall be sufficient for any purpose of the Indenture and, subject to the Indenture provisions relating to the appointment of any such agent, conclusive in favor of the trustee and us, if made in the manner specified above.

Discharge, defeasance and covenant defeasance

We may discharge various obligations to holders of any series of debt securities that have not already been delivered to the trustee for cancellation and that either have become due and payable or will become due and payable within one year, or that are scheduled for redemption within one year. The discharge will be completed by irrevocably depositing with the trustee the funds needed to pay the principal, any make-whole amounts, interest and additional amounts payable to the date of deposit or to the date of maturity, as the case may be.

If the our board of trustees has resolved to incorporate the defeasance provisions into a series of debt securities, we may take either of the following actions with respect to that series of debt securities.

(1) We may elect to defease and be discharged from any and all obligations with respect to that series of debt securities. However, we would continue to be obligated to pay any additional amounts resulting from tax events, assessment or governmental charges with respect to payments on the series of debt securities and the obligations to register the transfer or exchange of the series of debt securities. Additionally, we would remain responsible for replacing temporary or mutilated, destroyed, lost or stolen debt securities, for maintaining an office or agency in respect of the series of debt securities and for holding moneys for payment in trust.

(2) With respect to the series of debt securities, we may elect to effect covenant defeasance and be released from our obligations to fulfill the covenants contained under the heading Covenants in this prospectus. Further, we may elect to be released from our obligations with respect to any other covenant in the Indenture, if our board of trustees has included such a provision in the series of debt securities at the time that they are issued. Once, we have made this election, any omission to comply with these obligations shall not constitute a default or an event of default with respect to the series of debt securities.

In either case, we must irrevocably deposit the needed funds in trust, with the trustee, as described above.

The trust may only be established if, among other things, we have delivered an opinion of counsel to the trustee. The opinion of counsel shall state that the holders of the series of debt securities will not recognize income, gain or loss for United States federal income tax purposes as a result of the defeasance or covenant defeasance and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance or covenant defeasance had not occurred. The opinion of counsel, in the case of defeasance, must refer to and be based upon a ruling of the Internal Revenue Service or a change in applicable United States federal income tax law occurring after the date of the Indenture.

Unless otherwise provided in the applicable prospectus supplement, if after we have deposited funds and/or government obligations to effect defeasance or covenant defeasance with respect to debt securities of any series, the holder of a series of debt securities is entitled to and elects to receive payment in a currency, currency unit or composite currency other than that in which the deposit has been made in respect of the debt security or a

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conversion event occurs in respect of the currency, currency unit or composite currency in which such deposit has been made, the indebtedness represented by such debt security shall be deemed to have been, and will be, fully discharged. The indebtedness will be satisfied through the payment of the principal of, and premium or any make- whole amount and interest on, the debt security as they become due out of the proceeds yielded by converting the amount so deposited in respect of the debt security into the currency, currency unit or composite currency in which the debt security becomes payable as a result of the holder s election or such cessation of usage based on the applicable market exchange rate.

Conversion event means the cessation of use of

(1) a currency, currency unit or composite currency, other than the European Community Unit or other currency unit, both by the government of the country which issued such currency and for the settlement of transactions by a central bank or other public institutions of or within the international banking community;

(2) the European Community Unit both within the European Monetary System and for the settlement of transactions by public institutions of or within the European Communities; or

(3) any currency unit or composite currency other than the European Community Unit for the purposes for which it was established.

Unless otherwise provided in the applicable prospectus supplement, all payments of principal of, and premium or any make-whole amount and interest on any debt security that is payable in a foreign currency that ceases to be used by its government of issuance shall be made in United States dollars.

In the event we effect covenant defeasance with respect to any debt securities and the debt securities are declared due and payable because of the occurrence of any event of default, other than the events of default that would no longer be applicable because of the covenant defeasance or an event of default triggered by an event of bankruptcy or other insolvency proceeding, the amount of funds on deposit with the trustee, will be sufficient to pay amounts due on the debt securities at the time of their stated maturity, but may not be sufficient to pay amounts due on the debt securities at the time of the acceleration resulting from the event of default. However, we would remain liable to make payment of the amounts due at the time of acceleration.

The applicable prospectus supplement may further describe the provisions, if any, permitting such defeasance or covenant defeasance, including any modifications to the provisions described above, with respect to the debt securities of or within a particular series.

Registration and transfer

Subject to limitations imposed upon debt securities issued in book-entry form, the debt securities of any series will be exchangeable for other debt securities of the same series and of a like aggregate principal amount and tenor of different authorized denominations upon surrender of such debt securities at the corporate trust office of the trustee referred to above. In addition, subject to the limitations imposed upon debt securities issued in book-entry form, the debt securities of any series may be surrendered for conversion or registration of transfer of the security at the corporate trust office of the trustee referred to above. Every debt security surrendered for registration of transfer or exchange shall be duly endorsed or accompanied by a written instrument of transfer. No service charge will be made for any registration of transfer or exchange of any debt securities, but we may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. We may at any time designate a transfer agent, in addition to the trustee, with respect to any series of debt securities. If we have designated such a transfer agent or transfer agents, we may at any time rescind the designation of any such transfer agent or approve a change in the location at which any such transfer agent acts, except that we will be required to maintain a transfer agent in each place of payment for such series.

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Neither we nor the trustee shall be required to

(1) issue, register the transfer of or exchange debt securities of any series during a period beginning at the opening of business 15 days before any selection of debt securities of that series to be redeemed and ending at the close of business on the day of mailing of the relevant notice of redemption;

(2) register the transfer of or exchange any debt security, or portion of security, called for redemption, except the unredeemed portion of any debt security being redeemed in part; or

(3) issue, register the transfer of or exchange any debt security which has been surrendered for repayment at the option of the holder, except the portion, if any, of such debt security not to be so repaid.

Book-entry procedures

The debt securities of a series may be issued in whole or in part in the form of one or more global securities that will be deposited with, or on behalf of, a depository identified in the applicable prospectus supplement relating to such series. Global securities, if any, are expected to be deposited with The Depository Trust Company, as depository. Global securities may be issued in fully registered form and may be issued in either temporary or permanent form. Unless and until it is exchanged in whole or in part for the individual debt securities represented the global security, a global security may not be transferred except as a whole by the depository for such global security to a nominee of such depository or by a nominee of such depository to such depository or another nominee of such depository or by the depository or any nominee of such depository to a successor depository or any nominee of such successor.

The specific terms of the depository arrangement with respect to a series of debt securities will be described in the applicable prospectus supplement relating to such series. Unless otherwise indicated in the applicable prospectus supplement, we anticipate that the following provisions will apply to depository arrangements.

Upon the issuance of a global security, the depository for such global security or its nominee will credit on its book-entry registration and transfer system the respective principal amounts of the individual debt securities represented by such global security to the accounts of persons that have accounts with such depository. Such accounts shall be designated by the underwriters, dealers or agents with respect to such debt securities or by us if such debt securities are offered and sold directly by us. Ownership of beneficial interests in a global security will be limited to participants or persons that may hold interests through participants. Ownership of beneficial interests in such global security will be shown on, and the transfer of that ownership will be effected only through, records maintained by the applicable depository or its nominee, with respect to beneficial interests of participants, and records of participants, with respect to beneficial interests of persons who hold through participants. The laws of some states require that some purchasers of securities take physical delivery of such securities in definitive form. Such limits and laws may impair the ability to own, pledge or transfer beneficial interests in a global security.

So long as the depository for a global security or its nominee is the registered owner of such global security, such depository or such nominee, as the case may be, will be considered the sole owner or holder of the debt securities represented by such global security for all purposes under the

Indenture. Except as provided below or in the applicable prospectus supplement, owners of beneficial interests in a global security will not be entitled to have any of the individual debt securities of the series represented by such global security registered in their names, will not receive or be entitled to receive physical delivery of any such debt securities of such series in definitive form and will not be considered the owners or holders the global security under the Indenture.

Payments of principal of, any premium or make-whole amount and any interest on, or any additional amounts payable with respect to, individual debt securities represented by a global security registered in the name of a depository or its nominee will be made to the depository or its nominee, as the case may be, as the registered owner of the global security representing such debt securities. None of us, the trustee, any paying

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agent or the security registrar for such debt securities will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the global security for such debt securities or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

We expect that the depository for a series of debt securities or its nominee, upon receipt of any payment of principal, premium, make-whole amount or interest in respect of a permanent global security representing any of such debt securities, immediately will credit participants accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such global security for such debt securities as shown on the records of such depository or its nominee. We also expect that payments by participants to owners of beneficial interests in such global security held through such participants will be governed by standing instructions and customary practices, as is the case with securities held for the account of customers in bearer form or registered in street name. Such payments will be the responsibility of such participants.

If a depository for a series of debt securities is at any time unwilling, unable or ineligible to continue as depository and a successor depository is not appointed by us within 90 days, We will issue individual debt securities of such series in exchange for the global security representing such series of debt securities. In addition, we may, at any time and in our sole discretion, subject to any limitations described in the applicable prospectus supplement relating to such debt securities, determine not to have any debt securities of such series represented by one or more global securities and, in such event, will issue individual debt securities of such series in exchange for the global security or securities representing such series of debt securities. Individual debt securities of such series so issued will be issued in denominations and integral multiple of $1,000, unless otherwise specified by us.

No personal liability

No past, present or future trustee, officer, employee or shareholder of ours or any successor to us shall have any liability for any of our obligations under the debt securities or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of debt securities by accepting such debt securities waives and releases all such liability. The waiver and release are part of the consideration for the issue of debt securities.

Trustee

The Indenture provides that there may be more than one trustee, each with respect to one or more series of debt securities. Any trustee under the Indenture may resign or be removed with respect to one or more series of debt securities, and a successor trustee may be appointed to act with respect to such series. In the event that two or more persons are acting as trustee with respect to different series of debt securities, each such trustee shall be a trustee of a trust under the Indenture separate and apart from the trust administered by any other trustee. Except as otherwise indicated in this prospectus, any action described in this prospectus to be taken by the trustee may be taken by each such trustee with respect to, and only with respect to, the one or more series of debt securities for which it is trustee under the Indenture.

DESCRIPTION OF PREFERRED SHARES

General

Subject to limitations prescribed by Maryland law and the declaration of trust, the board of trustees is authorized to issue, from the authorized but unissued shares of beneficial interest, preferred shares in series and to establish from time to time the number of preferred shares to be included in such series and to fix the designation and any preferences, conversion and other rights, voting powers, restrictions, limitations as to

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dividends, qualifications and terms and conditions of redemption of the shares of each series, and such other subjects or matters as may be fixed by resolution of the board of trustees or one of its duly authorized committees. At December 31, 2002, 2,000,000 Series C preferred shares were issued and outstanding and held of record by approximately 4 shareholders, 10,000,000 Series D preferred shares were issued and outstanding and held of record by 89 shareholders and 2,000,000 Series E preferred shares were issued and outstanding and held of record by 10 shareholders.

Reference is made to the prospectus supplement relating to the series of preferred shares being offered in such prospectus supplement for the specific terms of the series, including:

(1) The title and stated value of such series of preferred shares;

(2) The number of shares of such series of preferred shares offered, the liquidation preference per share and the offering price of such preferred shares;

(3) The dividend rate(s), period(s) and/or payment date(s) or the method(s) of calculation for those values relating to the preferred shares of such series;

(4) The date from which dividends on preferred shares of such series shall cumulate, if applicable;

(5) The procedures for any auction and remarketing, if any, for preferred shares of such series;

(6) The provision for a sinking fund, if any, for preferred shares of such series;

(7) The provision for redemption, if applicable, of preferred shares of such series;

(8) Any listing of such series of preferred shares on any securities exchange;

(9) The terms and conditions, if applicable, upon which preferred shares of such series will be convertible into common shares, including the conversion price, or manner of calculating the conversion price;

(10) Whether interests in preferred shares of such series will be represented by global securities;

(11) Any other specific terms, preferences, rights, limitations or restrictions of such series of preferred shares;

(12) A discussion of federal income tax considerations applicable to preferred shares of such series;

(13) The relative ranking and preferences of preferred shares of such series as to dividend rights and rights upon liquidation, dissolution or winding up of our affairs;

(14) Any limitations on issuance of any series of preferred shares ranking senior to or on a parity with such series of preferred shares as to dividend rights and rights upon liquidation, dissolution or winding up of our affairs; and

(15) Any limitations on direct or beneficial ownership and restrictions on transfer of preferred shares of such series, in each case as may be appropriate to preserve our status as a real estate investment trust under the Internal Revenue Code.

Rank

Unless otherwise specified in the applicable prospectus supplement, the preferred shares of each series will rank with respect to dividend rights and rights upon liquidation, dissolution or winding up of our affairs:

- senior to all classes or series of common shares, and to all equity securities ranking junior to such series of preferred shares;
- on a parity with all equity securities issued by us the terms of which specifically provide that such equity securities rank on a parity with preferred shares of such series; and

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junior to all equity securities issued by us the terms of which specifically provide that such equity securities rank senior to preferred shares of such series.

Dividends

Holders of preferred shares of each series shall be entitled to receive cash dividends at such rates and on such dates as will be set forth in the applicable prospectus supplement. When and if declared by the board of trustees, dividends shall be payable out of our assets legally available for payment of dividends. Each such dividend shall be payable to holders of record as they appear on our share transfer books on such record dates as shall be fixed by the board of trustees.

Dividends on any series of the preferred shares may be cumulative or noncumulative, as provided in the applicable prospectus supplement. Dividends, if cumulative, will be cumulative from and after the date set forth in the applicable prospectus supplement. If the board of trustees fails to declare a dividend payable on a dividend payment date on any series of the preferred shares for which dividends are noncumulative, then the holders of such series of the preferr