

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. INCOME TAXES

We have maintained and intend to maintain our election as a REIT under the Internal Revenue Code of 1986, as amended. To qualify as a REIT, we must meet a number of organizational and operational requirements, including a requirement that we currently distribute at least 90% of our taxable income to our shareholders. As a REIT, we generally will not be subject to federal income tax on distributed taxable income. No provision for federal income taxes from REIT operations has been included in the accompanying consolidated financial statements as we made distributions in excess of our taxable income in each of the three years ended December 31, 2004. If we fail to qualify as a REIT in any taxable year, then we will be subject to federal income taxes at regular corporate rates, including any applicable alternative minimum tax. Taxable income from non-REIT activities managed through taxable REIT subsidiaries is subject to applicable federal, state and local income taxes. The tax attributes of our taxable REIT subsidiaries are immaterial to the accompanying consolidated financial statements.

The following table reconciles net income to REIT taxable income for the years ended December 31, 2004, 2003 and 2002:

in thousands	2004	year ended december 31,	
		2003	2002
Net income	\$ 41,341	\$ 29,430	\$ 74,612
Net (income) loss of taxable REIT subsidiaries included above	2,504	(496)	4,034
Net income from REIT operations	43,845	28,934	78,646
Book depreciation and amortization, including discontinued operations	108,880	108,027	105,043
Tax depreciation and amortization	(100,803)	(94,660)	(89,734)
Book/tax difference on gains/losses from capital transactions	29,627	999	(1,642)
Other book/tax differences, net	(3,697)	(3,454)	(3,919)
REIT taxable income	77,852	39,846	88,394
Dividends paid deduction	(79,038)	(100,104)	(103,441)
Dividends paid (in excess) of taxable income	\$ (1,186)	\$ (60,258)	\$ (15,047)

A schedule of per share distributions we paid and reported to our shareholders is set forth in the following tables:

	2004 ⁽¹⁾	year ended december 31,	
		2003	2002
COMMON SHARE DISTRIBUTIONS			
Ordinary income	\$ 0.97	\$ 2.15	\$ 1.85
Return of capital	-	0.34	-
20% long-term capital gain	-	-	0.46
Pre May 6, 2003 long-term capital gain	-	0.01	-
Post May 5, 2003 long-term capital gain	0.72	0.03	-
25% Sec. 1250 capital gain	0.22	0.01	0.23
Total	\$ 1.91	\$ 2.54	\$ 2.54
Percentage of distributions representing tax preference items	9.081%	8.304%	9.491%

(1) The dividend declared for the fourth quarter of 2004, with a record date of January 3, 2005, will be taxable in 2005.