National Policy Bulletin

Best Financial Practices Disclosure:
Disclosing Taxable Income and Income Taxes

October 25, 2001

Introduction

In its effort to enhance the quality and effectiveness of industry financial reporting practices, NAREIT's Best Financial Practices Council offers this second in a series of "best practices" disclosures related to items of particular importance to real estate investment trust (REIT) and other real estate company financial or operations reporting. This National Policy Bulletin discusses the need for information regarding taxable income and income taxes and provides examples of disclosures. NAREIT believes that the specific content and manner in which the disclosures are presented should be based on the judgement of the management of each company.

Disclosing Taxable Income and Income Taxes

With the creation and formation of taxable REIT subsidiaries (TRS), the importance of income taxes to users of financial statements will take on increased significance. NAREIT's Best Financial Practices Council believes it would be beneficial to assist companies in the development of income tax disclosures required by Statement of Financial Accounting Standards No. 109 (SFAS 109), *Accounting for Income Taxes*, by providing examples of disclosures from current real estate company reports to shareholders.

In addition, some analysts and investors have suggested that REITs also should disclose a reconciliation of their net income under generally accepted accounting principles (GAAP) to taxable income to provide investors with a better understanding of the dividends required to be paid, as well as the relationship between actual payouts and the required payout. Both dedicated and non-dedicated REIT investors focus on dividends as a significant part of their return on investment. Dividend payout ratios as a percentage of Funds from Operations (FFO), Adjusted Funds from Operations (AFFO) or Cash or Funds Available for Distribution (CAD/FAD) are used by investors and analysts to project the dividend-paying ability of a REIT. Despite the fact that taxable income effectively establishes dividend payouts for many REITs, this amount is not readily available from reporting under GAAP.

If REITs were to provide a reconciliation of their annual GAAP net income with

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taxable income the industry would benefit in the following ways:

1. Increased transparency regarding taxable income would provide investors and analysts a better understanding of current and prospective dividend payouts.

2. The reconciliation would provide investors and analysts with information about differences between GAAP and tax revenue and expense recognition practices.

3. Because REITs receive a dividends paid deduction for distributions to shareholders, they generally pay minimal income taxes. Therefore, they do not make certain disclosures about income taxes required of all companies by SFAS 109. By presenting this reconciliation, REITs would be providing relevant income tax disclosures.

To assist companies in the development of income tax disclosures and a reconciliation between GAAP net income and taxable income, the Council has assembled on the following pages examples of disclosures and reconciliations from current real estate company 10-K filings. SFAS 109 and Securities and Exchange Commission Accounting Series Release Nos. 149 and 280 provide guidelines and rules about disclosing income tax information. The Council recommends that the reconciliation of GAAP net income to taxable income be made on an annual basis and disclosed in a company's 10-K and/or annual report to shareholders. This reconciliation is not intended to be a substitute for the disclosures required by SFAS 109, which would be applicable if the REIT has material taxable activities. The Council also recommends that a company provide a discussion of its dividend policy (i.e., level of dividend, growth, relationship to operating results, etc.) in Management's Discussion and Analysis.

The examples on the following pages include income tax disclosures and reconciliations of GAAP net income to taxable income from four REITS (AMB Property Corp., Apartment Investment and Management Co., Cousins Properties Inc., and Equity Office Properties Trust), income tax disclosures from three real estate operating companies (Catellus Development Corp., Forest City Enterprises Inc., and Starwood Hotels & Resorts Worldwide Inc.), and a disclosure format, Example 8, developed by the Council based on the other disclosures presented.

Example 1

AMB PROPERTY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2000, 1999 AND 1998

INCOME TAXES

The Company elected to be taxed as a REIT under the Code, commencing with its taxable year ended December 31, 1997. To qualify as a REIT, the Company must meet a number of organizational and operational requirements, including a requirement that it currently distribute at least 95% of its taxable income to its stockholders. Effective January 1, 2001, to qualify as a REIT, the Company must distribute at least 90% of its taxable income to its stockholders. It is management's current intention to adhere to these requirements and maintain the Company's REIT status. As a REIT, the Company generally will not be subject to corporate level federal income tax on net income it distributes currently to its stockholders. As such, no provision for federal income taxes has been included in the accompanying consolidated financial statements. If the Company fails to qualify as a REIT in any taxable year, then it will be subject to federal income taxes at regular corporate rates (including any applicable alternative minimum tax) and may not be able to qualify as a REIT for four subsequent taxable years. Even if the Company qualifies for taxation as a REIT, the Company may be subject to certain state and local taxes on its income and property and to federal income and excise taxes on its undistributed taxable income.

The following reconciles net income available to common stockholders to taxable income available to common stockholders for the years ended December 31:

	2000	1999	1998
	(DOLLARS IN THOUSANDS)		
Net income available to common stockholders	$ 113,282	$ 167,603	$ 108,954
Add: Book depreciation and amortization	96,258	67,505	57,464
Less: Tax depreciation and amortization	(87,338)	(69,264)	(51,620)
Book/tax difference on gain on divestiture of real estate	18,788	(15,471)	—
Other book/tax differences, net[1]	(5,723)	(12,722)	(20,778)
Taxable income available to common stockholders	$ 135,267	$ 137,651	$ 94,020

[1] Primarily due to rent and debt premium amortization timing differences.

For income tax purposes, distributions paid to common stockholders consist of ordinary income, capital gains, or a combination thereof. For the years ended December 31, 2000 and 1999, the Company elected to distribute all of its taxable capital gain. Dividends paid per share were taxable as follows:

	2000		1999		1998	
Ordinary income	$ 1.21	82.0%	$ 1.14	74.6%	$ 1.24	100.00%
Capital gains	0.20	13.2%	0.28	18.5%	—	0.00%
Unrecaptured Section 1250 Gain	0.07	4.8%	0.11	6.9%	—	0.00%
Dividends paid or payable	$ 1.48	100.0%	$ 1.53	100.0%	$ 1.24	100.00%

Example 2

APARTMENT INVESTMENT AND MANAGEMENT COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2000

Income Taxes

AIMCO has elected to be taxed as a real estate investment trust ("REIT"), as defined under the Internal Revenue Code of 1986, as amended. In order for AIMCO to qualify as a REIT, at least 90% (95% in 2000) of AIMCO's gross income in any year must be derived from qualifying sources. The activities of unconsolidated subsidiaries engaged in the service company business are not qualifying sources.

As a REIT, AIMCO generally will not be subject to U.S. Federal income taxes at the corporate level on its net income that is distributed to its stockholders if it distributes at least 90% of its REIT taxable income to its stockholders. REITs are also subject to a number of other organizational and operational requirements. If AIMCO fails to qualify as a REIT in any taxable year, its taxable income will be subject to U.S. Federal income tax at regular corporate rates (including any applicable alternative minimum tax). Even if AIMCO qualifies as a REIT, it may be subject to certain state and local income taxes and to U.S. Federal income and excise taxes on its undistributed income.

Earnings and profits, which determine the taxability of dividends to stockholders, differ from net income reported for financial reporting purposes due to differences for U.S. Federal tax purposes in the estimated useful lives and methods used to compute depreciation and the carrying value (basis) of the investments in properties, among other things.

The following table reconciles the Company's net income to REIT taxable income for the year ended December 31, 2000:

Net income	$ 99,178
Elimination of earnings from unconsolidated subsidiaries	(3,666)
Depreciation and amortization expense not deductible for tax	89,885
Gain on disposition of properties	42,645
Interest income, not taxable	(12,987)
Depreciation timing differences on real estate	7,007
Dividends on officer stock, not deductible for tax	2,496
LP deficit allocations, not deductible for tax	21,992
Transaction and project costs, deductible for tax	(2,730)
REIT taxable income	$ 243,820

For income tax purposes, distributions paid to common stockholders consist of ordinary income, capital gains, return of capital or a combination thereof. For the years ended December 31, 2000, 1999 and 1998, distributions paid per share were taxable as follows:

	2000		1999		1998	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Ordinary income	$ 1.84	66 %	$ 2.04	82 %	$ 0.90	40 %
Return of capital	-	-	0.16	6 %	1.33	59 %
Capital gains	0.32	11 %	0.12	5 %	-	-
Unrecaptured SEC.1250 gain	0.64	23 %	0.18	7 %	0.02	1 %
	$ 2.80	100 %	$ 2.50	100 %	$ 2.25	100 %

Example 3

COUSINS PROPERTIES INCORPORATED AND CONSOLIDATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2000, 1999 and 1998

INCOME TAXES

In 2000, 1999 and 1998, because Cousins qualified as a REIT and distributed all of its taxable income (see Note 6), it incurred no federal income tax liability. The differences between taxable income as reported on Cousins' tax return (estimated 2000 and actual 1999 and 1998) and Consolidated Net Income as reported herein are as follows ($ in thousands):

	2000	1999	1998
Consolidated net income	$62,043	$104,082	$45,299
Consolidating adjustments	(24,773)	(24,232)	(2,759)
Less CREC[*] net loss (income)	771	(5,043)	540
Less CREC II[*] net income	(738)	(937)	—
Cousins net income for financial reporting purposes	37,303	73,870	43,080
Adjustments arising from:			
Sales of investment properties	(3,967)	(56,305)	(3,940)
Income from unconsolidated joint ventures (principally depreciation, revenue recognition, and operational timing differences)	11,673	13,320	(453)
Rental income recognition	(302)	726	209
Interest income recognition	220	234	372
Property taxes deferred	655	655	1,096
Interest expense	8,634	10,603	4,934
Compensation expense under the 1999 and Predecessor Plans	(2,189)	(538)	19
Depreciation	9,945	5,236	4,913
Other	(249)	2,319	(115)
Cousins taxable income	$ 61,723	$ 50,120	$ 50,115

* taxable entities

Example 3 (continued)

The consolidated (benefit) provision for income taxes is composed of the following ($ in thousands):

	2000	1999	1998
CREC and CREC II and their wholly owned subsidiaries:			
Currently payable:			
Federal	$ 513	—	—
State	—	—	—
	513	—	—
Adjustments arising from:			
Income from unconsolidated joint ventures	(556)	(298)	356
Operating loss carryforward	(180)	4,465	607
Stock appreciation right expense	741	4	(132)
Residential lot sales, net of cost of sales	(1,430)	(524)	(1,114)
Other	(226)	864	(233)
	(1,651)	4,511	(516)
CREC and CREC II (benefit) provision for income taxes	(1,138)	4,511	(516)
Cousins provision (benefit) for state income taxes	24	(40)	379
Less provision applicable to gain on sale of investment properties	—	(2,029)	(11)
Consolidated (benefit) provision applicable to income from operations	$ (1,114)	$ 2,442	$ (148)

The net income tax (benefit) provision differs from the amount computed by applying the statutory federal income tax rate to CREC's and CREC II's (loss) income before taxes as follows ($ in thousands):

	2000		1999		1998	
	Amount	Rate	Amount	Rate	Amount	Rate
Federal income tax (benefit) provision	$ (398)	34%	$ 4,058	34%	$ (359)	34%
State income tax (benefit) provision, net of federal income tax effect	(81)	4	477	4	(42)	4
Other	(659)	59	(24)	—	(115)	11
CREC and CREC II (benefit) provision for income taxes	(1,138)	97%	4,511	38%	(516)	49%
Cousins provision (benefit) for state income taxes	24		(40)		379	
Less provision applicable to gain on sale of investment properties	—		(2,029)		(11)	
Consolidated (benefit) provision applicable to income from operations	$ (1,114)		$2,442		$(148)	

Example 3 (continued)

The components of CREC and CREC II's net deferred tax liability are as follows ($ in thousands):

	CREC and CREC II	
	2000	1999
Deferred tax assets	$ 5,192	$ 3,905
Deferred tax liabilities	(6,663)	(5,999)
Net deferred tax liability	$ (1,471)	$ (2,094)

The tax effect of significant temporary differences representing CREC and CREC II's deferred tax assets and liabilities are as follows ($ in thousands):

	CREC and CREC II	
	2000	1999
Operating loss carryforward	$ 212	$ 32
Income from unconsolidated joint ventures	(3,339)	(3,906)
Residential lot sales, net of cost of sales	3,212	1,782
Interest capitalization	(802)	(1,259)
Other	(754)	1,257
Net deferred tax liability	$ (1,471)	$ (2,094)

Example 4

EQUITY OFFICE PROPERTIES TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2000

Income Taxes

The Office Properties and Parking Facilities primarily are owned by limited partnerships or limited liability companies, which are substantially pass-through entities. Some of the pass-through entities have corporate general partners or members, which are subject to federal and state income and franchise taxes. In addition, the management business is owned by a corporation and is subject to federal and state income taxes. Equity Office incurred federal and state income and franchise taxes of approximately $2.7 million, $0.7 million and $1.7 million for the years ended December 31, 2000, 1999 and 1998, respectively, which are included in general and administrative expenses.

Equity Office has elected to be taxed as a REIT, under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code"). As a REIT, Equity Office generally will not be subject to federal income tax if it distributes 100% of its taxable income for each tax year to its shareholders. REITs are subject to a number of organizational and operational requirements. If Equity Office fails to qualify as a REIT in any taxable year, it will be subject to federal income tax (including any applicable alternative minimum tax) on its taxable income at regular corporate tax rates. Even if Equity Office qualifies for taxation as a REIT, Equity Office may be subject to state and local income taxes and to federal income tax and excise tax on its undistributed income. The aggregate cost of land and depreciable property for federal income tax purposes as of December 31, 2000 and 1999 was approximately $12.2 billion and $10.3 billion, respectively.

Reconciliation of Net Income to Estimated Taxable Income (Unaudited)

Earnings and profits, which determine the taxability of distributions to stockholders, differ from net income reported for financial reporting purposes due to differences for U.S. Federal tax purposes in the estimated useful lives and methods used to compute depreciation and the carrying value (basis) of the investments in properties, among other things. The following table reconciles Equity Office's net income to estimated taxable income for the year ended December 31, 2000:

Net income available to Common Shares	$424,936
Straight-line rent adjustments	(69,822)
Preferred distributions not deductible for tax	43,348
Tax gain on sale of real estate in excess of GAAP gain	30,064
Depreciation/amortization timing differences on real estate	109,071
Transaction and project costs, deductible for tax	(38,000)
Other adjustments	7,333
Estimated taxable net income	$506,930

Example 5

CATELLUS DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2000, 1999 and 1998

The income tax expense reflected in the consolidated statement of operations differs from the amounts computed by applying the federal statutory rate of 35% to income before income taxes and extraordinary items as follows:

	Year Ended December 31, 2000	1999	1998
	(In thousands)		
Federal income tax expense at statutory rate	$ 65,136	$ 41,269	$ 35,106
Increase in taxes resulting from:			
State income taxes, net of federal impact	9,860	6,251	5,203
Other	99	170	91
	$ 75,095	$ 47,690	$ 40,400

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities and for operating loss and tax credit carryforwards. Significant components of the Company's net deferred tax liability are as follows:

	December 31, 2000	1999
Deferred tax liabilities:	(In thousands)	
Involuntary conversions (condemnations) of property	$ 85,650	$ 90,341
Capitalized interest, taxes, and overhead	93,211	92,907
Like-kind property exchanges	92,674	58,889
Investments in partnerships	49,029	45,839
Income of subsidiary REIT	23,726	8,264
Capital lease	14,966	5,215
Other	11,720	2,198
	370,976	303,653
Deferred tax assets:		
Operating loss and tax credit carryforwards	3,071	8,233
Intercompany transactions (prior to spin-off)	15,253	15,306
Capitalized rent	23,901	24,411
Adjustment to carrying value of property	41,425	41,455
Construction contract receivable	8,832	2,474
Depreciation and amortization	17,309	14,312
Capital lease payable	6,134	2,741
Environmental reserve	4,097	4,161
Other	2,979	4,968
	123,001	118,061
Net deferred tax liability	$ 247,975	$ 185,592

The Company has tax credit carryforwards of $3.1 million for alternative minimum tax, which are not subject to expiration. All of the Company's net operating loss carryforwards have been used prior to expiration.

The income tax benefit of $2.1 million and $1.1 million for the years ended December 31, 2000 and 1999, respectively, associated with the exercise of stock options is credited directly to paid-in capital on the accompanying statement of stockholders' equity.

Example 6

FOREST CITY ENTERPRISES INC. - 2000 ANNUAL REPORT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
January 31, 2001, 2000 and 1999

The income tax provision consists of the following components:

	Years Ended January 31,		
	2001	2000 (in thousands)	1999
Current			
Federal	$ 7,991	$ 8,620	$ (570)
Foreign	422	446	409
State	1,913	3,191	75
	10,326	12,257	(86)
Deferred			
Federal	9,495	10,796	21,996
Foreign	40	28	16
State	2,451	1,238	5,748
	11,986	12,062	27,760
Total provision	$ 22,312	$ 24,319	$ 27,674

The effective tax rate for income taxes varies from the federal statutory rate of 35% due to the following items.

	Years Ended January 31,		
	2001	2000 (in thousands)	1999
Statement earnings before income taxes, after minority interest	$113,949	$64,849	$66,081
Income taxes computed at the statutory rate	$39,882	22,697	$23,129
Increase (decrease) in tax resulting from:			
State taxes, net of federal benefit	7,834	3,016	3,452
Contribution Carryover	(361)	(201)	1,113
Adjustment of prior estimated taxes	190	64	(116)
Valuation allowance	(2,262)	(423)	165
Cancellation of debt	(23,589)	---	---
Other items	618	(834)	(69)
Total provision	$ 22,312	$ 24,319	$ 27,674
Effective tax rate	19.58%	37.50%	41.88%

Example 6 (continued)

An analysis of the deferred tax provision is as follows:

	Years Ended January 31, 2001	2000	1999
	(in thousands)		
Excess of tax over statement depreciation and amortization	$ 5,389	$ 2,035	$ 3,040
Cancellation of debt	(23,589)	—	—
Gains deferred for tax	14,636	4,219	—
Costs on land and rental properties under development expensed for tax purposes	3,852	2,509	3,657
Revenues and expenses recognized in different periods for tax and statement purposes	(412)	(1,121)	9,294
Difference between tax and statement related to unconsolidated entities	4,792	(421)	6,519
Provision for decline in real estate	(431)	(1,772)	—
Deferred state taxes, net of federal benefit	4,817	1,188	3,019
Utilization of tax loss Carryforward	13,221	15,577	5,423
Valuation allowance	(2,262)	(423)	165
Alternative minimum tax credits	(8,027)	(9,729)	(3,357)
Deferred provision	$ 11,986	$ 12,062	$ 27,760

The types of differences that gave rise to significant portions of the deferred income tax liability are presented in the following table.

	January 31, Temporary Differences 2001	Temporary Differences 2000	Deferred Tax 2001	Deferred Tax 2000
	(in thousands)			
Depreciation	$ 154,487	$ 169,817	$ 61,099	$ 67,163
Capitalized costs (1)	322,482	221,539	127,542	87,619
Net operating losses	(10,026)	(41,513)	(3,509)	(14,530)
Federal tax credits	—	—	(32,871)	(23,263)
Comprehensive income	6,400	31,690	2,531	12,533
Basis in unconsolidated Entities	110,977	89,133	43,892	35,252
Other	(70,830)	12,154	(22,013)	9,887
	$ 513,490	$ 482,820	$ 176,671	$ 174,661

(1) Included in capitalized costs at January 31, 2001 is $ 56,910 related to replacement property of tax-deferred exchanges.

Example 6 (continued)

Income taxes paid totaled $15,511,000, $7,176,000 and $3,740,000 in the years ended January 31, 2001, 2000 and 1999, respectively. At January 31, 2001, the Company had a net operating loss carryforward for tax purposes of $10,026,000 which will expire in the year ending January 31, 2011, general business credit carryovers of $1,582,000 which will expire in the years ending January 31, 2004 through January 31, 2015 and alternative minimum tax carryforward of $31,289,000.

The Company's net deferred tax liability at January 31, 2001 is comprised of deferred liabilities of $309,072,000 deferred assets of $134,340,000 and a valuation allowance related to state taxes and general business credits of $1,939,000.

Example 7

**STARWOOD HOTELS & RESORTS WORLDWIDE, INC.
AND STARWOOD HOTELS & RESORTS**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2000, 1999 and 1998**

Income Taxes

Income tax data from continuing operations of the Company is as follows (in millions):

	Year Ended December 31,		
	2000	1999	1998
Pretax income			
U.S.	$ 437	$ 277	$ 35
Foreign	173	256	110
	$ 610	$ 533	$ 145
Provision (benefit) for income tax			
Current:			
U.S. federal	$ 71	$ 65	$ 34
State and local	9	13	6
Foreign	95	95	43
	175	173	83
Deferred:			
U.S. federal	19	718	(189)
State and local	-	180	-
Foreign	7	5	17
	26	903	(172)
	$ 201	$ 1,076	$ (89)

No provision was made for U.S. taxes payable on undistributed foreign earnings amounting to approximately $32 million since these amounts are permanently reinvested.

Example 7 (continued)

Deferred income taxes represent the tax effect of the differences between the book and tax bases of assets and liabilities. Deferred tax assets (liabilities) include the following (in millions):

	December 31,	
	2000	1999
Plant, property and equipment	$ (779)	$ (757)
Intangibles	(335)	(342)
Allowances for doubtful accounts and other reserves	139	121
Employee benefits	36	29
Deferred gain	(524)	(524)
Net operating loss and tax credit carryforwards	188	161
Deferred income	(115)	(87)
Transaction costs	22	23
Other	(11)	(11)
	(1,379)	(1,387)
Less valuation allowance	(65)	(83)
Deferred income taxes	$ (1,444)	$ (1,470)

At December 31, 2000, the Company has net operating loss and tax credit carryforwards of approximately $478 million and $22 million, respectively, for federal income tax purposes. Substantially all operating loss carryforwards, which are expected to provide future tax benefits, expire in 2018.

A reconciliation of the tax provision of the Company at the U.S. statutory rate to the provision for income tax as reported is as follows (in millions):

	Year Ended December 31,		
	2000	1999	1998
Tax provision at U.S. statutory rate	$ 214	$ 187	$ 51
U.S. state and local income taxes	6	8	6
Exempt Trust income	(49)	(41)	(147)
Tax on repatriation of foreign earnings	21	16	(5)
Foreign tax rate differential	14	(5)	8
Non-deductible goodwill	16	14	19
Reorganization	-	936	-
Transaction costs	-	(58)	(21)
Deferred asset valuation allowance	(18)	5	-
Other	(3)	14	-
Provision (benefit) for income tax	$ 201	$ 1,076	$ (89)

Example 8

BEST FINANCIAL PRACTICES COUNCIL DISCLOSURE

Based on the disclosure practices of the above companies, the Council developed the following income tax disclosure and reconciliation for years for which operating results are being reported:

The Company elected to be taxed as a real estate investment trust (REIT) under the Internal Revenue Code, commencing with its taxable year ended December 31, 199x. To qualify as a REIT, the Company must meet a number of organizational and operational requirements, including a requirement that it currently distribute at least 90% of its adjusted taxable income to its stockholders. It is management's current intention to adhere to these requirements and maintain the Company's REIT status. As a REIT, the Company generally will not be subject to corporate level federal income tax on taxable income it distributes currently to its stockholders. If the Company fails to qualify as a REIT in any taxable year, it will be subject to federal income taxes at regular corporate rates (including any applicable alternative minimum tax) and may not be able to qualify as a REIT for four subsequent taxable years. Even if the Company qualifies for taxation as a REIT, the Company may be subject to certain state and local taxes on its income and property, and to federal income and excise taxes on its undistributed taxable income. In addition, taxable income from non-REIT activities managed through taxable REIT subsidiaries is subject to federal, state and local income taxes.

Reconciliation between GAAP net income and taxable income:

The following is an example of a table that reconciles GAAP net income to taxable income for the years ended December 31, 2001, 2000 and 1999:

	2001 Estimate	2000 Actual	1999 Actual
GAAP net income	$ xx,xxx	$ xx,xxx	$ xx,xxx
Less: GAAP net income of Taxable REIT Subsidiaries included above	(xx,xxx)	(xx,xxx)	(xx,xxx)
GAAP net income from REIT operations (note 1)	xx,xxx	xx,xxx	xx,xxx
Add: Book depreciation and amortization	xx,xxx	xx,xxx	xx,xxx
Less: Tax depreciation and amortization	(xx,xxx)	(xx,xxx)	(xx,xxx)
Book/tax difference on gains/losses from capital transactions	xx,xxx	xx,xxx	xx,xxx
Other book/tax differences, net	xx,xxx	xx,xxx	xx,xxx
Taxable income before adjustments	xxx,xxx	xxx,xxx	xxx,xxx
Less: Capital gains	(xxx,xxx)	(xxx,xxx)	(xxx,xxx)
Taxable ordinary income before adjustments	xxx,xxx	xxx,xxx	xxx,xxx
Less: Other adjustments (note 2)	xx,xxx	xx,xxx	xx,xxx
Adjusted taxable income subject to 90% dividend requirement	$ xxx,xxx	$ xxx,xxx	$ xxx,xxx

Note 1 - All adjustments to "GAAP net income from REIT operations" are net of amounts attributable to minority interest and taxable REIT subsidiaries.

Note 2 - Based on adjustments permitted by the Internal Revenue Code, such as gain on abandoned 1031 Exchange and original issue discount.

Example 8 (continued)

Reconciliation between cash dividends paid and dividends paid deduction:

The following is an example of a table that reconciles cash dividends paid with the dividends paid deduction for the years ended December 31, 2001, 2000 and 1999:

	2001	2000	1999
Cash dividends paid	$ xxx,xxx	$ xxx,xxx	$ xxx,xxx
Less: Dividends designated to prior year	(xxx,xxx)	(xxx,xxx)	(xxx,xxx)
Plus: Dividends designated from following year	xxx,xxx	xxx,xxx	xxx,xxx
Less: Portion designated capital gain distribution	(xxx,xxx)	(xxx,xxx)	(xxx,xxx)
Dividends paid deduction	$ xxx,xxx	$ xxx,xxx	$ xxx,xxx

Characterization of distributions:

The following is an example of a table that characterizes distributions paid per common share for the years ended December 31, 2001, 2000, and 1999:

	2001		2000		1999	
	$	%	$	%	$	%
Ordinary income	$ x.xx	xx%	$ x.xx	xx%	$ x.xx	xx%
Return of capital	x.xx	xx%	x.xx	xx%	x.xx	xx%
Capital gains	x.xx	x%	x.xx	x%	x.xx	x%
Unrecaptured Section 1250 gain	x.xx	x%	x.xx	x%	x.xx	x%
	$ x.xx	100%	$ x.xx	100%	$ x.xx	100%