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BOSTON PROPERTIES INC

Form S-3/A

August 05, 2002

As filed with the Securities and Exchange Commission on August 5, 2002  
Registration Statement No. 333-92402

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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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AMENDMENT NO. 1 TO  
FORM S-3  
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

BOSTON PROPERTIES, INC.  
(Exact name of Registrant as specified in its charter)

Delaware  
(State or other jurisdiction  
of incorporation or organization)

04-2473675  
(I.R.S. Employer  
Identification Number)

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111 Huntington Avenue, Suite 300  
Boston, Massachusetts 02199-7610  
(617) 236-3300  
(Address, including zip code and telephone number, including area code, of  
Registrant's principal executive offices)

Mortimer B. Zuckerman, Chairman  
Edward H. Linde, President and Chief Executive Officer  
BOSTON PROPERTIES, INC.  
111 Huntington Avenue, Suite 300  
Boston Massachusetts 02199-7610  
(617) 236-3300  
(Name, address, including zip code, and telephone number,  
including area code of agent for service)

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Copy to:  
GILBERT G. MENNA, P.C.  
ETTORE A. SANTUCCI, P.C.  
Goodwin Procter LLP  
Exchange Place  
Boston, Massachusetts 02109  
(617) 570-1000

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Approximate date of commencement of proposed sale to the public: From time to  
time after the effective date of this Registration Statement.

If the only securities being registered on this form are being offered  
pursuant to dividend or interest reinvestment plans, please check the following  
box.

If any of the securities being registered on this form are to be offered on

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a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.  X

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

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

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.     

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

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The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion. Dated August 5, 2002.

Prospectus  
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1,066,229 Shares of Common Stock

BOSTON PROPERTIES, INC.

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The selling stockholders identified in this prospectus, and any of their pledgees, donees, transferees or other successors in interest, may offer to sell up to an aggregate of 1,066,229 shares of common stock of Boston Properties, Inc. We are filing the registration statement of which this prospectus is a part at this time to fulfill a contractual obligation to do so. We will not receive any of the proceeds from the sale of the common stock by the selling stockholders.

Our common stock is listed on the New York Stock Exchange under the symbol "BXP."

See "Risk Factors" on page 4 for factors you should consider before you invest in our common stock.

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Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities, or determined if this prospectus is truthful or complete. It is illegal for any person to tell you otherwise.

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The date of this prospectus is [ ].

### PROSPECTUS SUMMARY

This summary only highlights the more detailed information appearing elsewhere in this prospectus or incorporated herein by reference. As this is a summary, it may not contain all information that is important to you. You should read this entire prospectus carefully before deciding whether to invest in our common stock.

Unless the context otherwise requires, all references to "we," "us" or "our company" in this prospectus refer collectively to Boston Properties, Inc., a Delaware corporation, and its subsidiaries, including Boston Properties Limited Partnership, a Delaware limited partnership, and their respective predecessor entities for the applicable periods, considered as a single enterprise.

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#### About Boston Properties, Inc.

We are a fully-integrated, self-administered and self-managed real estate investment trust or "REIT" and one of the largest owners and developers of office properties in the United States. We conduct substantially all our business through our affiliate, Boston Properties Limited Partnership, in which we are the sole general partner and hold a controlling economic interest.

Our properties are concentrated in four core markets--Boston, midtown Manhattan, Washington, D.C. and San Francisco. We have full-service offices in Boston, New York, Washington, D.C., San Francisco and Princeton, New Jersey, and achieve efficiencies of scale by operating a centralized financial control and data center at our Boston headquarters that is responsible for operating budgets, billing and payments for all of our existing and development properties.

We were formed to succeed to the real estate development, redevelopment, acquisition, operating and leasing businesses associated with a predecessor company founded by Messrs. Mortimer B. Zuckerman and Edward H. Linde in 1970. We believe that we have created significant value for our tenants and investors by developing well located properties that meet the demands of today's office tenants, redeveloping underperforming assets, and continuously improving the marketing and management of our assets.

Additional information regarding Boston Properties, including our audited financial statements and descriptions of Boston Properties, is contained in the documents incorporated by reference in this prospectus. See "Where You Can Find More Information" on page 18.

The Offering

This prospectus relates to up to 1,066,229 shares of our common stock that may be offered for sale by the selling stockholders. We are registering the common stock covered by this prospectus in order to fulfill our contractual obligations under our registration rights agreements with the selling stockholders. Registration of the common stock does not necessarily mean that all or any portion of the common stock covered by this prospectus will be offered for sale by the selling stockholders.

We have agreed to register the common stock under federal securities laws, but we will not receive any proceeds from the sale of any common stock offered under this prospectus.

Tax Status of Boston Properties, Inc.

We have elected to qualify as a real estate investment trust under Sections 856 through 860 of the Internal Revenue Code. As long as we qualify for taxation as a real estate investment trust, we generally will not be subject to federal income tax on that portion of our ordinary income and capital gains that is currently distributed to our stockholders. Even if we qualify for taxation as a real estate investment trust, we may be subject to state and local taxes on our income and property and to federal income and excise taxes on our undistributed income.

RISK FACTORS

Before you purchase shares of our common stock from the selling stockholders you should be aware that there are risks in making an investment in our common stock, including those described below. You should carefully consider these risk factors together with all of the information included or incorporated by reference in this prospectus before you decide to purchase shares of our common stock. This section contains some forward-looking statements. You should refer to the explanation of the qualifications and limitations on forward-looking statements beginning on page 20.

Our performance and value are subject to risks associated with our real estate assets and with the real estate industry.

Our economic performance and the value of our real estate assets, and consequently the value of our securities, are subject to the risk that if our office, industrial, and hotel properties do not generate revenues sufficient to meet our operating expenses, including debt service and capital expenditures, our cash flow and ability to pay distributions to our securityholders will be adversely affected. The following factors, among others, may adversely affect the revenues generated by our office, industrial and hotel properties:

- o downturns in the national, regional and local economic climate;
- o competition from other office, hotel and other commercial buildings;
- o local real estate market conditions, such as oversupply or reduction

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- in demand for office, hotel or other commercial space;
- o changes in interest rates and availability of financing;
- o vacancies, changes in market rental rates and the need to periodically repair, renovate and relet space;
- o increased operating costs, including insurance premiums, utilities, real estate taxes, and heightened security costs;
- o civil disturbances, earthquakes and other natural disasters, or terrorist acts or acts of war which may result in uninsured or underinsured losses;
- o significant expenditures associated with each investment, such as debt service payments, real estate taxes, insurance and maintenance costs which are generally not reduced when circumstances cause a reduction in revenues from a property; and
- o ability to collect rents from tenants.

We are dependent upon the economic climates of our four core markets--Boston, Washington, D.C., midtown Manhattan and San Francisco.

A majority of our revenues are derived from properties located in our four core markets: Boston, Washington, D.C., midtown Manhattan and San Francisco. As a result of the current slowdown in economic activity, there has been an increase in vacancy rates for office properties in these markets. A prolonged downturn in the economies of these markets, or the impact that a downturn in the overall national economy may have upon these economies, could result in further reduced demand for office space. Because our portfolio consists primarily of office buildings (as compared to a more diversified real estate portfolio), a decrease in demand for office space in turn

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could adversely affect our results from operations. Additionally, there are submarkets within our core markets that are dependent upon a limited number of industries. A significant downturn in one or more of these industries could also adversely affect our results of operations.

Our investment in property development may be more costly than anticipated.

We have a significant development pipeline and intend to continue to develop and substantially renovate office, industrial and hotel properties. Our current and future development and construction activities may be exposed to the following risks:

- o we may be unable to proceed with the development of properties because we cannot obtain financing on favorable terms;
- o we may incur construction costs for a development project which exceed our original estimates due to increased materials, labor or other costs, which could make completion of the project uneconomical because

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we may not be able to increase rents to compensate for the increase in construction costs;

- o we may be unable to obtain, or face delays in obtaining, required zoning, land-use, building, occupancy, and other governmental permits and authorizations, which could result in increased costs and could require us to abandon our activities entirely with respect to a project;
- o we may abandon development opportunities after we begin to explore them and as a result we may fail to recover expenses already incurred;
- o we may expend funds on and devote management's time to projects which we do not complete;
- o we may be unable to complete construction and leasing of a property on schedule, resulting in increased debt service expense and construction or renovation costs;
- o we may lease developed properties at below expected rental rates; and
- o occupancy rates and rents at newly completed properties may fluctuate depending on a number of factors, including market and economic conditions, and may result in our investment not being profitable.

Our use of joint ventures may limit our flexibility with jointly owned investments.

In appropriate circumstances, we intend to develop and acquire properties in joint ventures with other persons or entities when circumstances warrant the use of these structures. We could become engaged in a dispute with any of our joint venturers. In addition, our joint venture partners may have different objectives from us regarding the appropriate timing and pricing of any sale or refinancing of properties.

In 2000, we entered into a joint venture with the New York State Common Retirement Fund which has agreed to contribute up to \$270 million to acquire and develop properties with us. During the three-year investment period for this joint venture ending in May 2003, the New York State Common Retirement Fund has the right to participate in all of our acquisition opportunities that meet agreed criteria and any development projects that we choose to pursue with an institutional partner.

We face risks associated with property acquisitions.

Since our initial public offering, we have made acquisitions of large properties and portfolios of properties. We intend to continue to acquire properties and portfolios of properties, including large portfolios that could continue to significantly increase our size and result in altering our capital structure. Our acquisition activities and their success are subject to the following risks:

- o we may be unable to acquire a desired property because of competition

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from other well capitalized real estate investors, including both publicly traded real estate investment trusts and institutional investment funds;

- o even if we enter into an acquisition agreement for a property, it is usually subject to customary conditions to closing, including completion of due diligence investigations to our satisfaction, which may not be satisfied;
- o even if we are able to acquire a desired property, competition from other real estate investors may significantly increase the purchase price;
- o we may be unable to finance acquisitions on favorable terms;
- o acquired properties may fail to perform as expected;
- o our estimates of the costs of repositioning or redeveloping acquired properties may be lower than actual costs;
- o acquired properties may be located in new markets where we may face risks associated with a lack of market knowledge or understanding of the local economy, lack of business relationships in the area and unfamiliarity with local governmental and permitting procedures; and
- o we may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into our existing operations, and as a result our results of operations and financial condition could be adversely affected.

We may acquire properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities. As a result, if liability were asserted against us based upon ownership of those properties, we might have to pay substantial sums to settle it, which could adversely affect our cash flow. Unknown liabilities with respect to properties acquired might include:

- o liabilities for clean-up of undisclosed environmental contamination;
- o claims by tenants, vendors or other persons against the former owners of the properties;
- o liabilities incurred in the ordinary course of business; and
- o claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

We face potential difficulties or delays renewing leases or re-leasing space.

We derive most of our income from rent received from our tenants. If a tenant experiences a downturn in its business or other types of financial distress, it may be unable to make timely rental payments. Also, when our tenants decide not to renew their leases, we may not be able to relet the space. Even if tenants decide to renew, the terms of renewals or new leases, including the cost of

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required renovations or concessions to tenants, may be less favorable than current lease terms. As a result, our cash flow could decrease and our ability to make distributions to our securityholders could be adversely affected.

We face potential adverse effects from major tenants' bankruptcies or insolvencies.

The bankruptcy or insolvency of a major tenant may adversely affect the income produced by our properties. Although we have not experienced material losses from tenant bankruptcies or insolvencies in the past, our tenants could file for bankruptcy protection or become insolvent in the future. We cannot evict a tenant solely because of its bankruptcy. On the other hand, a court might authorize the tenant to reject and terminate its lease with us. In such case, our claim against the bankrupt tenant for unpaid, future rent would be subject to a statutory cap that might be substantially less than the remaining rent actually owed under the lease, and, even so, our claim for unpaid rent would likely not be paid in full. This shortfall could adversely affect our cash flow and results of operations.

We may have difficulty selling our properties which may limit our flexibility.

Large and high quality office, industrial and hotel properties like the ones that we own can be hard to sell, especially if local market conditions are poor. This may limit our ability to change our portfolio promptly in response to changes in economic or other conditions. In addition, federal tax laws limit our ability to sell properties that we have owned for fewer than four years, and this may affect our ability to sell properties without adversely affecting returns to our securityholders. These restrictions reduce our ability to respond to changes in the performance of our investments and could adversely affect our financial condition and results of operations.

Our properties face significant competition.

We face significant competition from developers, owners and operators of office, industrial and other commercial real estate. Substantially all of our properties face competition from similar properties in the same market. Such competition may affect our ability to attract and retain tenants and may reduce the rents we are able to charge. These competing properties may have vacancy rates higher than our properties, which may result in their owners being willing to make space available at lower prices than the space in our properties.

Because we own three hotel properties, we face the risks associated with the hospitality industry.

We own three hotel properties which we lease to our taxable REIT subsidiary. Boston Properties Limited Partnership, as lessor, is entitled to a percentage of the gross receipts of our hotel properties and Marriott International, Inc. manages our hotel properties under the Marriott(R) name pursuant to a management contract with the lessee.

Because the lease payments we receive under the leases are based on a participation in the gross receipts of the hotels, if the hotels do not generate sufficient receipts, our cash flow would be decreased, which could reduce the amount of cash available for distribution to our securityholders. The following factors, among others, are common to the hotel industry, and may reduce the receipts generated by our hotel properties:

- o our hotel properties compete for guests with other hotels, a number of which have greater marketing and financial resources than our hotel-operating business partners;



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- o if there is an increase in operating costs resulting from inflation and other factors, our hotel-operating business partners may not be able to offset such increase by increasing room rates;

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- o our hotel properties are subject to the fluctuating and seasonal demands of business travelers and tourism;
- o our hotel properties are subject to general and local economic conditions that may affect demand for travel in general; and
- o we cannot predict the magnitude and duration of the decline in business and vacation travel in the aftermath of the terrorist attacks of September 11, 2001, which has adversely affected the revenues and cash flow from our hotels.

In addition, we may modify the structure for owning our hotel properties in response to changes in applicable tax laws and any such modification could adversely affect the receipts generated by our hotel properties.

Compliance or failure to comply with the Americans with Disabilities Act and other similar laws could result in substantial costs.

The Americans with Disabilities Act generally requires that public buildings, including office buildings and hotels, be made accessible to disabled persons. Noncompliance could result in the imposition of fines by the federal government or the award of damages to private litigants. If, pursuant to the Americans with Disabilities Act, we are required to make substantial alterations and capital expenditures in one or more of our properties, including the removal of access barriers, it could adversely affect our financial condition and results of operations, as well as the amount of cash available for distribution to our securityholders.

We may also incur significant costs complying with other regulations. Our properties are subject to various federal, state and local regulatory requirements, such as state and local fire and life safety requirements. If we fail to comply with these requirements, we could incur fines or private damage awards. We believe that our properties are currently in material compliance with all of these regulatory requirements. However, we do not know whether existing requirements will change or whether compliance with future requirements will require significant unanticipated expenditures that will affect our cash flow and results of operations.

Some potential losses are not covered by insurance.

We carry insurance coverage on our properties of types and in amounts that we believe are in line with coverage customarily obtained by owners of similar properties. We believe all of our properties are adequately insured. The property insurance that we maintain for our properties has historically been on an "all risk" basis, including losses caused by acts of terrorism. However, following the recent terrorist activity of September 11, 2001, and in light of the resulting uncertainty in the insurance market, many insurance companies have indicated that they will exclude insurance against acts of terrorism from their "all risk" policies. Our "all risk" insurance coverage in place for the current policy year contains specific exclusions for losses attributable to acts of

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terrorism. We have secured, on a portfolio-wide basis, terrorism insurance in the amount of \$250 million on a per occurrence and annual aggregate basis. Higher coverage amounts and coverage for bio-terrorism continue to be unavailable on commercially reasonable terms or, in some cases, at all. Further, there are other types of losses, such as from wars or catastrophic acts of nature, for which we cannot obtain insurance at all or at a reasonable cost. In the event of an uninsured loss or a loss in excess of our insurance limits, we could lose both the revenues generated from the affected property and the capital we have invested in the affected property; depending on the specific circumstances of the affected property it is possible that we could be liable for any mortgage indebtedness or other obligations related to the property. Any such loss could materially and adversely affect our business and financial condition and results of operations.

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We carry earthquake insurance on our properties located in areas known to be subject to earthquakes in an amount and subject to deductibles and self-insurance that we believe are commercially reasonable. However, the amount of our earthquake insurance coverage may not be sufficient to cover losses from earthquakes. As a result of increased costs of coverage and decreased availability, the amount of third party earthquake insurance we have been able to purchase in the marketplace upon commercially reasonable terms has been reduced. In addition, we may discontinue earthquake insurance on some or all of our properties in the future if the premiums exceed our estimation of the value of the coverage. If we experience a loss that is uninsured or that exceeds policy limits, we could lose the capital invested in the damaged properties as well as the anticipated future revenue from those properties. Any such loss could materially and adversely affect our business and financial condition and results from operations.

Potential liability for environmental contamination could result in substantial costs.

Under federal, state and local environmental laws, ordinances and regulations, we may be required to investigate and clean up the effects of releases of hazardous or toxic substances or petroleum products at our properties simply because of our current or past ownership or operation of the real estate. If unidentified environmental problems arise, we may have to make substantial payments which could adversely affect our cash flow and our ability to make distributions to our securityholders because:

- o as owner or operator we may have to pay for property damage and for investigation and clean-up costs incurred in connection with the contamination;
- o the law typically imposes clean-up responsibility and liability regardless of whether the owner or operator knew of or caused the contamination;
- o even if more than one person may be responsible for the contamination, each person who shares legal liability under the environmental laws may be held responsible for all of the clean-up costs; and
- o governmental entities and third parties may sue the owner or operator of a contaminated site for damages and costs.

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These costs could be substantial and in extreme cases could exceed the value of the contaminated property. The presence of hazardous or toxic substances or petroleum products or the failure to properly remediate contamination may materially and adversely affect our ability to borrow against, sell or rent an affected property. In addition, applicable environmental laws create liens on contaminated sites in favor of the government for damages and costs it incurs in connection with a contamination.

Environmental laws also govern the presence, maintenance and removal of asbestos. Such laws require that owners or operators of buildings containing asbestos:

- o properly manage and maintain the asbestos;
- o notify and train those who may come into contact with asbestos; and
- o undertake special precautions, including removal or other abatement, if asbestos would be disturbed during renovation or demolition of a building.

Such laws may impose fines and penalties on building owners or operators who fail to comply with these requirements and may allow third parties to seek recovery from owners or operators for personal injury associated with exposure to asbestos fibers. Some of our properties are located in

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urban, industrial and previously developed areas where fill or current or historic industrial uses of the areas have caused site contamination.

It is our policy to retain independent environmental consultants to conduct Phase I environmental site assessments and asbestos surveys with respect to our acquisition of properties. These assessments generally include a visual inspection of the properties and the surrounding areas, an examination of current and historical uses of the properties and the surrounding areas and a review of relevant state, federal and historical documents, but do not involve invasive techniques such as soil and ground water sampling. Where appropriate, on a property-by-property basis, our practice is to have these consultants conduct additional testing, including sampling for asbestos, for lead in drinking water, for soil contamination where underground storage tanks are or were located or where other past site usages create a potential environmental problem, and for contamination in groundwater. Even though these environmental assessments are conducted, there is still the risk that:

- o the environmental assessments and updates did not identify all potential environmental liabilities;
- o a prior owner created a material environmental condition that is not known to us or the independent consultants preparing the assessments;
- o new environmental liabilities have developed since the environmental assessments were conducted; and
- o future uses or conditions such as changes in applicable environmental

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laws and regulations could result in environmental liability for us.

We face risks associated with the use of debt to fund acquisitions and developments, including refinancing risk.

We are subject to the risks normally associated with debt financing, including the risk that our cash flow will be insufficient to meet required payments of principal and interest. We anticipate that only a small portion of the principal of our debt will be repaid prior to maturity. Therefore, we are likely to need to refinance at least a portion of our outstanding debt as it matures. There is a risk that we may not be able to refinance existing debt or that the terms of any refinancing will not be as favorable as the terms of our existing debt. If principal payments due at maturity cannot be refinanced, extended or repaid with proceeds from other sources, such as new equity capital, our cash flow will not be sufficient to repay all maturing debt in years when significant "balloon" payments come due.

Rising interest rates would increase our interest costs on variable rate debt.

We currently have, and may incur more, indebtedness that bears interest at variable rates. Accordingly, if interest rates increase, so will our interest costs, which would adversely affect our cash flow and our ability to pay principal and interest on our debt and our ability to make distributions to our securityholders. As a protection against rising interest rates, we enter into agreements such as interest rate swaps, caps, floors and other interest rate exchange contracts. These agreements, however, increase our risks that other parties to the agreements will not perform or that the agreements will be unenforceable.

We have no corporate limitation on the amount of debt we can incur.

Our management and board of directors have discretion under our certificate of incorporation and bylaws to increase the amount of our outstanding debt. Our decisions with regard to the incurrence and maintenance of debt are based on available investment opportunities for which

capital is required, the cost of debt in relation to such investment opportunities, whether secured or unsecured debt is available, the effect of additional debt on existing financial ratios and the maturity of the proposed new debt relative to maturities of existing debt. We could become more highly leveraged, resulting in increased debt service costs that could adversely affect our cash flow and the amount available for payment of dividends. If we increase our debt we may also increase the risk we will be unable to repay our debt.

Covenants in our debt agreements could adversely affect our financial condition.

The mortgages on our properties contain customary negative covenants such as those that limit our ability, without the prior consent of the lender, to further mortgage the applicable property or to discontinue insurance coverage. Our credit facilities contain customary restrictions, requirements and other limitations on our ability to incur indebtedness, including total debt to asset ratios, secured debt to total asset ratios, debt service coverage ratios and minimum ratios of unencumbered assets to unsecured debt which we must maintain. Our ability to borrow under our credit facilities is subject to compliance with

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our financial and other covenants.

Our current year's insurance policies contain an exclusion for acts of terrorism and some of our lenders may take the position that our insurance coverage no longer complies with covenants in our debt agreements. If a lender takes this position, they may attempt to claim an event of default under the applicable debt agreement. Additionally, in the future our ability to obtain debt financing secured by individual properties, or the terms of such financing, may be adversely affected if lenders generally insist upon insurance against acts of terrorism and such coverage is not available upon commercially reasonable terms.

We rely on borrowings under our credit facilities to finance acquisitions and development activities and for working capital. If we are unable to borrow under our credit facilities, or to refinance existing indebtedness our financial condition and results of operations would likely be adversely affected. If we breach covenants in our debt agreements, the lender can declare a default and, if the debt is secured, can take possession of the property securing the loan. In addition, our credit facilities are cross-defaulted to our other indebtedness, which would give the lenders under our credit facilities the right also to declare a default.

Our degree of leverage could limit our ability to obtain additional financing or affect the market price of our common stock.

Debt to market capitalization ratio is a measure of our total debt as a percentage of the aggregate of our total debt plus the market value of our outstanding common stock and interests in Boston Properties Limited Partnership. Our debt to market capitalization ratio was approximately 46.9% as of June 30, 2002. To the extent that our board of directors uses our debt to market capitalization ratio as a measure of appropriate leverage, the total amount of our debt could increase as our common stock price increases, even if we may not have a corresponding increase in our ability to service or repay the debt. Our degree of leverage could affect our ability to obtain additional financing for working capital, capital expenditures, acquisitions, development or other general corporate purposes. Our degree of leverage could also make us more vulnerable to a downturn in business or the economy generally. There is a risk that changes in our debt to market capitalization ratio, which is in part a function of our stock price, or our ratio of indebtedness to other measures of asset value used by financial analysts may have an adverse effect on the market price of our common stock.

Further issuances of equity securities may be dilutive to current securityholders.

The interests of our existing securityholders could be diluted if additional equity securities are issued to finance future developments and acquisitions instead of incurring additional debt. Our ability to execute our business strategy depends on our access to an appropriate blend of debt

financing, including unsecured lines of credit and other forms of secured and unsecured debt, and equity financing, including common and preferred equity.

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Failure to qualify as a real estate investment trust would cause us to be taxed as a corporation, which would substantially reduce funds available for payment of dividends.

If we fail to qualify as a real estate investment trust for federal income tax purposes, we will be taxed as a corporation. We believe that we are organized and qualified as a real estate investment trust, and intend to operate in a manner that will allow us to continue to qualify as a real estate investment trust. However, we cannot assure you that we are qualified as such, or that we will remain qualified as such in the future. This is because qualification as a real estate investment trust involves the application of highly technical and complex provisions of the Internal Revenue Code as to which there are only limited judicial and administrative interpretations, and involves the determination of facts and circumstances not entirely within our control. In addition, future legislation, new regulations, administrative interpretations or court decisions may significantly change the tax laws or the application of the tax laws with respect to qualification as a real estate investment trust for federal income tax purposes or the federal income tax consequences of such qualification.

If we fail to qualify as a real estate investment trust we will face serious tax consequences that will substantially reduce the funds available for payment of dividends for each of the years involved because:

- o we would not be allowed a deduction for dividends paid to stockholders in computing our taxable income and would be subject to federal income tax at regular corporate rates;
- o we also could be subject to the federal alternative minimum tax and possibly increased state and local taxes;
- o unless we are entitled to relief under statutory provisions, we could not elect to be subject to tax as a real estate investment trust for four taxable years following the year during which we were disqualified; and
- o all dividends will be subject to tax as ordinary income to the extent of our current and accumulated earnings and profits.

In addition, if we fail to qualify as a real estate investment trust, we will no longer be required to pay dividends. As a result of all these factors, our failure to qualify as a real estate investment trust could impair our ability to expand our business and raise capital, and would adversely affect the value of our common stock.

In order to maintain our real estate investment trust status, we may be forced to borrow funds on a short-term basis during unfavorable market conditions.

In order to maintain our real estate investment trust status, we may need to borrow funds on a short-term basis to meet the real estate investment trust distribution requirements, even if the then prevailing market conditions are not favorable for these borrowings. To qualify as a real estate investment trust, we generally must distribute to our stockholders at least 90% of our net taxable income each year, excluding capital gains. In addition, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which dividends paid by us in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years. We may need short-term debt to fund required distributions as a result of differences in timing between the actual receipt of income and the recognition of

income for federal income tax purposes, or the effect of non-deductible capital expenditures, the creation of reserves or required debt or amortization payments.

Limits on changes in control may discourage takeover attempts beneficial to stockholders.

Provisions in our certificate of incorporation and bylaws, our shareholder rights agreement and the limited partnership agreement of Boston Properties Limited Partnership, as well as provisions of the Internal Revenue Code and Delaware corporate law, may:

- o delay or prevent a change of control over us or a tender offer, even if such action might be beneficial to our stockholders; and
- o limit our stockholders' opportunity to receive a potential premium for their shares of common stock over then-prevailing market prices.

#### Stock Ownership Limit

Primarily to facilitate maintenance of our qualification as a real estate investment trust, our certificate of incorporation generally prohibits ownership, directly, indirectly or beneficially, by any single stockholder of more than 6.6% of the number of outstanding shares of any class or series of our equity stock. We refer to this limitation as the "ownership limit." Our board of directors may waive or modify the ownership limit with respect to one or more persons if it is satisfied that ownership in excess of this limit will not jeopardize our status as a real estate investment trust for federal income tax purposes. In addition, under our certificate of incorporation each of Messrs. Zuckerman and Linde, along with their respective families and affiliates, as well as, in general, pension plans and mutual funds, may actually and beneficially own up to 15% of the number of outstanding shares of any class or series of our equity common stock. Shares owned in violation of the ownership limit will be subject to the loss of rights to distributions and voting and other penalties. The ownership limit may have the effect of inhibiting or impeding a change in control.

#### Boston Properties Limited Partnership Agreement

We have agreed in the limited partnership agreement of Boston Properties Limited Partnership not to engage in business combinations unless limited partners of Boston Properties Limited Partnership other than Boston Properties, Inc. receive, or have the opportunity to receive, the same consideration for their partnership interests as holders of our common stock in the transaction. If these limited partners do not receive such consideration, we cannot engage in the transaction unless 75% of these limited partners vote to approve the transaction. In addition, we have agreed in the limited partnership agreement of Boston Properties Limited Partnership that we will not consummate business combinations in which we received the approval of our stockholders unless these limited partners are also allowed to vote and the transaction would have been approved had these limited partners been able to vote as stockholders on the transaction. Therefore, if our stockholders approve a business combination that requires a vote of stockholders, the partnership agreement requires the following before we can consummate the transaction:

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- o holders of interests in Boston Properties Limited Partnership (including Boston Properties, Inc.) must vote on the matter;
- o Boston Properties, Inc. must vote its partnership interests in the same proportion as our stockholders voted on the transaction; and
- o the result of the vote of holders of interests in Boston Properties Limited Partnership must be such that had such vote been a vote of stockholders, the business combination would have been approved.

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As a result of these provisions, a potential acquirer may be deterred from making an acquisition proposal and we may be prohibited by contract from engaging in a proposed business combination even though our stockholders approve of the combination.

### Shareholder Rights Plan

We have adopted a shareholder rights plan. Under the terms of this plan, we can in effect prevent a person or group from acquiring more than 15% of the outstanding shares of our common stock, because, unless we approve of the acquisition, after the person acquires more than 15% of our outstanding common stock, all other stockholders will have the right to purchase securities from us at a price that is less than their then fair market value, which would substantially reduce the value and influence of the stock owned by the acquiring person. Our board of directors can prevent the plan from operating by approving of the transaction, which gives us significant power to approve or disapprove of the efforts of a person or group to acquire a large interest in our company.

We may change our policies without obtaining the approval of our stockholders.

Our operating and financial policies, including our policies with respect to acquisitions, growth, operations, indebtedness, capitalization and dividends, are determined by our board of directors. Accordingly, as a stockholder, you will have little direct control over these policies.

Our success depends on key personnel whose continued service is not guaranteed.

We depend on the efforts of key personnel, particularly Mortimer B. Zuckerman, Chairman of our board of directors, and Edward H. Linde, our President and Chief Executive Officer. Among the reasons that Messrs. Zuckerman and Linde are important to our success is that each has a national reputation which attracts business and investment opportunities and assists us in negotiations with lenders. If we lost their services, our relationships with lenders, potential tenants and industry personnel would diminish.

Our other executive officers who serve as managers of our offices have strong regional reputations. Their reputations aid us in identifying opportunities, having opportunities brought to us, and negotiating with tenants and build-to-suit prospects. While we believe that we could find replacements for these key personnel, the loss of their services could materially and adversely affect our operations because of diminished relationships with lenders, prospective tenants and industry personnel.



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Mr. Zuckerman has substantial outside business interests, including serving as a trustee for New York University, a trustee of Memorial Sloan-Kettering Cancer Institute, a trustee of the Institute for Advanced Studies at Princeton and a member of the Council on Foreign Relations and the International Institute for Strategic Studies. He is currently serving as the Chairman of the Conference of Presidents of Major Jewish Organizations. He is also Chairman and Editor-in-Chief of U.S. News & World Report, Chairman and Co-Publisher of the New York Daily News and Chairman of the Board of Applied Graphics Technologies. He is a member of the Chase Manhattan Corporation National Advisory Board, and a member of the Board of Directors of Loews Cineplex and WNET/Channel Thirteen. Such outside business interests could interfere with his ability to devote time to our business and affairs. Over the last twenty years, Mr. Zuckerman has devoted a significant portion, although not a majority, of his business time to the affairs of Boston Properties and its predecessors. We have no assurance that he will continue to devote any specific portion of his time to us, although at present, he has no commitments which would prevent him from maintaining his current level of involvement with our business.

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Conflicts of interest exist with holders of interests in Boston Properties Limited Partnership.

Sales of properties and repayment of related indebtedness will have different effects on holders of interests in Boston Properties Limited Partnership than on our stockholders.

Some holders of interests in Boston Properties Limited Partnership, including Messrs. Zuckerman and Linde, would incur adverse tax consequences upon the sale of certain of our properties and on the repayment of related debt which differ from the tax consequences to us and our stockholders. Consequently, such holders of interests in Boston Properties Limited Partnership may have different objectives regarding the appropriate pricing and timing of any such sale or repayment of debt. While we have exclusive authority under the limited partnership agreement of Boston Properties Limited Partnership to determine when to refinance or repay debt or whether, when, and on what terms to sell a property, subject, in the case of certain properties, to the contractual commitments described below, any such decision would require the approval of our board of directors. As directors and executive officers, Messrs. Zuckerman and Linde have substantial influence with respect to any such decision. Their influence could be exercised in a manner inconsistent with the interests of some, or a majority, of our stockholders, including in a manner which could prevent completion of a sale of a property or the repayment of indebtedness.

Agreement not to sell some properties.

Under the terms of the limited partnership agreement of Boston Properties Limited Partnership, we have agreed not to sell or otherwise transfer some of our properties, prior to specified dates, in any transaction that would trigger taxable income, without first obtaining the consent of Messrs. Zuckerman and Linde. However, we are not required to obtain their consent if, during the applicable period, each of them does not hold at least 30% of his original interests in Boston Properties Limited Partnership. In addition, we have entered into similar agreements with respect to other properties that we have acquired in exchange for interests in Boston Properties Limited Partnership. As of

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December 31, 2001, there were a total of 36 properties subject to these restrictions, and those 36 properties are estimated to have accounted for approximately 59 % of our total revenue for the year ended December 31, 2001.

Boston Properties Limited Partnership has also entered into agreements providing Messrs. Zuckerman and Linde and others with the right to guarantee specific amounts of indebtedness and, in the event that the specific indebtedness they guarantee is repaid or reduced, additional and/or substitute indebtedness. These agreements may hinder actions that we may otherwise desire to take to repay or refinance guaranteed indebtedness because we would be required to make payments to the beneficiaries of such agreements if we violate these agreements.

Messrs. Zuckerman and Linde will continue to engage in other activities.

Messrs. Zuckerman and Linde have a broad and varied range of investment interests. Either one could acquire an interest in a company which is not currently involved in real estate investment activities but which may acquire real property in the future. However, pursuant to Mr. Linde's employment agreement and Mr. Zuckerman's non-compete agreement, Messrs. Zuckerman and Linde will not, in general, have management control over such companies and, therefore, they may not be able to prevent one or more such companies from engaging in activities that are in competition with our activities.

Changes in market conditions could adversely affect the market price of our common stock.

As with other publicly traded equity securities, the value of our common stock depends on various market conditions which may change from time to time. Among the market conditions that may affect the value of our common stock are the following:

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- o the extent of investor interest in us;
- o the general reputation of real estate investment trusts and the attractiveness of our equity securities in comparison to other equity securities, including securities issued by other real estate-based companies;
- o our financial performance; and
- o general stock and bond market conditions.

The market value of our common stock is based primarily upon the market's perception of our growth potential and our current and potential future earnings and cash dividends. Consequently, our common stock may trade at prices that are higher or lower than our net asset value per share of common stock. If our future earnings or cash dividends are less than expected, it is likely that the market price of our common stock will diminish.

Market interest rates may have an effect on the value of our common stock.

One of the factors that investors may consider important in deciding

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whether to buy or sell shares of a real estate investment trust is the dividend with respect to such real estate investment trust's shares as a percentage of the price of such shares, relative to market interest rates. If market interest rates go up, prospective purchasers of shares of our common stock may expect a higher distribution rate on our common stock. Higher market interest rates would not, however, result in more funds for us to distribute and, to the contrary, would likely increase our borrowing costs and potentially decrease funds available for distribution. Thus, higher market interest rates could cause the market price of our common stock to go down.

The number of shares available for future sale could adversely affect the market price of our stock.

As part of our initial public offering and since then we have completed many private placement transactions where shares of capital stock of Boston Properties, Inc. or interests in Boston Properties Limited Partnership were issued to owners of properties we acquired or to institutional investors. This common stock, or common stock issuable on conversion of our preferred stock or in exchange for such interests in Boston Properties Limited Partnership, may be sold in the public securities markets over time pursuant to registration rights we granted to these investors. Additional common stock reserved under our employee benefit and other incentive plans, including stock options, may also be sold in the market at some time in the future. Future sales of our common stock in the market could adversely affect the price of our common stock. We cannot predict the effect the perception in the market that such sales may occur will have on the market price of our common stock.

We did not obtain new owner's title insurance policies in connection with properties acquired during our initial public offering.

We acquired many of our properties from our predecessors at the completion of our initial public offering in June 1997. Before we acquired these properties each of them was insured by a title insurance policy. We did not, however, obtain new owner's title insurance policies in connection with the acquisition of these properties. Nevertheless, because in many instances we acquired these properties indirectly by acquiring ownership of the entity which owned the property and those owners remain in existence as our subsidiaries, some of these title insurance policies may continue to benefit us. Many of these title insurance policies may be for amounts less than the current values of the applicable properties. If there was a title defect related to any of these properties, or to any of the properties acquired at the time of our initial public offering, that is no longer covered by a title

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insurance policy, we could lose both our capital invested in and our anticipated profits from such property.

We have obtained title insurance policies for all properties that we have acquired after our initial public offering.

We face possible adverse changes in tax and environmental laws.

Generally, we pass through to our tenants costs resulting from increases in

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real estate taxes. However, we generally do not pass through to our tenants increases in income, service or transfer taxes. Similarly, changes in laws increasing the potential liability for environmental conditions existing on our properties or increasing the restrictions on discharges or other conditions may result in significant unanticipated expenditures. These increased costs could adversely affect our financial condition and results of operations and the amount of cash available for payment of dividends.

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### WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and we are required to file reports and proxy statements and other information with the Securities and Exchange Commission. You may read and copy these reports, proxy statements and information at the public reference facility maintained by the Securities and Exchange Commission at Judiciary Plaza, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549. You may also obtain copies at the prescribed rates from the Public Reference Section of the Securities and Exchange Commission at its principal office in Washington, D.C. You may call the Securities and Exchange Commission at 1-800-SEC-0330 for further information about the public reference rooms. The Securities and Exchange Commission maintains a web site that contains reports, proxy and information statements and other information regarding registrants, including Boston Properties, Inc., that file electronically with the Securities and Exchange Commission. You may access the Securities and Exchange Commission's web site at <http://www.sec.gov>.

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### INCORPORATION OF DOCUMENTS BY REFERENCE

The Securities and Exchange Commission allows us to incorporate by reference the information that we file with them. Incorporation by reference means that we can disclose important information to you by referring you to other documents that are legally considered to be part of this prospectus, and later information that we file with the Securities and Exchange Commission will automatically update and supersede the information in this prospectus, any supplement and the documents listed below. We incorporate by reference the specific documents listed below and any future filings made with the Securities and Exchange Commission under Section 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act until the selling stockholders sell all of the securities:

- o our Annual Report on Form 10-K for the year ended December 31, 2001;
- o our Quarterly Report on Form 10-Q for the quarter ended March 31, 2002;
- o our Proxy Statement dated March 29, 2002 prepared in connection with our Annual Meeting of Stockholders held on May 1, 2002;
- o our Current Reports on Form 8-K dated January 22, 2002, April 23, 2002, and July 23, 2002;
- o the description of our common stock contained in our Registration

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Statement on Form 8-A, filed on June 12, 1997 and all amendments and reports updating the description;

- o the description of the rights to purchase shares of our Series E Junior Participating Cumulative preferred stock contained in our registration statement on Form 8-A, filed on June 12, 1997, and the description contained in our registration statement on Form 8-A/A filed on June 16, 1997 amending the description, and all amendments and reports updating that description.

You should rely only on the information incorporated by reference or provided in this prospectus. We have not authorized anyone to provide you with different information. You should not assume that the information in this prospectus or the documents incorporated by reference is accurate as of any date other than the date on the front of this prospectus or those documents.

We will provide, without charge, at the written or oral request of anyone to whom this prospectus is delivered, copies of the documents incorporated by reference in this prospectus, other than an exhibit to a filing unless that exhibit is specifically incorporated by reference into that filing. Written requests should be directed to Boston Properties, Inc., 111 Huntington Avenue, Suite 300, Boston, Massachusetts 02199-7610, Attention: Investor Relations. Telephone requests may be directed to (617) 236-3300.

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### FORWARD-LOOKING STATEMENTS

Statements incorporated by reference or made under the captions "Risk Factors" and "Our Company" and elsewhere in this prospectus are "forward-looking statements" within the meaning of the federal securities laws. When we use the words "anticipate," "assume," "believe," "estimate," "expect," "intend" and other similar expressions, they generally identify forward-looking statements. Forward-looking statements include, for example, statements relating to acquisitions and related financial information, development activities, business strategy and prospects, future capital expenditures, sources and availability of capital, environmental and other regulations and competition.

You should exercise caution in interpreting and relying on forward-looking statements since they involve known and unknown risks, uncertainties and other factors which are, in some cases, beyond our control and could materially affect our actual results, performance or achievements. Some of the factors that could cause our actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements include, but are not limited to, the following:

- o we are subject to general risks affecting the real estate industry, including the need to enter into new leases or renew leases on favorable terms to generate rental revenues, and dependence on our tenants' financial condition;
- o we may fail to identify, acquire, construct or develop additional properties; we may develop properties that do not produce a desired yield on invested capital; or we may fail to effectively integrate acquisitions of properties or portfolios of properties;
- o financing may not be available, or may not be available on favorable terms;
- o we need to make distributions to our stockholders for us to qualify

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as a real estate investment trust, and if we need to borrow the funds to make the distributions, borrowings may not be available on favorable terms;

- o we depend on the core markets where our properties are located and these markets may be adversely affected by local economic and market conditions which are beyond our control;
- o we are subject to potential environmental liabilities;
- o we are subject to complex regulations relating to our status as a real estate investment trust and would be adversely affected if we failed to qualify as a real estate investment trust; and
- o market interest rates could adversely affect the market prices for our common stock, as well as our performance and cash flow.

We caution you that, while forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. In addition, we disclaim any obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

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### OUR COMPANY

Boston Properties, Inc.

We are a fully-integrated, self-administered and self-managed real estate investment trust or "REIT" and one of the largest owners and developers of office properties in the United States. We conduct substantially all our business through our affiliate, Boston Properties Limited Partnership, in which we are the sole general partner and hold a controlling economic interest.

Our properties are concentrated in four core markets--Boston, midtown Manhattan, Washington, D.C. and San Francisco. We have full-service offices in Boston, New York, Washington, D.C., San Francisco and Princeton, New Jersey, and achieve efficiencies of scale by operating a centralized financial control and data center at our Boston headquarters that is responsible for operating budgets, billing and payments for all of our existing and development properties.

We were formed to succeed to the real estate development, redevelopment, acquisition, operating and leasing businesses associated with a predecessor company founded by Messrs. Zuckerman and E. Linde in 1970. We believe that we have created significant value for our tenants and investors by developing well located properties that meet the demands of today's office tenants, redeveloping underperforming assets, and continuously improving the marketing and management of our assets.

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### DESCRIPTION OF COMMON STOCK

The following is a summary of the material terms and provisions of our common stock. It may not contain all the information that is important to you. You can access complete information by referring to our certificate of incorporation, bylaws, our shareholder rights plan and the Delaware General

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Corporation Law. Our shareholder rights plan is summarized below. Our shareholder rights plan, certificate of incorporation and bylaws are incorporated by reference into the registration statement of which this prospectus is a part.

### General

Under our certificate of incorporation, we have authority to issue 250,000,000 shares of common stock, par value \$.01 per share. As of July 9, 2002, 95,259,251 shares of common stock were issued and outstanding. In addition, as of July 9, 2002, 20,497,784 common units of Boston Properties Limited Partnership which are exchangeable for common stock on a one-for-one basis were outstanding. We may issue common stock from time to time. Our board of directors must approve the amount of stock we sell and the price for which it is sold. Holders of our common stock do not have any preferential rights or preemptive rights to buy or subscribe for capital stock or other securities that we may issue. However, each outstanding share of our common stock currently has attached to it one preferred share purchase right issued under our shareholder rights plan, which is summarized below. Our common stock does not have any redemption or sinking fund provisions or any conversion rights.

All of our common stock, when issued, will be duly authorized, fully paid and nonassessable. This means that the full price for our outstanding common stock will have been paid at the time of issuance and that any holder of our common stock will not later be required to pay us any additional money for our common stock.

### Dividends

Subject to the preferential rights of any other shares of our stock and the provisions of our certificate of incorporation regarding excess shares, holders of our common stock may receive dividends out of assets that we can legally use to pay dividends when and if they are authorized and declared by our board of directors. Each common stockholder shares in the same proportion as other common stockholders out of assets that we can legally use to pay distributions after we pay or make adequate provision for all of our known debts and liabilities in the event we are liquidated, dissolved or our affairs are wound up.

### Voting rights

Subject to the provisions of our certificate of incorporation regarding excess shares, holders of common stock will have the exclusive power to vote on all matters presented to our stockholders, including the election of directors, except as otherwise provided by Delaware law or as provided with respect to any other shares of our stock. Holders of our common stock are entitled to one vote per share. There is no cumulative voting in the election of our directors, which means that at any meeting of our stockholders, the holders of a majority of the outstanding common stock can elect all of the directors then standing for election.

### Other rights

Subject to the provisions of our certificate of incorporation regarding excess shares, all shares of our common stock have equal dividend, distribution, liquidation and other rights, and have no preference, appraisal or exchange rights, except for any appraisal rights provided by Delaware law.

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of the outstanding shares of our common stock that are entitled to vote before we may consolidate our stock or merge with another corporation. However, Delaware law does not require that we seek approval of our stockholders to enter into a merger in which we are the surviving corporation following the merger if:

- o our certificate of incorporation is not amended in any respect by the merger;
- o each share of our stock outstanding prior to the merger is to be an identical share of stock following the merger; and
- o any shares of common stock (together with any other securities convertible into shares of common stock) to be issued or delivered as a result of the merger represent no more than 20% of the number of shares of our common stock outstanding immediately prior to the merger.

### Restrictions on ownership

For us to qualify as a real estate investment trust under the Internal Revenue Code, no more than 50% in value of our outstanding stock may be owned, actually or constructively, by five or fewer individuals during the last half of a taxable year. To assist us in meeting this requirement, we may take actions including the automatic conversion of shares in excess of this ownership restriction into excess shares to limit the ownership of our outstanding equity securities, actually or constructively, by one person or entity. See "Limits on Ownership of Our Stock" beginning on page 26.

### Transfer agent

The transfer agent and registrar for our common stock is Equiserve Trust Company, N.A.

### Preferred shares

Under our certificate of incorporation, we have authority to issue up to 50,000,000 shares of preferred stock. We do not have any preferred stock outstanding as of the date of this prospectus. We may issue preferred stock from time to time, in one or more series, as authorized by our board of directors. Prior to issuance of shares of each series, our board of directors is required by the Delaware General Corporation Law and our certificate of incorporation to fix for each series, subject to the provisions of our certificate of incorporation regarding excess shares, the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption, as are permitted by Delaware law. The preferred stock will, when issued, be fully paid and nonassessable and will have no preemptive rights. Our board of directors could authorize the issuance of preferred stock with terms and conditions that could have the effect of discouraging a takeover or other transaction that holders of our common stock might believe to be in their best interests or in which holders of some, or a majority, of our common stock might receive a premium for their shares over the then market price of our common stock.

Under our certificate of incorporation, we have authority to issue up to 150,000,000 shares of Series E junior participating cumulative preferred stock. At July 9, 2002, none of the Series E junior participating cumulative preferred stock were issued or outstanding. Shares of our Series E junior participating cumulative preferred stock may be issued under our shareholder rights plan, which is summarized beginning on page 24.



Shareholder rights plan

In 1997, our board of directors adopted a shareholder rights plan and entered into a shareholder rights agreement with Fleet National Bank (f.k.a. BankBoston, N.A.), as rights agent. The purpose of our shareholder rights plan is to enhance our board of directors' ability to protect our stockholders' interests by ensuring that stockholders receive fair treatment in the event that any coercive takeover attempt of Boston Properties is made in the future. The rights plan is intended to provide our board of directors with sufficient time to consider any and all alternatives to a takeover action. The rights may discourage, delay or prevent hostile takeovers. They are not intended, however, to interfere with any merger or other business combination approved by our board of directors.

Under our shareholder rights plan, one preferred stock purchase right is attached to each outstanding share of our common stock. We refer to these preferred stock purchase rights as the "rights." Each share of common stock issued in the future will also receive a right until any of the rights become exercisable. Until a right is exercised, the holder of a right does not have any additional rights as a stockholder. These rights will expire on June 11, 2007, unless previously redeemed or exchanged by us as described below. These rights trade automatically with our common stock and will separate from the common stock and become exercisable only under the circumstances described below.

In general, the rights will become exercisable when the first of the following events happens:

1. ten calendar days after a public announcement that a person or group has acquired beneficial ownership of 15% or more of the sum of our outstanding common stock and excess stock; or
2. ten business days, or such other date determined by our board of directors, after the beginning of a tender offer or exchange offer that would result in a person or group beneficially owning 15% or more of the sum of our outstanding common stock and excess stock.

Under our shareholder rights plan, our common stock that may be issued in exchange for outstanding common units of limited partnership interest in Boston Properties Limited Partnership is not included in the definition of beneficial ownership.

However, if a person who became a limited partner of Boston Properties Limited Partnership at the time of our initial public offering acquires beneficial ownership of 15% or more of the sum of our common stock and excess stock, the rights will not become exercisable unless the acquisition results in that person acquiring a greater percentage of the outstanding shares of our outstanding common stock plus outstanding common units of limited partnership interest of Boston Properties Limited Partnership than the percentage of outstanding shares of common stock plus outstanding common units of limited partnership interest of Boston Properties Limited Partnership that person held at the completion of our initial public offering. In addition, no group of which a person who became a partner of Boston Properties Limited Partnership at the time of our initial public offering is a member will be deemed to beneficially own our common stock and excess stock owned by that person. Common units of limited partnership interest of Boston Properties Limited Partnership held by Boston Properties, Inc. are excluded in making these calculations.

If the rights become exercisable, holders of the rights will be able to purchase from us a unit of preferred stock equal to one ten-thousandth of a share of our Series E junior participating cumulative preferred stock at a price

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of \$100 per unit, subject to adjustment. We have designated 200,000 shares of Series E junior participating cumulative preferred stock and have reserved these

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shares for issuance under our shareholder rights plan. However, all rights owned by any persons or groups triggering the event shall be void.

In addition, if at any time following a public announcement that a person or group has acquired beneficial ownership of 15% or more of the sum of our outstanding common stock and excess stock:

- o we enter into a merger or other business combination transaction in which we are not the surviving entity;
- o we enter into a merger or other business combination transaction in which all or part of our common stock is exchanged; or
- o we sell, transfer or mortgage 50% or more of our assets or earning power;

then each holder of a right, other than rights held by the person or group who triggered the event, will be entitled to receive, upon exercise, common stock of the acquiring company equal to two times the purchase price of the right.

At any time after our public announcement that a person or group has acquired beneficial ownership of 15% or more of the sum of our outstanding common stock and excess stock, our board of directors may, at its option, exchange all or any part of the then outstanding and exercisable rights for shares of our common stock or units of Series E junior participating cumulative preferred stock at an exchange ratio of one share or one unit per right. However, our board of directors generally will not be empowered to effect an exchange at any time after any person becomes the beneficial owner of 50% or more of our outstanding common stock.

We may redeem the rights at \$.001 per right at any time before the date that is ten days after a public announcement that a person or group has acquired beneficial ownership of 15% or more of the sum of our outstanding common stock and excess stock. We may extend this redemption period at any time while the rights are still redeemable. The rights will expire at the close of business on June 11, 2007 unless we redeem them before that date.

The above description of our shareholder rights plan is not intended to be a complete description. For a full description of the shareholder rights plan, you should read the rights agreement. You may obtain a copy of the rights agreement at no charge by writing to us at the address listed on page 19.

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### LIMITS ON OWNERSHIP OF OUR STOCK

#### Ownership limits

For us to qualify as a real estate investment trust under the Internal Revenue Code, among other things, not more than 50% in value of our outstanding stock may be owned, actually or constructively, by five or fewer individuals during the last half of a taxable year other than the first year, and our

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outstanding stock must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months other than the first year or during a proportionate part of a shorter taxable year. In order to protect us against the risk of losing our status as a real estate investment trust due to a concentration of ownership among our stockholders, our certificate of incorporation provides that generally no holder may beneficially own, or be deemed to own by virtue of the attribution provisions of the Internal Revenue Code, more than 6.6% of any class or series of our stock. Under our certificate of incorporation, a person generally "beneficially owns" shares if:

- o the person has direct ownership of the shares,
- o the person has indirect ownership of the shares taking into account the constructive ownership rules of Section 544 of the Internal Revenue Code, as modified by Section 856(h)(1)(B) of the Internal Revenue Code, or
- o the person would be deemed to beneficially own the shares pursuant to Rule 13d-3 under the Exchange Act of 1934, as amended.

Our certificate of incorporation allows two exceptions to the 6.6% ownership limit:

### 15% Related party ownership limit:

Each of Messrs. Zuckerman and E. Linde, together with their respective heirs, legatees, devisees and any other person whose beneficial ownership of our common stock would be attributed under the Internal Revenue Code to them, are subject to an ownership limit of 15% for each of them together with such persons related to them.

### 15% Look-through entity ownership limit:

Pension plans described in Section 401(a) of the Internal Revenue Code and mutual funds registered under the Investment Company Act of 1940 are subject to an ownership limit of 15%. Pension plans and mutual funds are among the entities that are not treated as stockholders under the "five or fewer requirement." Rather, the beneficial owners of these entities will be counted as stockholders for this purpose.

The foregoing restrictions will not apply if our board of directors determines that it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a real estate investment trust. In addition, the foregoing restrictions do not apply with respect to an offeror in the event of an all cash tender offer by it which has been accepted by at least two-thirds of our outstanding stock.

### Shares in excess of ownership limits

Transfers of our stock or any security convertible into our stock or other events that would create a direct or indirect ownership of our stock that would:

- o violate the 6.6% ownership limit;
- o violate the 15% ownership limit for related parties;

- o violate the 15% ownership limit for look-through entities; or

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- o result in our disqualification as a real estate investment trust, including any transfer that results in:
  - o our stock being owned by fewer than 100 persons,
  - o Boston Properties being "closely held" with the meaning of Section 856(h) of the Internal Revenue Code, or
  - o Boston Properties constructively owning 10% or more of one of our tenants,

shall be null and void and of no effect with respect to the shares in excess of the applicable limit. Any shares in excess of an applicable limitation will be converted automatically into an equal number of shares of our excess stock that will be transferred by operation of law to a trust for the benefit of a qualified charitable organization selected by us, but not affiliated with us. As soon as practicable after the transfer of shares to the trust, the trustee of the trust will be required to sell the excess shares to a person or entity who could own the shares without violating the applicable limit and distribute to the original transferee-stockholder an amount equal to the lesser of:

- o the proceeds of the sale, or
- o the price paid for our stock in excess of the applicable limit by the original transferee-owner or, in the event that the original violative transfer was a gift or an event other than a transfer, the fair market value of the excess shares on the date they are sold by the trust.

All dividends and other distributions received with respect to the excess shares prior to their sale by the trust and any proceeds from the sale by the trust in excess of the amount distributable to the original transferee-owner will be distributed to the beneficiary of the trust.

### Right to purchase excess shares

In addition to the foregoing transfer restrictions, we have the right, for a period of 90 days during the time any excess shares are held by the trust, to purchase all or any portion of the excess shares for the lesser of the price paid for the shares in excess of the applicable limit by the original transferee-stockholder or the market price of our stock on the date we exercise our option to purchase, which amount will be paid to the original transferee-stockholder. The market price will be determined in the manner set forth in our certificate of incorporation. The 90-day period begins on the date of the violative transfer if the original transferee-stockholder gives notice to us of the transfer or, if no notice is given, the date on which our board of directors determines that a violative transfer has been made.

### Disclosure of stock ownership by our stockholders

Each of our stockholders will upon demand be required to disclose to us in writing any information with respect to the direct, indirect and constructive ownership of shares of our stock as our board of directors deems necessary to comply with the provisions of the Internal Revenue Code applicable to real estate investment trusts, to comply with the requirements of any taxing authority or governmental agency or to determine any such compliance.

These ownership limitations may have the effect of precluding the acquisition of control of Boston Properties unless our board of directors determines that our maintenance of real estate investment trust status is no longer in our best interests.

IMPORTANT PROVISIONS OF DELAWARE LAW AND  
OUR CERTIFICATE OF INCORPORATION AND BYLAWS

The following is a summary of important provisions of Delaware law and our certificate of incorporation and bylaws which affect us and our stockholders. The description below is intended as only a summary. You can access complete information by referring to Delaware General Corporation Law and our certificate of incorporation and bylaws.

Business combinations with interested stockholders under Delaware law

Section 203 of the Delaware General Corporation Law prevents a publicly held corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless:

- o before the date on which the person became an interested stockholder, the board of directors of the corporation approved either the business combination or the transaction in which the person became an interested stockholder;
- o the interested stockholder owned at least 85% of the outstanding voting stock of the corporation at the beginning of the transaction in which it became an interested stockholder, excluding stock held by directors who are also officers of the corporation and by employee stock plans that do not provide participants with the rights to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- o after the date on which the interested stockholder became an interested stockholder, the business combination is approved by the board of directors and the holders of two-thirds of the outstanding voting stock of the corporation voting at a meeting, excluding the voting stock owned by the interested stockholder.

As defined in Section 203, an "interested stockholder" is generally a person owning 15% or more of the outstanding voting stock of the corporation. As defined in Section 203, a "business combination" includes mergers, consolidations, stock and assets sales and other transactions with the interested stockholder.

The provisions of Section 203 may have the effect of delaying, deferring or preventing a change of control of Boston Properties.

Amendment of our certificate of incorporation and bylaws

Amendments to our certificate of incorporation must be approved by our board of directors and generally by the vote of a majority of the votes entitled to be cast at a meeting of our stockholders. However, a 75% stockholder vote is required for amendments dealing with fundamental governance provisions of our certificate of incorporation, including:

- o stockholder action;
- o the powers, election of, removal of and classification of directors;

- o limitation of liability; or
- o amendment of our certificate of incorporation.

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Unless otherwise required by law, our board of directors may amend our bylaws by a majority vote of our directors then in office. Our bylaws may also be amended by a majority stockholder vote if our board of directors recommends the approval of the amendment, and otherwise by a 75% stockholder vote.

#### Meetings of stockholders

Under our bylaws, we will hold annual meetings of our stockholders at a date and time as determined by our board of directors, Chairman or President. Our bylaws require advance notice for our stockholders to make nominations of candidates for our board of directors or bring other business before an annual meeting of our stockholders. Only our board of directors can call special meetings of our stockholders and any special meeting is restricted to considering and acting upon matters set forth in the notice of that special meeting.

#### Board of directors

Our board of directors is divided into three classes. As the term of each class expires, directors in that class will be elected for a term of three years and until their successors are duly elected and qualified.

Our certificate of incorporation provides that a 75% vote of our board of directors is required to approve fundamental changes or actions, including:

- o a change of control of Boston Properties or of Boston Properties Limited Partnership;
- o any amendment to the limited partnership agreement of Boston Properties Limited Partnership;
- o any waiver of the limitations on ownership contained in our certificate of incorporation;
- o certain issuances of equity securities by Boston Properties; and
- o termination of our status as a REIT.

#### Shareholder rights plan and ownership limitations

We have adopted a shareholder rights agreement. In addition, our certificate of incorporation contains provisions that limit the ownership by any person of shares of any class or series of our capital stock. See "Shareholder rights plan" beginning on page 24 and "Limits on Ownership of Our Stock" beginning on page 26.

#### Limitation of directors' and officers' liability

Our certificate of incorporation generally limits the liability of our directors to Boston Properties to the fullest extent permitted by Delaware law,

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as it now exists or may in the future be amended. The Delaware General Corporation Law permits a corporation to indemnify its directors, officers, employees or agents and expressly provides that the indemnification provided for under the Delaware General Corporation Law shall not be deemed exclusive of any indemnification right under any bylaw, vote of stockholders or disinterested directors, or otherwise. Delaware law permits indemnification against expenses and certain other liabilities arising out of legal actions brought or threatened against these persons for their conduct on behalf of a corporation, provided that each such person acted in good faith and in a manner that he or she reasonably believed was in or not opposed to the corporation's best interests and, in the case of a criminal proceeding, provided each person had no reasonable cause to believe his or her conduct was unlawful. Delaware law does not allow indemnification of directors in the case of an action by or in the right of a corporation unless the directors successfully defend the action or indemnification is ordered by the court.

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Our bylaws provide that our directors and officers will be, and, in the discretion of our board of directors, non-officer employees may be, indemnified by Boston Properties to the fullest extent authorized by Delaware law, as it now exists or may in the future be amended, against all expenses and liabilities actually and reasonably incurred in connection with service for or on behalf of Boston Properties. Our bylaws also provide that the right of directors and officers to indemnification shall be a contract right and shall not be exclusive of any other right now possessed or hereafter acquired under any bylaw, agreement, vote of stockholders, or otherwise.

Our certificate of incorporation contains a provision permitted by Delaware law that generally eliminates the personal liability of directors for monetary damages for breaches of their fiduciary duty, including breaches involving negligence or gross negligence in business combinations, unless the director has breached his or her duty of loyalty, failed to act in good faith, engaged in intentional misconduct or a knowing violation of law, paid a dividend or approved a stock repurchase in violation of the Delaware General Corporation Law or obtained an improper personal benefit. This provision does not alter a director's liability under the federal securities laws. In addition, this provision does not affect the availability of equitable remedies, including an injunction or rescission, for breach of fiduciary duty.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or persons controlling Boston Properties pursuant to the foregoing provisions, we have been informed that in the opinion of the staff of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is therefore unenforceable.

### Indemnification agreements

We have entered into indemnification agreements with each of our directors and executive officers. The indemnification agreements require, among other things, that we indemnify our directors and executive officers to the fullest extent permitted by law and advance to our directors and executive officers all related expenses, subject to reimbursement if it is subsequently determined that indemnification is not permitted. Under these agreements, we must also indemnify and advance all expenses incurred by our directors and executive officers seeking to enforce their rights under the indemnification agreements and cover our directors and executive officers under our directors' and officers' liability insurance. Although the form of indemnification agreement offers substantially the same scope of coverage afforded by our certificate of

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incorporation and our bylaws, it provides greater assurance to our directors and executive officers that indemnification will be available, because, as a contract, it cannot be modified unilaterally in the future by our board of directors or by our stockholders to eliminate the rights it provides.

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### FEDERAL INCOME TAX CONSIDERATIONS AND CONSEQUENCES OF YOUR INVESTMENT

The following is a general summary of the material federal income tax considerations and consequences associated with an investment in our common stock. The following discussion is not exhaustive of all possible tax considerations and is not tax advice. Moreover, this summary does not deal with all tax aspects or consequences that might be relevant to you in light of your personal circumstances; nor does it deal with particular types of stockholders that are subject to special treatment under the Internal Revenue Code, including insurance companies, financial institutions and broker-dealers. The Internal Revenue Code provisions governing the federal income tax treatment of real estate investment trusts are highly technical and complex, and this summary is qualified in its entirety by the applicable Internal Revenue Code provisions, rules and regulations promulgated thereunder, and administrative and judicial interpretations thereof. The following discussion is based on current law and on representations from us concerning our compliance with the requirements for qualification as a real estate investment trust.

We urge you, as a prospective investor, to consult your own tax advisor with respect to the specific federal, state, local, foreign and other tax consequences to you of the purchase, holding and sale of our common stock.

#### Federal income taxation

In the opinion of our tax counsel, Goodwin Procter LLP, commencing with our first taxable year ended December 31, 1997, we have been organized in conformity with the requirements for qualification as a real estate investment trust under the Internal Revenue Code, and our method of operation will enable us to continue to meet the requirements for qualification and taxation as a real estate investment trust under the Internal Revenue Code, provided that we have operated and continue to operate in accordance with various assumptions and factual representations made by us concerning our business, properties and operations. We may not, however, have met or continue to meet these requirements. Qualification as a real estate investment trust depends upon us having met and continuing to meet the various requirements imposed under the Internal Revenue Code through actual operating results. Goodwin Procter LLP has relied on our representations regarding our operations and has not and will not review these operating results. No assurance can be given that actual operating results have met or will meet these requirements.

If we have qualified and continue to qualify for taxation as a real estate investment trust, we generally will not be subject to federal corporate income taxes on that portion of our ordinary income or capital gain that is currently distributed to stockholders. The real estate investment trust provisions of the Internal Revenue Code generally allow a real estate investment trust to deduct dividends paid to its stockholders. This deduction for dividends paid to stockholders substantially eliminates the federal double taxation on earnings that usually results from investments in a corporation. "Double taxation" refers to taxation of income once at the corporate level when earned and once again at the stockholder level when distributed. Additionally, a real estate investment trust may elect to retain and pay taxes on a designated amount of its net long-term capital gains, in which case the stockholders of the real estate investment trust will include their proportionate share of the undistributed



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long-term capital gains in income and receive a credit or refund for their share of the tax paid by the real estate investment trust.

### Failure to qualify

If we fail to qualify for taxation as a real estate investment trust in any taxable year and the relief provisions do not apply, we will be subject to tax on our taxable income at regular corporate rates, including any applicable alternative minimum tax. Distributions to stockholders in any year in which we fail to qualify will not be deductible by us nor will they be required to be made. In such event, to the extent of current or accumulated earnings and profits, all distributions to stockholders

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will be dividends, taxable as ordinary income, and subject to limitations of the Internal Revenue Code, corporate distributees may be eligible for the dividends-received deduction. Unless we are entitled to relief under specific statutory provisions, we also will be disqualified from taxation as a real estate investment trust for the four taxable years following the year during which qualification was lost. It is not possible to state whether in all circumstances we would be entitled to statutory relief. For example, we must derive a minimum percent of our gross income from specified sources in order to qualify as a real estate investment trust. If we fail to satisfy these gross income tests because nonqualifying income that we intentionally incur exceeds the limit on gross income, the Internal Revenue Service could conclude that our failure to satisfy the tests was not due to reasonable cause, which is a condition to qualification for relief from the four-year disqualification rule.

Taxation of United States stockholders and potential tax consequences of their investment in our common stock

When we refer to a United States stockholder, we mean a holder of common stock that is for federal income tax purposes:

- o an individual who is a citizen or resident of the United States;
- o a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia; or
- o a partnership, trust or estate treated as a domestic partnership, trust or estate.

For any taxable year for which we qualify for taxation as a real estate investment trust, amounts distributed to taxable United States stockholders will be taxed as follows.

Distributions generally. Distributions other than capital gain dividends to United States stockholders will be taxable as dividends to the extent of our current or accumulated earnings and profits as determined for federal income tax purposes. For purposes of determining whether distributions are out of current or accumulated earnings and profits, our earnings and profits will be allocated first to any of our outstanding preferred shares and then to our common stock. Dividends will be taxable to the stockholders as ordinary income and will not be eligible for the dividends-received deduction for corporations. To the extent that we make a distribution to a United States stockholder in excess of current or accumulated earnings and profits, the distribution will be treated first as a tax-free return of capital with respect to the shares, reducing the United States stockholder's tax basis in the shares, and the distribution in excess of a United States stockholder's tax basis in the shares will be taxable as gain

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realized from the sale of the shares. Dividends declared by us in October, November or December of any year payable to a stockholder of record on a specified date in any such month shall be treated as both paid by us and received by the stockholder on December 31 of the year, provided that the dividend is actually paid by us during January of the following calendar year. United States stockholders may not include on their own federal income tax returns any of our tax losses.

Capital gain dividends. Dividends to United States stockholders that are properly designated by us as capital gain dividends will be treated as long-term capital gains, to the extent they do not exceed our actual net capital gains, for the taxable year without regard to the period for which the stockholder has held its common stock. However, corporate stockholders may be required to treat up to 20% of particular capital gain dividends as ordinary income. Capital gain dividends are not eligible for the dividends-received deduction for corporations.

Retained capital gains. A real estate investment trust may elect to retain, rather than distribute, its net long-term capital gains received during the year. To the extent designated by the

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real estate investment trust in a notice to its stockholders, the real estate investment trust will pay the income tax on these gains and the real estate investment trust stockholders must include their proportionate share of the undistributed long-term capital gains so designated in income. Each real estate investment trust stockholder will be deemed to have paid its share of the tax paid by the real estate investment trust, which will be credited or refunded to the stockholder. The basis of each stockholder's real estate investment trust shares will be increased by its proportionate amount of the undistributed long-term capital gains, net of the tax paid by the real estate investment trust, included in each stockholder's long-term capital gains.

Passive activity loss and investment interest limitations. Distributions, including deemed distributions of undistributed long-term capital gains, from us and gain from the disposition of common stock will not be treated as passive activity income, and therefore stockholders may not be able to apply any passive losses against this income. Dividends from us, to the extent they do not constitute a return of capital, will generally be treated as investment income for purposes of the investment income limitation on the deductibility of investment interest. However, net capital gain from the disposition of common stock or capital gain dividends, including deemed distributions of undistributed long-term capital gains, generally will be excluded from investment income.

Sale of the common stock. Upon the sale or exchange of common stock, the United States stockholder will generally recognize gain or loss equal to the difference between the amount realized on the sale and the tax basis of the common stock sold or exchanged. Assuming the shares are held as a capital asset, the gain or loss will be a long-term capital gain or loss if the shares have been held for more than one year. However, any loss recognized by a United States stockholder on the sale of common stock held for not more than six months and with respect to which capital gains were required to be included in the stockholder's income will be treated as a long-term capital loss to the extent of the amount of the capital gains so included.

In general, the maximum tax rate imposed on the long-term capital gains of non-corporate taxpayers is 20%, although a 25% maximum tax rate is imposed on the portion of the gains attributable to the prior depreciation claimed in respect of depreciable real property held for more than one year to the extent

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the gain is not otherwise characterized as ordinary income under the "recapture" provisions of Section 1250 of the code. The Secretary of the Treasury has the authority to prescribe regulations on how the capital gains rates will apply to sales and exchanges by partnerships and REITs and of interests in partnerships and REITs. Pursuant to this authority, the Secretary of the Treasury issued regulations relating to the taxation of capital gains in the case of sales and exchanges of interests in partnerships. As of this time, the Secretary of the Treasury has not issued regulations relating to the taxation of capital gains in the case of sales or exchanges of interests in REITs. Accordingly, you are urged to consult with your tax advisors with respect to your capital gain tax liability resulting from any sale or taxable exchange by you of our common stock.

Treatment of tax-exempt stockholders. Distributions, including deemed distributions of undistributed long-term capital gains, from us to a tax-exempt employee pension trust or other domestic tax-exempt stockholder generally will not constitute unrelated business taxable income unless the stockholder has borrowed to acquire or carry its common stock. However, certain qualified trusts that hold more than 10% by value of the shares of a particular real estate investment trust may be required to treat a specified percentage of these distributions, including deemed distributions of undistributed long-term capital gains, as unrelated business taxable income.

### Backup withholding

Under the backup withholding rules, a United States stockholder may be subject to backup withholding at the rate of 30% (decreasing periodically to 28% in 2006) with respect to dividends paid on, and gross proceeds from the sale of, the common stock unless the stockholder (1) is a

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corporation or comes within other specific exempt categories and, when required, demonstrates this fact or (2) provides a correct taxpayer identification number, certifies as to no loss of exemption from backup withholding and otherwise complies with applicable requirements of the backup withholding rules. A United States stockholder who does not provide us with its current taxpayer identification number may be subject to penalties imposed by the Commissioner of the Internal Revenue Service. Any amount paid as backup withholding will be creditable against the stockholder's income tax liability.

We will report to stockholders and the Internal Revenue Service the amount of any reportable payments, including any dividends paid, and any amount withheld with respect to the common stock during the calendar year.

### State and local tax

Boston Properties and our stockholders may be subject to state and local tax in various states and localities, including those in which we or our stockholders transact business, own property or reside. The tax treatment of us and our stockholders in these jurisdictions may differ from the federal income tax treatment described above. Consequently, as a prospective investor, you should consult your own tax advisors regarding the effect of state and local tax laws on an investment in our common stock.

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The following is a summary of the material terms and provisions of the registration rights agreements which we entered into with the selling stockholders. It may not contain all the information that is important to you. You can access complete information by referring to the agreements.

Under the registration rights agreements, we are obligated to file a registration statement covering the sale by the selling stockholders of the common stock issued in connection with the agreements and we must use reasonable efforts to cause the registration statement to be declared effective by the Securities and Exchange Commission and to keep the registration statement continuously effective until the earlier of:

- o the date on which the selling stockholders no longer hold any common stock to which the registration rights agreements apply; or
- o the date on which all of the common stock to which the registration rights agreements apply held or acquired in the future by the selling stockholders has become eligible for sale under Rule 144(k) of the Securities Act of 1933.

Any common stock sold by the selling stockholders pursuant to this prospectus will no longer be entitled to the benefits of the registration rights agreements.

The registration rights agreements require that we bear all expenses of registering the common stock with the exception of brokerage and underwriting commissions and taxes of any kind and any legal, accounting and other expenses incurred by the selling stockholders, subject to our right to receive payments from one of the selling stockholders pursuant to a letter agreement. We also agreed to indemnify the selling stockholders and affiliated persons against all losses, claims, damages, actions, liabilities, costs and expenses arising under the securities laws in connection with the registration statement or this prospectus, subject to limitations specified in the registration rights agreements. In addition, the selling stockholders agreed to indemnify us and our directors, officers and any person who controls our company against all losses, claims, damages, actions, liabilities, costs and expenses arising under the securities laws if they result from:

- o written information furnished to us by the selling stockholders for use in the registration statement or this prospectus or any amendments to the registration statement or any prospectus supplements; or
- o the selling stockholders' failure to deliver, or cause to be delivered, this prospectus or any amendments or prospectus supplements to any purchaser of common stock covered by this prospectus from the selling stockholders through no fault of ours.

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### THE SELLING STOCKHOLDERS

The following table sets forth the number of shares of common stock beneficially owned by the selling stockholders as of July 9, 2002, the number of shares of common stock covered by this prospectus and the total number of shares of common stock which the selling stockholders will beneficially own upon completion of this offering. Except as noted, this table assumes that the selling stockholders offer for sale all of the shares of common stock covered by this prospectus.

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The common stock offered by this prospectus may be offered from time to time by the selling stockholders named below, or by any of their pledgees, donees, transferees or other successors in interest. The amounts set forth below are based upon information provided to us by representatives of the selling stockholders, or on our records, as of July 9, 2002 and are accurate to the best of our knowledge. It is possible, however, that the selling stockholders may acquire or dispose of additional shares of common stock or units from time to time after the date of this prospectus.

Name -----	Common Stock Beneficially Owned as of July 9, 2002 -----	Common Stock Offered Hereby (1) -----	Common Stock to be Owned After Offering (2) -----	Per of Common -----
Vincent deP. Farrell, Jr.	11,203	11,203	0	
Bruce W. Jones	35	35	0	
George M. Topliff	3,195	3,195	0	
Trust u/w Winthrop Rockefeller	832,121	832,121	0	
Perseverance Associates, L.P.	218,795	218,795	0	
PIC Realty Corporation	219,088 (3)	219,088 (3)	0	
The Prudential Insurance Company of America	6,031,160 (4)	219,675 (5)	5,811,485 (6)	6
<b>TOTAL</b>	<b>6,877,714</b> -----	<b>1,066,229</b> -----	<b>5,811,485</b> -----	

\* Less than 1%.

- (1) These shares of common stock represent the common stock covered by our registration rights agreements with the selling stockholders.
- (2) Assumes that all shares of common stock offered by this prospectus will be sold by the selling stockholders.
- (3) Includes 293 shares held by PIC Realty Corporation and 218,795 shares held by Perseverance Associates, L.P.
- (4) Includes 219,675 shares of our common stock offered by this prospectus of which 587 shares are held by The Prudential Insurance Company of America ("Prudential"), 293 shares are held by PIC Realty Corporation and 218,795 shares are held by Perseverance Associates, L.P. Also includes (1) 50,000 shares of our common stock that Prudential may acquire if it presents its 50,000 common units of Boston Properties Limited Partnership to us for redemption and we exercise our right to issue common stock to it instead of cash; (2) 3,134,914 shares of our common stock held by accounts managed by Prudential or its affiliates on behalf of: (i) QM accounts including 2,671,314 shares of our common stock; (ii) Jennison Series Funds including 253,900 shares of our common stock; (iii) Jennison Mutual Funds including 197,200 shares of our common stock; (iv) Jennison External Accounts including 3,800 shares of our common stock; and (v) Jennison PruTrust Funds including 8,700 shares of our common stock; and (3) 1,900 shares of our common stock held in discretionary accounts on behalf of clients of Prudential Securities Incorporated ("PSI"), an affiliate of Prudential. Prudential disclaims beneficial ownership of the shares of our

common stock held by accounts managed by Prudential or its affiliates because the voting and disposition of these shares is controlled for the benefit of the clients in the QM accounts, Jennison accounts and PSI discretionary accounts.

- (5) Includes 587 shares held by Prudential, 293 shares held by PIC Realty Corporation and 218,795 shares are held by Perseverance Associates, L.P.
- (6) Includes (1) 50,000 shares of our common stock that Prudential may acquire if it presents its 50,000 common units of Boston Properties Limited Partnership to us for redemption and we exercise our right to issue common stock to it instead of cash; (2) 3,134,914 shares of our common stock held by accounts managed by Prudential or its affiliates on behalf of: (i) QM accounts including 2,671,314 shares of our common stock; (ii) Jennison Series Funds including 253,900 shares of our common stock; (iii) Jennison Mutual Funds including 197,200 shares of our common stock; (iv) Jennison External Accounts including 3,800 shares of our common stock; and (v) Jennison PruTrust Funds including 8,700 shares of our common stock; and (3) 1,900 shares of our common stock held in discretionary accounts on behalf of clients of PSI. Prudential disclaims beneficial ownership of the shares of our common stock held by accounts managed by Prudential or its affiliates because the voting and disposition of these shares is controlled for the benefit of the clients in the QM accounts, Jennison accounts and PSI discretionary accounts.
- (7) Assumes that all the common units and Series One preferred units (on an as converted basis) held by the person are presented to Boston Properties for redemption and acquired by Boston Properties for shares of common stock. The total number of shares of common stock outstanding used in calculating the percentage assumes that none of the common units and Series One preferred units (on an as converted basis) held by other persons are presented to Boston Properties for redemption and acquired by Boston Properties for shares of common stock.

#### USE OF PROCEEDS

We will not receive any of the proceeds of the sale by the selling stockholders of the common stock covered by this prospectus.

#### PLAN OF DISTRIBUTION

This prospectus relates to the possible sale from time to time of up to an aggregate of 1,066,229 shares of common stock by the selling stockholders, or any of their pledgees, donees, transferees or other successors in interest. We are registering the common stock pursuant to our obligations under the registration rights agreements, but the registration of the common stock does not necessarily mean that any of the common stock will be offered or sold by the selling stockholders.

The distribution of the common stock may be effected from time to time in one or more underwritten transactions at a fixed price or prices, which may be changed, or at market prices prevailing at the time of sale, at prices related to prevailing market prices or at negotiated prices. Any underwritten offering may be on a "best efforts" or a "firm commitment" basis. In connection with any

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underwritten offering, underwriters or agents may receive compensation in the form of discounts, concessions or commissions from the selling stockholders. Underwriters may sell the common stock to or through dealers, and these dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions from the purchasers for whom they may act as agents.

The selling stockholders and any underwriters, dealers or agents that participate in the distribution of the common stock may be deemed to be underwriters under the Securities Act of 1933, and any profit on the sale of the common stock by them and any discounts, commissions or concessions received by any underwriters, dealers or agents might be deemed to be underwriting discounts and commissions under the Securities Act of 1933. At any time a particular offer of common stock is made by the selling stockholders, a prospectus supplement, if required, will be distributed that will, where applicable:

- o identify any underwriter, dealer or agent;
- o describe any compensation in the form of discounts, concessions, commissions or otherwise received by each underwriter, dealer or agent and in the aggregate to all underwriters, dealers and agents;
- o identify the amounts underwritten;
- o identify the nature of the underwriter's obligation to take the common stock; and
- o provide any other required information.

The sale of common stock by the selling stockholders may also be effected by selling common stock directly to purchasers or to or through broker-dealers. In connection with any such sale, any broker-dealer may act as agent for the selling stockholders or may purchase from the selling stockholders all or a portion of the common stock as principal, and may be made pursuant to any of the methods described below. Sales may be made on the New York Stock Exchange or other exchanges on which the common stock are then traded, in the over-the-counter market, in negotiated transactions or otherwise at prices and at terms then prevailing or at prices related to the then-current market prices or at prices otherwise negotiated.

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Common stock may also be sold in one or more of the following transactions:

- o block transactions in which a broker-dealer may sell all or a portion of the shares as agent but may position and resell all or a portion of the block as principal to facilitate the transaction;
- o purchases by any broker-dealer as principal and resale by any broker-dealer for its own account pursuant to any supplement to this prospectus;
- o a special offering, an exchange distribution or a secondary distribution in accordance with applicable New York Stock Exchange or other stock exchange rules;
- o ordinary brokerage transactions and transactions in which any broker-dealer solicits purchasers;
- o sales "at the market" to or through a market maker or into an

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existing trading market, on an exchange or otherwise, for shares;  
and

- o sales in other ways not involving market makers or established trading markets, including direct sales to purchasers.

In effecting sales, broker-dealers engaged by the selling stockholders may arrange for other broker-dealers to participate. Broker-dealers will receive commissions or other compensation from the selling stockholders in amounts to be negotiated immediately prior to the sale that will not exceed those customary in the types of transactions involved. Broker-dealers may also receive compensation from purchasers of the common stock which is not expected to exceed that which is customary in the types of transactions involved.

To comply with applicable state securities laws, the common stock will be sold, if necessary, in these jurisdictions only through registered or licensed brokers or dealers. In addition, common stock may not be sold in some states unless they have been registered or qualified for sale in the state or an exemption from registration or qualification requirement is available and is complied with.

All expenses relating to the offering and sale of the common stock, other than commissions, discounts and fees of underwriters, broker-dealers or agents, and subject to our right to receive payments from one of the selling stockholders pursuant to a letter agreement, will be paid by us. We have agreed to indemnify the selling stockholders against some losses, claims, damages, actions, liabilities, costs and expenses, including liabilities under the Securities Act of 1933. See "Registration Rights of the Selling Stockholders," beginning on page 35.

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### EXPERTS

The financial statements of Boston Properties, Inc. incorporated in this prospectus by reference to the Annual Report on Form 10-K for the year ended December 31, 2001 have been so incorporated in reliance upon the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

### LEGAL MATTERS

Certain legal matters, including the validity of the common stock offered through this prospectus, will be passed upon for us by Goodwin Procter LLP. Gilbert G. Menna, the sole stockholder of Gilbert G. Menna, P.C., a partner of Goodwin Procter LLP, serves as one of our Assistant Secretaries. Mr. Menna, and other partners of Goodwin Procter LLP, together own approximately 20,000 shares of our common stock. Goodwin Procter LLP occupies approximately 54,043 square feet at our property at 599 Lexington Avenue, New York, New York under a lease that expires in 2008.

### VALIDITY OF COMMON STOCK

The validity of the common stock we are offering will be passed upon for us by Goodwin Procter LLP, Boston, Massachusetts.

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You should rely only on the information contained in this prospectus, incorporated herein by reference or contained in a prospectus supplement. Neither we nor the selling stockholders have authorized anyone else to provide you with different or additional information. The selling stockholders are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information in this prospectus, or incorporated herein by reference, or in any prospectus supplement is accurate as of any date other than the date on the front of those documents.

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1,066,229 Shares  
of Common Stock

Boston Properties,

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Prospectus

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### Item 14. Other Expenses of Issuance and Distribution.

The expenses in connection with the issuance and distribution of the securities being registered are set forth in the following table (all amounts except the registration fee are estimated):

Registration fee -- Securities and Exchange Commission.....	\$	3,663.78
Accountants' fees and expenses*.....		5,000.00
Blue Sky fees and expenses*.....		1,500.00
Legal fees and expenses (other than Blue Sky)*.....		7,500.00
Printing expenses*.....		2,000.00
Miscellaneous.....		2,336.22
 TOTAL.....	\$	 22,000.00 =====

Except as noted, all expenses in connection with the issuance and distribution of the securities being offered shall be borne by Boston Properties, Inc. Expenses identified by an asterisk(\*) will be borne in part by Boston Properties, Inc., but are also subject to our right to receive payments from one of the selling stockholders pursuant to a letter agreement.

### Item 15. Indemnification of Directors and Officers.

Our certificate of incorporation and bylaws provide certain limitations on the liability of our directors and officers for monetary damages to Boston Properties. Our certificate of incorporation and bylaws obligate Boston Properties to indemnify its directors and officers, and permit Boston Properties to indemnify its employees and other agents, against certain liabilities incurred in connection with their service in such capacities. These provisions could reduce the legal remedies available to Boston Properties and our stockholders against these individuals.

Our certificate of incorporation limits the liability of our directors and officers to Boston Properties to the fullest extent permitted from time to time by the Delaware General Corporation Law. The Delaware General Corporation Law permits, but does not require, a corporation to indemnify its directors, officers, employees or agents and expressly provides that the indemnification provided for under the Delaware General Corporation Law shall not be deemed exclusive of any indemnification right under any bylaw, vote of stockholders or disinterested directors, or otherwise. The Delaware General Corporation Law permits indemnification against expenses and certain other liabilities arising out of legal actions brought or threatened against such persons for their conduct on behalf of the corporation, provided that each such person acted in good faith and in a manner that he reasonably believed was in or not opposed to the corporation's best interests and in the case of a criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful. The Delaware General Corporation Law does not allow indemnification of directors in the case of an action by or in the right of the corporation (including stockholder derivative suits) unless the directors successfully defend the action or indemnification is ordered by the court.

Our certificate of incorporation contains a provision permitted by Delaware law that generally eliminates the personal liability of directors for monetary damages for breaches of their fiduciary duty, including breaches involving negligence or gross negligence in business combinations, unless the director has breached his or her duty of loyalty, failed to act in good faith, engaged in intentional misconduct or a knowing violation of law, paid a dividend or approved a stock repurchase in violation of the Delaware General Corporation Law or obtained an improper personal benefit. The provision does not alter a director's liability under the federal securities laws. In addition, this provision does not affect the availability of equitable remedies, such as an

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injunction or rescission, for breach of fiduciary duty.

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Our bylaws provide that our directors and officers will be, and, in the discretion of our board of directors, non-officer employees may be, indemnified by us to the fullest extent authorized by Delaware law, as it now exists or may in the future be amended, against all expenses and liabilities actually and reasonably incurred in connection with service for or on behalf of Boston Properties. Our bylaws also provide that the right of directors and officers to indemnification shall be a contract right and shall not be exclusive of any other right now possessed or hereafter acquired under any bylaw, agreement, vote of stockholders, or otherwise.

We have entered into indemnification agreements with each of our directors and executive officers. The indemnification agreements require, among other matters, that we indemnify our directors and officers to the fullest extent permitted by law and advance to the directors and officers all related expenses, subject to reimbursement if it is subsequently determined that indemnification is not permitted. Under these agreements, we must also indemnify and advance all expenses incurred by directors and officers seeking to enforce their rights under the indemnification agreements and may cover directors and officers under our directors' and officers' liability insurance. Although the form of indemnification agreement offers substantially the same scope of coverage afforded by law, it provides additional assurance to directors and officers that indemnification will be available because, as a contract, it cannot be modified unilaterally in the future by our board of directors or our stockholders to eliminate the rights it provides. It is the position of the Securities and Exchange Commission that indemnification of directors and officers for liabilities under the Securities Act of 1933 is against public policy and unenforceable pursuant to Section 14 of the Securities Act of 1933.

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### Item 16. Exhibits.

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- 4.1 Amended and Restated Certificate of Incorporation of Boston Properties, Inc. (incorporated herein by reference to Boston Properties, Inc.'s Registration Statement on Form S-11 (File No. 333-25279)).
  - 4.2 Amended and Restated Bylaws of Boston Properties, Inc. (incorporated herein by reference to Boston Properties, Inc.'s Registration Statement on Form S-11 (File No. 333-25279)).
  - 4.3 Second Amended and Restated Agreement of Limited Partnership of Boston Properties Limited Partnership (incorporated herein by reference to Boston Properties, Inc.'s Current Report on Form 8-K dated June 30, 1998, filed with the Commission on July 15, 1998).
  - 4.4 Shareholder Rights Agreement dated as of June 16, 1997 between Boston Properties, Inc. and Fleet National Bank (f.k.a. BankBoston, N.A.), as Rights Agent (incorporated herein by reference to Boston Properties, Inc.'s Registration Statement on Form S-11 (File No. 333-25279)).
  - \*5.1 Opinion of Goodwin Procter LLP as to the legality of the securities and interests being registered.

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- \*\*8.1 Opinion of Goodwin Procter LLP as to certain tax matters.
- \*\*23.1 Consent of PricewaterhouseCoopers LLP, Independent Accountants.
- \*23.2 Consent of Goodwin Procter LLP (included as part of Exhibits 5.1 and 8.1).
- \*24.1 Powers of Attorney (included on the signature page of the Registration Statement as filed).
- \*99.1 Registration Rights Agreements, dated as of July 8, 2002, by and between Boston Properties, Inc., Boston Properties Limited Partnership and the selling stockholders.

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\* Previously filed  
\*\* Filed herewith

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Item 17. Undertakings.

(a) Boston Properties, Inc. hereby undertakes:

(1) To file, during any period in which offers or sales are being made pursuant to this Registration Statement, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this Registration Statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in this Registration Statement or any material change to such information in this Registration Statement.

provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Securities and Exchange Commission by Boston Properties pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in this Registration Statement;

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

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(b) Boston Properties hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of Boston Properties' annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in this Registration Statement shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of Boston Properties pursuant to the foregoing provisions, or otherwise, Boston Properties has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by Boston Properties of expenses incurred or paid by a director, officer or controlling person of Boston Properties in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, Boston Properties will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, Boston Properties, Inc. certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Boston, the Commonwealth of Massachusetts, on this 5th day of August, 2002.

BOSTON PROPERTIES, INC.

By: /s/ Edward H. Linde

Name: Edward H. Linde

Title: President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
* ----- Mortimer B Zuckerman	Chairman of the Board of Directors	August 5
/s/ Edward H. Linde		

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----- Edward H. Linde	President and Chief Executive Officer, Director (Principal Executive Officer)	August 5
* ----- Douglas T. Linde	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	August 5
* ----- Alan J. Patricof	Director	August 5
* ----- Ivan G. Seidenberg	Director	August 5
* ----- Martin Turchin	Director	August 5
* ----- Alan B. Landis	Director	August 5
* ----- Richard A. Salomon	Director	August 5

\* By: /s/ Edward H. Linde  
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Edward H. Linde  
Attorney-in-Fact

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EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
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\* Previously filed  
\*\* Filed herewith

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